

**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001**

**EXPERIMENTAL RATE AND SERVICE
CHANGES TO IMPLEMENT NEGOTIATED
SERVICE AGREEMENT WITH
CAPITAL ONE SERVICES, INC.**

DOCKET No. MC2002-2

**FIRST INTERROGATORIES OF CAPITAL ONE SERVICES, INC.
TO NEWSPAPER ASSOCIATION OF AMERICA
WITNESS CHRISTOPHER D. KENT (NAA-T1)**

Capital One Services, Inc (COS) hereby requests Newspaper Association of America to respond fully and completely to the following interrogatories and requests for production of documents pursuant to Rules 25 and 26 of the Commission's Rules of Practice and Procedure.

Respectfully submitted

Timothy J. May
Patton Boggs LLP
2550 M Street, NW
Washington, D.C. 20037-1350
Tel: 202 457 6050
Fax: 202 457 6315
Counsel for Capital One Services, Inc.

Dated: December 26, 2002

COS/NAA-T1-1. Please refer to page 4 of your testimony where you state, “In response to requests subsequent to its filing, the USPS has prepared several sensitivity analyses, but it has not committed to any one final number for all three years. Further, several of these analyses result in negative contributions in years two and three.”

- (a) Have you prepared any forecasts of Capital One’s First-Class Mail volumes in FY 2004 or FY 2005? If so, please provide all of your forecasts and all underlying calculations.
- (b) Please confirm that none of the sensitivities presented in the Postal Service’s response to the referenced Oral Request of Commission Goldway result in a net negative contribution over the entire three-year term of the agreement. If not confirmed, please explain fully.

COS/NAA-T1-2. Please refer to page 9 of your testimony where you state, “the mail processing cost of returned mail in the USPS analysis appears to be based on FY 2000 IOCS data.” Please confirm that FY 2000 IOCS data was used in Docket No. R2001-1 to distribute costs to all mail classes and special services. If not confirmed, please explain fully.

COS/NAA-T1-3. Please refer to Table 1 on page 10 of your testimony where you calculate the total contribution as a result of the NSA based upon “illustrative” unit costs regarding physical return costs.

- (a) Have you developed any estimates of the Postal Service’s cost to physically return First-Class Mail pieces? If so, please provide all estimates and all underlying calculations.
- (b) Have you developed any estimates of the Postal Service’s cost to physically return First-Class Mail letters? If so, please provide all estimates and all underlying calculations.
- (c) Have you developed any estimates of the Postal Service’s cost to physically return First-Class Mail barcoded letters? If so, please provide all estimates and all underlying calculations.
- (d) Have you developed any estimates of the Postal Service’s cost to physically return First-Class Mail letters to Capital One? If so, please provide all estimates and all underlying calculations.

COS/NAA-T1-4. Please refer to the section of your testimony titled “Avoided forwarding costs are overstated”, which begins on page 14.

- (a) Have you developed any estimates of the Postal Service’s cost to forward First-Class Mail pieces? If so, please provide all estimates and all underlying calculations.
- (b) Have you developed any estimates of the Postal Service’s cost to forward First-Class Mail letters? If so, please provide all estimates and all underlying calculations.
- (c) Have you developed any estimates of the Postal Service’s cost to forward First-Class Mail barcoded letters? If so, please provide all estimates and all underlying calculations.
- (d) Have you developed any estimates of the Postal Service’s cost to forward First-Class Mail letters to Capital One? If so, please provide all estimates and all underlying calculations.
- (e) Please confirm that your adjustment to witness Crum’s model to remove the costs associated with postage due mail reduces the unit cost of forwarding by approximately 0.3 percent. If not confirmed, by what percentage does your adjustment to witness Crum’s mode decrease the unit cost of forwarding?

COS/NAA-T1-5. Please refer to Table 2 on Page 14 of your testimony. Have you developed any estimates of the percentage of Capital One's First-Class Mail letters that are forwarded? If so, please provide all estimates and all underlying calculations.

COS/NAA-T1-6. Please refer to page 6 of your testimony where you discuss eACS fees and USPS-T-3 at 5. Please confirm that witness Crum calculated the return cost savings based upon the assumption that Capital One would receive eACS notification. If not confirmed, please explain fully.

