

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

UNITED STATES POSTAL SERVICE INTERROGATORIES  
AND REQUEST FOR PRODUCTION OF DOCUMENTS  
TO OFFICE OF CONSUMER ADVOCATE WITNESS CALLOW  
(USPS/OCA-T2-1-19)

Pursuant to rules 25 and 26 of the Rules of Practice and procedure,  
the United States Postal Service directs the following interrogatories and  
requests for production of documents to Office of Consumer Advocate  
witness Callow: USPS/OCA-T2-1-19.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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January 8, 2003

USPS/OCA-T2-1. Please refer to page 7, lines 14-16 of your testimony where you state “Under OCA’s experimental classification, electronic address correction notices would be provided at no charge to First-Class mailers authorized by the Postal Service that participate in the ACS program.”

- a. Do you propose any minimum required First-Class Mail volume for a customer to be eligible for the waiver of ACS fees? Please explain why or why not.
- b. Do you propose any minimum number of annual returns, forwards or UAA pieces for a customer to be eligible for the waiver of ACS fees? Please explain why or why not.

USPS/OCA-T2-2. Refer to page 7, line 16 to page 8, line 2 of your testimony where you state: “The current fee of 20 cents for each electronic notice would be waived, provided mailers correct and update their address databases and take other actions to improve their address databases.”

- a. What “other actions” would be required? Please list and describe each such action.
- b. Would it be sufficient for a mailer to only perform these “other actions” and not “update their address data bases” as long as address databases were “improved”? Please explain.
- c. Please describe the mechanism and standards you expect the Postal Service to utilize in determining whether address databases have been corrected, updated or improved.
- d. What is the estimated annual cost of implementing the mechanism you describe in your response to part (c)? Please show all assumptions and calculations used to prepare your estimate.
- e. Will the per customer cost of implementing the monitoring method described in your response to part (c) vary with the size of the customer as measured by
  - i. annual volume of First-Class Mail?
  - ii. volume of ACS notifications?
  - iii. volume of returned, forwarded or UAA mail?
  - iv. number of permits held by the customer? or
  - v. number of locations at which the customer holds permits?

USPS/OCA-T2-3. Please refer to your testimony at page 12 line 11 through page 14 line 25 where you list data that should be collected under your proposed classifications. Under the rates, fees, and classifications that you propose, please provide your forecast of the annual expected or average:

- a. Number of First-Class Mailers that will choose “to receive electronic address correction notices under the experimental classification.”
- b. Number of “unique permit accounts used by each authorized First-Class mailer to enter presorted First-Class mailpieces.”
- c. “[V]olume of presorted First-Class mailpieces by rate category entered for each unique permit account.”
- d. “[V]olume of presorted First-Class mailpieces that are forwarded, and the mailer’s volume of repeat forwards.”
- e. “[V]olume of presorted First-Class mailpieces physically returned to the mailer.”
- f. “[N]umber of electronic address correction notices provide to each authorized First-Class mailer for forwarded mailpieces, and separately for mailpieces that would otherwise be physically returned.”

Please show all calculations used to prepare these forecasts.

USPS/OCA-T2-4. Please provide your estimate of the change in Postal Service net income for test year 2003 if your proposed rates, fees, and classifications were implemented. Show the impact of your proposed DMCS sections 610 and 620 separately. Please show all calculations and assumptions used to derive this estimate.

USPS/OCA-T2-5. Please refer to your testimony at page 17, lines 20-21 where you “propose that a unique volume threshold [for the volume-based declining block rates classification] be developed by the Postal Service for each interested First-Class mailer based upon the mailer’s known, historical mail volume.”

- a. Please provide an estimate of the number of “interested First-Class mailer[s]” that you expect to request a calculation of their volume threshold. Please show all calculations used to prepare this estimate.

- b. Please provide an estimate of the percentage of the “interested First-Class mailer[s]” identified in part (a) that would qualify for your proposed volume-based declining block rates classification. Please show all calculations used to prepare this estimate.
- c. Please provide a description of the process you propose that the Postal Service use to determine this “unique volume threshold”. Include a description of what data sources would be used and the relevant time period to be used in determining the threshold.
- d. Please provide the average (per customer) cost of calculating the “unique volume threshold” for each “interested First-Class mailer.” Please show all calculations used to prepare this estimate.
- e. Do you expect the average (per customer) cost estimated in part (c) to vary depending on
  - i. the customer’s volume of First-Class Mail?
  - ii. the number of permits that the customer holds?
  - iii. the number of locations at which the customer holds permits?

Please explain and show all calculations.

