

Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Rate and Service Changes to Implement)
Functionally Equivalent Negotiated Service) Docket No. MC2004-3
Agreement with Bank One Corporation)

OFFICE OF THE CONSUMER ADVOCATE
INTERROGATORIES TO UNITED STATES POSTAL SERVICE
WITNESS MICHAEL K. PLUNKETT (OCA/USPS-T1-1-11)
July 7, 2004

Pursuant to Rules 25 through 28 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits interrogatories and requests for production of documents. Instructions included with OCA interrogatories OCA/BOC-T1-1-10, dated June 28, 2004, are hereby incorporated by reference.

Respectfully submitted,

SHELLEY S. DREIFUSS
Director
Office of the Consumer Advocate

EMMETT RAND COSTICH
Attorney

1333 H Street, N.W.
Washington, D.C. 20268-0001
(202) 789-6830; Fax (202) 789-6819
email: costicher@prc.gov

OCA/USPS-T1-1. Please refer to 612.1 of Attachment A to the Request containing proposed DMCS language implementing the Bank One NSA. Please confirm that the number of First-Class Mail flat-shaped pieces eligible for discounts is fixed at 35 million for each year of the Bank One NSA. If you do not confirm, please explain.

OCA/USPS-T1-2. Please refer to 612.2 of Attachment A to the Request containing proposed DMCS language implementing the Bank One NSA, and 610.2 of the DMCS language implementing the Capital One NSA.

- (a) Please explain how the 25 million-piece minimum was determined.
- (b) Do you see any circumstances under which Bank One would mail less than 25 million pieces of eligible First-Class Mail during the first year after implementation?
- (c) Please explain the purpose of the 25 million-piece minimum, given that it constitutes such a small portion (4.7 percent) of the first-year discount threshold of 535 million.
- (d) Please confirm that the analogous provision applicable to Capital One was 750 million pieces, or 61.2 percent of the first-year discount threshold of 1.225 billion. If you do not confirm, please explain.

OCA/USPS-T1-3. Please refer to 612.2 of Attachment A to the Request containing proposed DMCS language implementing the Bank One NSA, and 610.2 of the DMCS language implementing the Capital One NSA.

- (a) The DMCS language implementing the Capital One NSA required that Capital One “pay the greater of either (1) all address correction service fees under Fee Schedule 911, as specified by the Postal Service, for pieces receiving address correction service.” No similar requirement is imposed on Bank One. Please explain the rationale for not imposing a similar requirement on Bank One.
- (b) Please explain how the \$200,000 figure was determined.

OCA/USPS-T1-4. Please refer to 612.33 to Attachment A of the Request, which states "if the percentage change is an increase or a decrease of greater than 5%, the threshold shall be adjusted upward or downward by the difference between the percentage change and 3%."

- (a) Please explain how this formula was determined, and its rationale.
- (b) Please explain the rationale for adjusting the Discount Threshold, consisting of number of pieces, based upon percentage change from year to year in the sum of the number of Bank One's credit card and checking accounts.

OCA/USPS-T1-5. Please refer to 612.34, Subparts (a), (b) and (c), to Attachment A of the Request.

- (a) Please define the term “portfolio” as that term is used in Subparts (a) and (c).
- (b) Subpart (a) refers to “annual First-Class Mail volume in excess of 10 million pieces but less than 300 million pieces,” while Subpart (b) refers to “annual First-Class Mail volume of over 300 million pieces.” Other than these two

quoted phrases, please explain the significance of the differences in wording between Subpart (a) and Subpart (b).

- (c) Please explain how the 300 million figure was determined, and its rationale.
- (d) Please define the phrase “active accounts” as that term is used in Subpart (c).
- (e) For Bank One, please provide the total number of credit card and checking accounts, and the number of “active” credit card and checking accounts.
- (f) For Bank One,
 - (i) What is the average annual number of customer account pieces sent to one “active account?”
 - (ii) What is the average annual number of First-Class solicitation mail pieces sent to one “active account?”
 - (iii) What is the average annual number of customer account pieces sent to an account that is not “active?”
 - (iv) What is the average annual number of First-Class solicitation mail pieces sent to an account that is not “active?”
- (g) Please explain how the formula in Subpart (c), quoted below, was determined, and its rationale: “the discount threshold will be adjusted downward by the product of the number of active accounts lost or sold multiplied by 12.”
- (h) Please cite the source(s) relied upon for your response(s) to (d) – (f), above.
- (i) Please provide all documentation consulted in your response(s) to (d) – (f), above.

