

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

Rate and Service Changes to Implement)
Functionally Equivalent Negotiated Service)
Agreement with Bank One Corporation)

Docket No. MC2004-3

OFFICE OF THE CONSUMER ADVOCATE
INTERROGATORIES TO UNITED STATES POSTAL SERVICE
WITNESS MICHAEL K. PLUNKETT (OCA/USPS-T1-17-23)
July 15, 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,

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OCA/USPS-T1-17. Please refer to pages 12 and 13 of your testimony.

- a. Did you perform or obtain different projections of Bank One's before- and/or after-rates volumes for the years that the NSA will be in effect? If so, please provide such projections and supporting documentation. If not, why not?
- b. Did you perform or obtain (e.g., from Finance) analyses of the effect of the NSA on postal finances other than the analysis contained in Appendix A of your testimony? If so, please provide such analyses and supporting documentation. If not, why not?

OCA/USPS-T1-18. Please refer to page 16 of your testimony.

- a. Please assume that Bank One's Year-1 before-rates volume estimate of 571 million pieces is normally distributed. Please confirm that under this assumption, the probability that before-rates volumes in Year 1 would be greater than 571 million is 50 percent. If you do not confirm, please explain, provide the correct probability, and show its derivation.
- b. Please assume that Bank One's Year-1 before-rates volume estimate of 571 million pieces is normally distributed with standard error of ten percent.
 - i. Please confirm that under these assumptions, the probability that before-rates volumes in Year 1 would be greater than 571 million is 50 percent. If you do not confirm, please explain, provide the correct probability, and show its derivation.
 - ii. Please confirm that under these assumptions, the probability that before-rates volumes in Year 1 would be greater than 586 million is

approximately 40 percent. If you do not confirm, please explain, provide the correct probability, and show its derivation.

- iii. Please confirm that under these assumptions, the probability that before-rates volumes in Year 1 would be greater than 601 million is approximately 30 percent. If you do not confirm, please explain, provide the correct probability, and show its derivation.
- iv. Please confirm that under these assumptions, the probability that before-rates volumes in Year 1 would be greater than 616 million is approximately 22 percent. If you do not confirm, please explain, provide the correct probability, and show its derivation.

OCA/USPS-T1-19. Please refer to the attachment to this interrogatory and confirm that under the Commission's MC-2002-2 methodology, the stop-loss volume for Bank One would be 616.6 million pieces. If you do not confirm, please provide the correct volume and show its derivation.

OCA/USPS-T1-20. Please assume that Bank One's Year-1 before-rates volume estimate of 571 million pieces is normally distributed. Under this assumption, please confirm that the standard error of that estimate must be no greater than 4.86 percent in order for the probability of the Postal Service's not losing money to be greater than 95 percent. If you do not confirm, please provide an estimate of the maximum standard error and explain its derivation.

OCA/USPS-T1-21. Please provide an estimate, and explain its derivation, of the standard error of Bank One's

- a. Year 1 volume estimate of 571 million pieces;
- b. Year 2 volume estimate of 571 million pieces;
- c. Year 3 volume estimate of 571 million pieces.

OCA/USPS-T1-22. Please confirm that *ceteris paribus* the standard error of a volume projection increases as one projects farther into the future. If you do not confirm, please explain.

OCA/USPS-T1-23. Please confirm that 85 percent of Bank One's mail that shifts from Standard to First-Class will incur *new* electronic return costs. Please confirm that 15 percent of Bank One's mail that shifts from Standard to First-Class will incur *new* manual return costs. If you do not confirm, please explain. If you confirm, please indicate where this cost is accounted for in Appendix A of your testimony.

BANK ONE NSA
 Stop Loss Estimate

TABLE 1
ACS Related Savings

[1]	Manual Flat Returns Unit Cost	\$1.06
[2]	Manual Letter Returns Unit Cost	\$0.55
[3]	Electronic Flat Returns Unit Cost	\$0.45
[4]	Electronic Letter Returns Unit Cost	\$0.34
[5]	BOC Return Rate - Solicitation Letters	9%
[6]	BOC Return Rate - Solicitation Flats	11%
[7]	Address Change Service (ACS) Success Rate	85%
[8]	BOC TYBR Customer Mail Volume	506,650,000
[9]	BOC TYBR Solicitation Letter Volume	29,387,000
[10]	BOC TYBR Solicitation Flats Volume	35,043,000
[11]	Solicitation Letters % of TYBR Letter Volume	5.4823%
[12]	Solicitation Flats %	100%
[13]	BOC ACS Unit Cost Savings - Letters	\$0.00087234
[14]	BOC ACS Unit Cost Savings - Flats	\$0.05726308
[15]	BOC TYBR Equilibrium Solicitation Letter Volume	581,600,577
[16]	Total ASC Cost Savings - Letters	\$507,353
[17]	Total ASC Cost Savings - Flats	\$2,006,670
[18]	Total ASC Test Year Savings	\$2,514,023

TABLE 2
Discount Leakage

<u>Volume Block</u>		<u>Incremental</u>	<u>Discount</u>	<u>Discount</u>
[1]		<u>Volume</u>	[3]	<u>Leakage</u>
[a]	to [b]	[2] = [1b] - [1a]		[4] = [2] * [3]
535,000,001	to 560,000,000	24,999,999	\$0.025	\$625,000
560,000,001	to 585,000,000	24,999,999	\$0.030	\$750,000
585,000,001	to 610,000,000	24,999,999	\$0.035	\$875,000
610,000,001	to 616,600,577	6,600,576	\$0.040	\$264,023
645,000,001	to		\$0.045	\$0
680,000,001	to		\$0.050	\$0
				\$2,514,023

TABLE 1

Notes & Sources

- [1] USPS-T-1 (Plunkett), Appendix A, page 1
- [2] USPS-T-1 (Plunkett), Appendix A, page 1
- [3] USPS-T-1 (Plunkett), Appendix A, page 1
- [4] USPS-T-1 (Plunkett), Appendix A, page 1
- [5] USPS-T-1 (Plunkett), Appendix A, page 1
- [6] USPS-T-1 (Plunkett), Appendix A, page 1
- [7] USPS-T-1 (Plunkett), Appendix A, page 1
- [8] USPS-T-1 (Plunkett), Appendix A, page 2
- [9] USPS-T-1 (Plunkett), Appendix A, page 2
- [10] USPS-T-1 (Plunkett), Appendix A, page 2
- [11] = [9] / ([8] + [9])
- [12] Percent of solicitation flats eligible for ACS
- [13] = ([2] - [4]) * [5] * [7] * [11]
- [14] = ([1] - [3]) * [6] * [7] * [12]
- [15] = Table 2 [1b] - ([10] - 43,000)
- [16] = [13] * [15]
- [17] = [14] * [10]
- [18] = [16] + [17]

TABLE 2

Notes and Sources:

- [1] Request, Attachment B
- [3] Request, Attachment B