USPS/OCA-T2-6. Please refer to your testimony at page 17, lines 20-21 where you “propose that a unique volume threshold [for the volume-based declining block rates classification] be developed by the Postal Service for each interested First-Class mailer based upon the mailer’s known, historical mail volume.” Once a volume threshold has been established:

- a. Would this threshold remain constant over the term of the proposed experimental classification? Please explain.
- b. If not, how and under what circumstances do you propose changing the volume threshold?

USPS/OCA-T2-7. For each of the following examples, please provide the volume threshold showing all calculations.

- a. Consider Mailer A, which mailed 100 million pieces of qualified First-Class Mail in Year 1 (and in every prior year), and mailed 100 million pieces of qualified First-Class Mail in Year 2. At the end of Year 2, what would be Mailer A's volume threshold for your proposed classification?
- b. Consider Mailer B, which mailed 100 million pieces of qualified First-Class Mail in Year 1 (and in every prior year), and mailed 110 million pieces of qualified First-Class Mail in Year 2. At the end of Year 2, what would be Mailer B's volume threshold for your proposed classification?
- c. Consider Mailer C, which mailed 100 million pieces of qualified First-Class Mail in Year 1 (and in every prior year), and mailed 90 million pieces of qualified First-Class Mail in Year 2. At the end of Year 2, what would be Mailer C's volume threshold for your proposed classification?
- d. Consider Mailer D, which mailed 100 million pieces of qualified First-Class Mail in Year 1, and mailed 110 million pieces of qualified First-Class Mail in Year 2. In every year prior to Year 1, Mailer D mailed 50 million pieces of qualified First-Class Mail. At the end of Year 2, what would be Mailer D's volume threshold for your proposed classification?
- e. Consider Mailer E, which mailed 100 million pieces of qualified First-Class Mail in Year 1, and mailed 110 million pieces of qualified First-Class Mail in Year 2. In every year prior to Year 1, Mailer E mailed 200 million pieces of qualified First-Class Mail. At the end of Year 2, what would be Mailer E's volume threshold for your proposed classification?

USPS/OCA-T2-8.

- a. Do you propose a minimum volume threshold for mailers to be eligible for your proposed DMCS section 620? Please explain.
- b. Would a mailer mailing 500 million pieces of qualified First-Class Mail who meets all other requirements be eligible for your proposed DMCS section 620? Please explain.
- c. Would a mailer mailing 500 pieces of qualified First-Class Mail who meets all other requirements be eligible for your proposed DMCS section 620? Please explain.

- d. Under what circumstances would a mailer who previously mailed ONLY single-piece First-Class Mail be eligible for your proposed DMCS section 620? Please explain.

USPS/OCA-T2-9. In his testimony, witness Plunkett stated that the terms and conditions of the Capital One NSA were based on negotiation between Capital One and the Postal Service (see for example, Tr. 4/781 lines 15-18).

- a. In the process of the negotiations, do you believe it to be reasonable that trade-offs were made between the level of various rate and fee terms (e.g., thresholds, size of incremental volume blocks) and the size of the discount offered? Please explain.
- b. In the process of the negotiations, do you believe it to be reasonable that trade-offs were made between the level of various rate and fee terms (e.g., thresholds, size of incremental volume blocks) and the other non-rate and fee elements (e.g., compliance provisions, term length) of the agreement? Please explain.
- c. In the process of the negotiations, do you believe it to be reasonable that trade-offs were made between the size of the discount offered and the other non-rate and fee elements (e.g., compliance provisions, term length) of the agreement? Please explain.
- d. Please refer to your testimony at page 19, line 11 through page 20, line 5. If your response to any of parts (a), (b), and (c) above is affirmative, please explain if (and how) the existence of these trade-offs was recognized in your proposed DMCS section 620 classification.

USPS/OCA-T2-10. Assume that the volume threshold for Mailer A has been established at 100 million eligible First-Class Mail pieces annually and that all conditions for eligibility under your proposed DMCS section 620 classification are met. For each of the following examples, please calculate the postage discount under your proposed Rate Schedule 620A. Please show the calculation by incremental volume block as illustrated, for example, in USPS-T-3, Attachment B at 3.

- a. Mailer A's annual volume of eligible First-Class Mail pieces is 90 million
- b. Mailer A's annual volume of eligible First-Class Mail pieces is 100 million.

- c. Mailer A's annual volume of eligible First-Class Mail pieces is 115 million.
- d. Mailer A's annual volume of eligible First-Class Mail pieces is 120 million.
- e. Mailer A's annual volume of eligible First-Class Mail pieces is 130 million.
- f. Mailer A's annual volume of eligible First-Class Mail pieces is 150 million.

