

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

RESPONSES OF THE UNITED STATES POSTAL SERVICE WITNESS
PLUNKETT TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER
ADVOCATE (OCA/USPS-T1-31-32)
(August 9, 2004)

The United States Postal Service hereby provides its responses to the following interrogatories of the Office of Consumer Advocate: OCA/USPS-T1-31-32, filed on July 28, 2004.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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August 9, 2004

RESPONSE OF THE UNITED STATES POSTAL SERVICE WITNESS PLUNKETT TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-31. Please refer to PRC Op. MC2002-2, pages 152-156, and to Table 4 below. (An Excel file has been filed on-line to accompany this interrogatory.)

- (a) Please confirm that in Table 4, which presents stop-loss estimates based upon a sensitivity analysis of the ratio of solicitation letter mail to total letter mail (herein “Letter Ratio”), the calculated stop-loss estimates for the Bank One – JPMC merged entity at the indicated Letter Ratios is consistent with the Commission’s calculation of the stop-loss estimate with respect to Capital One. If you do not confirm, please explain and provide the correct stop loss estimates. Please show all calculations.
- (b) Please confirm that adjusting the “BOC - JPMC Return Rate - Solicitation Letters” in Table 1, line [2] by the percentages shown in Table 4, column [1] (holding the Letter Ratio constant at 5.4823%) will produce the same Total Stop Loss Estimate shown in Table 4, column [3]. If you do not confirm, please explain. Please show all calculations.
- (c) Please provide an estimate (or range) of the Letter Ratio for the Bank One – JPMC merged entity.

TABLE 4
SUMMARY TABLE
Total Stop Loss Estimate
Sensitivity Analysis

% Chg Letter <u>Ratio</u> [1]	Adjusted Letter <u>Ratio</u> [2]	Total Stop Loss <u>Estimate</u> [3]
-20%	4.3858%	\$7,974,373
0%	5.4823%	\$8,492,021
20%	6.5787%	\$9,014,505
40%	7.6752%	\$9,541,893
60%	8.7716%	\$10,074,132
80%	9.8681%	\$10,610,286
100%	10.9645%	\$11,150,167
200%	16.4468%	\$13,917,498
400%	27.4114%	\$19,770,175
600%	38.3759%	\$26,103,848
800%	49.3404%	\$32,988,267
900%	54.8227%	\$36,659,987

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RESPONSE:

(a) Confirmed that these calculations appear to be correct.

(b) Not confirmed. When I attempted to reproduce these results according to these instructions I produced the following.

OCA/USPS-T1-31
TABLE 4
SUMMARY TABLE
MODIFIED VERSION
Total Stop Loss Estimate
Sensitivity Analysis

<u>% Chg Return Rate</u>	<u>Adjusted Letter Ratio</u>	<u>Total Stop Loss Estimate</u>
[1]	[2]	[3]
-20%	5.4823%	\$ 7,983,781
0%	5.4823%	\$ 8,492,021
20%	5.4823%	\$ 9,000,261
40%	5.4823%	\$ 9,508,501
60%	5.4823%	\$ 10,016,741
80%	5.4823%	\$ 10,524,981
100%	5.4823%	\$ 11,033,221
200%	5.4823%	\$ 13,574,421
400%	5.4823%	\$ 18,656,822
600%	5.4823%	\$ 23,739,223
800%	5.4823%	\$ 28,821,623
900%	5.4823%	\$ 31,362,824

c) See Response to OCA/BOC-T1-19.

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OCA/USPS-T1-32. Table 1 of this interrogatory summarizes the mean, standard deviation, and coefficient of variation for monthly pieces mailed by Bank One based on data provided in OCA/BOC-T1-1(c) and in OCA/BOC-T1-1(b). Similar data are presented for Capital One, based on information presented in the Capital One NSA case, MC2002-2. The monthly data that provide the basis for the calculations of the statistics for Bank One are summarized in Table 2. The monthly data that provide the basis for the calculations of the statistics for Capital One are presented in Table 3. The data and calculations are also provided in the electronic file BOCCV.xls. Please confirm that for First-Class Solicitation Mail the coefficient of variation for Bank One is 0.42; that for Standard Mail the coefficient of variation for Bank One is 0.38; and that for First-Class Solicitation Mail the coefficient of variation for Capital One is 0.35. If you do not confirm, please explain your answer in detail.

Table 1

	Millions of Pieces per Month Mailed by Type of Mailing			
	FC Customer Mail	FC Solicitation Mail	Total FC Mail	Standard Mail
Bank One				
Mean	37.3	7.4	44.7	89.3
Standard Deviation	3.0	3.1	4.7	34.0
Coefficient of Variation	0.079	0.42	0.10	0.38
Capital One				
Mean	34.2	70.5	104.5	54.0
Standard Deviation	10.9	24.7	30.7	34.3
Coefficient of Variation	0.32	0.35	0.29	0.64
Notes				
Bank One: Standard Mail source data from Jan 02-May 04 by month.				
Bank One: First-Class Customer and Solicitation mail source data from AP4 2000 to AP13 2003.				
Capital One: All source data from October 98 through September 02 by month				

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RESPONSE:

Partially confirmed. The coefficient of variation for the Bank One monthly volume data on First-Class Solicitation Mail included in your question is 0.43, not 0.42.

The other two statistics that you asked me to confirm are correctly derived from the monthly data included in your question. Although you did not ask me to confirm the other values, some are incorrect. Attachment OCA-USPS-T1-32 presents the correct summary statistics for all values.

While I see little value in monthly coefficients of variation in evaluating any aspect of the deal, it is noteworthy that the coefficient of variation for Total-First Class Mail is much smaller for Bank One than it is for Cap One, as is the coefficient of variation for Standard Mail.

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Attachment OCA-USPS-T1-32

Millions of Pieces per Month Mailed by Type of Mailing				
	First-Class Customer Mail	First-Class Solicitation Mail	Total First- Class Mail	Standard Mail
Bank One				
Mean	37.4	7.4	44.8	89.3
Standard Deviation	3.0	3.2	4.8	34.1
Coefficient of Variation	0.079	0.43	0.11	0.38
Capital One				
Mean	34.2	70.5	104.7	54.0
Standard Deviation	10.9	24.7	30.7	34.3
Coefficient of Variation	0.32	0.35	0.29	0.64
Notes				
Bank One: Standard Mail source data from Jan 02 through May 04 by month.				
Bank One: First-Class Customer and Solicitation Mail source data from AP4 2000 through AP13 2003.				
Capital One: All source data from October 98 through September 02 by month.				

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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August 9, 2004