OCA/USPS-T1-6. Please refer to Attachment F of the Request, which contains the NSA between the Postal Service and Bank One, Article III. H. 3. – 5.

- (a) Please explain the circumstances under which the situation described in Article III. H. 3. might occur, and provide a numeric example.
- (b) Please explain the circumstances under which the situation described in Article III. H. 4. might occur, and provide a numeric example.
- (c) Please explain the circumstances under which the situation described in Article III. H. 5. might occur, and provide a numeric example.

OCA/USPS-T1-7. Please refer to Attachment F of the Request, which contains the NSA between the Postal Service and Bank One, Article II. G. 2. For purposes of the following questions, assume the Postal Rate Commission has recommended, and the Board of Governors has approved and set an implementation date of November 30, 2004.

- (a) Do you anticipate that Bank One will notify the Postal Service that it intends to utilize the six-month extension to May 31, 2005, to begin compliance with the Address Change Service (ACS) requirements? Please explain
- (b) If Bank One notifies the Postal Service that it intends to utilize the six-month extension, on what date are Bank One's First-Class solicitation mail pieces eligible for discounts? Please explain.

(c) Will Bank One receive discounts for otherwise eligible First-Class solicitation mail pieces prior to beginning compliance with the ACS requirements?

Please explain.

(d) Does Bank One intend to install the MPTQM program and achieve a self-assessment score of 95 percent? Please explain.

OCA/USPS-T1-8. Please refer to your testimony at page 8, lines 13-15, and the Commission's opinion in Docket No. MC2002-2, at pages 68-70.

(a) Please confirm that the Postal Service developed an analysis of the type described by the Commission with respect to Bank One's future demand for First-Class solicitation mail. If so, please provide the analysis. If not please explain.

(b) Please explain how each incremental volume block relates to Bank One's future demand for First-Class solicitation mail so as to provide an incentive to increase the incremental volume of solicitation mail.

OCA/USPS-T1-9. Please refer to your testimony at page 9, lines 12-16. What is the "logical correlation" in terms of the number of pieces for Bank One?

OCA/USPS-T1-10. Please refer to your testimony at page 13, footnote 2.

(a) Please confirm that there will be forwarded mail cost savings accruing to the Postal Service for the duration of the Bank One NSA. If you do not confirm,

please explain. If you do confirm, please explain the basis for your affirmative response.

- (b) Please confirm that the Postal Service did not estimate the forwarded mail cost savings accruing to the Postal Service for the duration of the Bank One NSA. If you do not confirm, please explain and provide the estimate. If you do confirm, please explain.

OCA/USPS-T1-11. Please refer to Attachment F of the Request, which contains the NSA between the Postal Service and Bank One, Article III, Paragraph E. This paragraph permits Bank One to set quarterly volume thresholds, subject to the requirement that at least 18 percent of its annual volume estimate be allocated to each quarter.

- (a) Would you expect Bank One to allocate quarterly volumes so as to maximize the expected net present value of discounts? If not, why not?
- (b) If Bank One's forecast volume for a quarter were less than 18 percent of forecast annual volume (meaning no opportunity to earn discounts in that quarter), would you expect Bank One to set the volume threshold for that quarter at $46 [100 - 3 \cdot 18]$ percent of forecast annual volume (so as to make the thresholds in the other three quarters as low as possible, *i.e.*, 18 percent)? If not, why not?
- (c) If Bank One's forecast volume for all quarters were 25 percent of forecast annual volume, would you expect Bank One to set the thresholds for the first

three quarters at 18 percent (so as to earn discounts sooner rather than later)? If not, why not?

(d) Do you expect the quarterly threshold mechanism to provide any benefits to the Postal Service? If so, what are they?