USPS/OCA-T2-11. Please explain why a volume cap of 15 percent (as opposed to 10 or 30 percent or some other number) is imposed in your proposed DMCS 620 classification? In the absence of the Cap One NSA agreement, please explain what volume cap, if any, you would have proposed?

USPS/OCA-T2-12. Please refer to your testimony at page 22 lines 11- page 23 line 16 where you list data that should be collected under your proposed DMCS 620 classification. Under the rates, fees, and classifications that you propose, please provide your forecast of the annual expected or average:

- a. Number of First-Class Mailers that will "receive discounts under the experimental classification."
- b. "[V]olume threshold" for participating mailers.
- c. "[V]olume of presorted First-Class mailpieces by rate category."
- d. "[A]mount of discounts paid by rate category for each authorized First-Class mailer."
- e. Total "amount of discounts paid by rate category"

Please show all calculations used to prepare these forecasts.

USPS/OCA-T2-13.

- a. Please confirm that your proposal establishes participation under proposed DMCS section 610 as a prerequisite for access to the discounts under proposed DMCS section 620. If not confirmed, please explain.

- b. Please confirm that your proposal establishes participation under proposed DMCS section 610 as a prerequisite for access to the discounts under proposed DMCS section 620 to ensure that cost savings exist to fund the discounts proposed in DMCS section 620. If not confirmed, please explain.
- c. Please explain how your proposed rates, fees, and classifications ensure that the total cost savings accruing from proposed DMCS section 610 will equal or exceed the total value of the discounts proposed in DMCS section 620 for:
  - i. An individual mailer
  - ii. All participating mailers.

Please show all calculations and assumptions.

USPS/OCA-T2-14. In proposed DMCS section 610.3, eligible First-Class Mail is defined as

presort First-Class Mail that bears the endorsement specified by the Postal Service” and “does not include Business Reply Mail, Qualified Business Reply Mail, Cards, or Priority Mail.

In proposed DMCS section 620.3, eligible First-Class Mail is defined as

letter-shaped, automation compatible First-Class Mail that bears the endorsement specified by the Postal Service” and “does not include Business Reply Mail, Qualified Business Reply Mail, Cards, or Priority Mail.

Please explain why some First-Class Mail mailpieces (i.e., all non-automation presort and automation flats) would be eligible under DMCS 610 and not eligible under DMCS 620.

USPS/OCA-T2-15. Please refer to the term “reasonable expectation of additional contribution to institutional costs” in your proposed DMCS 610.41; 610.51(a); 610.71; 620.41; and 620.51(a). Please state whether there is a minimum amount of additional contribution that would necessary before a mailer could be authorized to use the Experimental Address Correction Service or the Experimental Volume Based Declining Block Rates. If there is a minimum, please state what the minimum amount would be and explain how you arrived at that number. If there is no minimum, please explain why not.



USPS/OCA-T-2-16. Please refer to Capital One Services, Inc. mailing volume history which is presented through July 2002 in Exhibit 2 to COS witness Elliot's testimony, COS-T-2, Tr. 2/207, and presented for August and September 2002 in the response to OCA/COS-T2-5, Tr. 2/238. Assume that no event occurs that would require an adjustment to the threshold under your proposed DMCS language 620.63.

- a. Under your proposal, what would be COS' unique volume threshold? Please show all calculations and assumptions you use to derive the threshold.
- b. If your answer to part (a) does not give a volume number for the threshold, please discuss why a volume number is not given.
- c. If your answer to part (a) does not give a volume number for the threshold, please discuss how the Postal Service would determine the volume threshold.

USPS/OCA-T-2-17. Please refer to your proposed DMCS 620.2 where the Experimental Volume-Based Rates are available only to First-Class Mailers that are authorized Experimental Automated Address Correction Service mailers under section 610. If a mailer is authorized as an Experimental Automated Address Correction Service mailer, but does not use the endorsement specified by the Postal Service on its mail, would it still be entitled to have access to the volume-based declining block rates? Why or why not?

USPS/OCA-T-2-18. Please refer to your proposed DMCS language 620.3, which defines eligible First-Class Mail, and assume for the purposes of this interrogatory that the Postal Service has specified the use of the Change Service Requested endorsement.

Are the volume-based declining block rates available only for mail that uses the Change Service Requested endorsement and complies with the Postal Service rules and regulations associated with that endorsement?

USPS/OCA-T-2-19.

- a. Please confirm that the Experimental Automated Address Correction Service would not be available for First-Class Mailers who use the current service associated with the "Address Service Requested" endorsement. If you do not confirm, please explain.
- b. If you confirm part (a), please address whether an undue discrimination problem would arise? Why or why not?

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

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January 8, 2003