COS/NAA-T1-7. Please refer to page 3 of your testimony where you state, “In my experience, no private firm would have negotiated the Postal Service’s side of this deal.”

- (a) Please provide a list of all agreements that you personally have negotiated for private firms.
- (b) Please provide, as library references, copies of all agreements listed in your response to subpart (a) of this interrogatory.

COS/NAA-T1-8. Please refer to page 6 of your testimony where you state, “as a matter of rate design, it seems inequitable to give free eACS to a high-cost entity, while mailers that engage in better address hygiene do not get a discount.”

- (a) Have you performed any analyses that compare Capital One’s address hygiene practices to that of any other mailers? If so, please provide a copy of each analysis.

- (b) Have you performed any analyses that compare Capital One’s address hygiene practices to those required by Postal Service rules and regulations? If so, please provide a copy of each analysis.

COS/NAA-T1-9. Please refer to page 7 of your testimony where you state, “The USPS has a margin of only \$8.2 million in this NSA. Although this may look like a lot of money, when one considers the per piece costs for 1.4 billion pieces in the test year alone, an error in the cost estimates of a penny or two becomes significant.” Please refer to further to footnote 10 on page 6 of your testimony.

- (a) Please confirm that the cost estimates to which you referred on page 7 are estimates of the cost of returns and forwarded pieces. If not confirmed, to what cost estimates does this reference apply?
- (b) Please confirm that, based upon the calculations described in the footnote on page 10 of your testimony, FY 2003 eACS return mail volume for Capital One will be 62 million pieces. If not confirmed, please explain fully and provide your best estimate of FY 2003 Capital One’s eACS returns.
- (c) Please confirm that, based upon the calculations described in the footnote on page 10 of your testimony, FY 2003 eACS forwarded mail volume for Capital One will be between 14 and 70 million pieces. If not confirmed, please explain fully and provide your best estimate of FY 2003 Capital One’s eACS forwards.

COS/NAA-T1-10. Please refer to Table 1 on page 10 of your testimony.

- (a) Please provide in an electronic spreadsheet all calculations underlying the cost savings and contribution figures shown in Table 1.
- (b) In calculating the “Return Cost Savings for FY2003” and the “Total Contribution as a Result of the NSA” that are presented in this table, did you assume that the unit cost of eACS was 33 cents, as estimated by witness Crum? If not, what unit cost did you use?
- (c) Is it your testimony that witness Crum overstated the unit cost of physically returning mail to Capital One, but accurately estimated the cost of eACS returns? If so, please explain why the reasons you believe witness Crum overstated the unit cost of physically returning mail to Capital One do not apply to witness Crum’s estimation of eACS costs.

COS/NAA-T1-11. Please refer to page 8 of your testimony where you note, “Presorted/bar-coded letters, the type of letter that COS normally mails, comprise only a part of total FCM volume.” Do you believe that the cost of returning a presorted/bar-coded letter is different than the cost of returning an identical letter that wasn’t presorted or barcoded? If so, please explain, in detail, why you believe this to be the case.

COS/NAA-T1-12. Please refer to page 8 of your testimony where you state, “Given COS’s typical letter-shaped mail, the average FCM returns costs (which contain the costs for letters, flats, packages, and IPP’s) is not appropriate to apply to COS mail.” Have you performed any analysis regarding the percentage of the First-Class Mail returns mailstream that is comprised of letters? If so, what did you find?

COS/NAA-T1-13. Please refer to page 8 of your testimony where you state, “However, problems encountered in returning other mail, such as further searching for a return address that may be on the back of the mailpiece, would appear not to apply to COS mail.” What percentage of First-Class Mail returns have return addresses on the back of the mailpiece? Please explain in detail how you calculated this figure.

COS/NAA-T1-14. Please refer to page 8 of your testimony where you state, “Second, once COS return mail re-enters the mailstream for the trip to Richmond, it is likely to require fewer sortations than the average piece.”

- (a) Please confirm that First-Class Mail letters in 3-digit and 5-digit trays generally are not sorted as individual pieces until they reach destination facilities. If not confirmed, please explain fully.

- (b) Taking into account your response to subpart (a), is it possible that Capital One’s undeliverable-as-addressed mail is not determined to be UAA until it is deeper into the postal system than the average piece of undeliverable-as-addressed First-Class Mail. If your response is anything other than an unqualified yes, please explain fully.