

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
FOLLOW-UP INTERROGATORY TO UNITED STATES POSTAL SERVICE
WITNESS MICHAEL K. PLUNKETT (OCA/USPS-T1-50)
August 16, 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 an interrogatory and request 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-T1-50. Please refer to your response to OCA/USPS-T1-31 and to the worksheet "BOC – JPMC" in the spreadsheet accompanying OCA/USPS-T1-31. Also, please refer to the attachment accompanying this follow-up interrogatory, which shows the worksheet "BOC – JPMC" based upon the volumes provided in OCA/BOC-T1-13 (revised August 9, 2004) and the weighted average return rate for Bank One and J.P. Morgan Chase provided in OCA/BOC-T1-17. Please confirm that the Year 1 stop-loss estimate for the BOC – JPMC merged entity is \$14,293,625. If you do not confirm, please explain.

**BANK ONE - J.P. MORGAN CHASE
Stop Loss Estimate Model**

Attachment to Interrogatory
OCA/USPS-T1-50
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**TABLE 1
Year 1 - ACS Related Savings**

ASSUMPTIONS

[1]	JPMC Total Additional Solicitation Volume	112,300,000
[2]	JPMC Total Additional Customer Volume	219,600,000
[3]	BOC - JPMC Return Rate - Solicitation Letters	6.0%
[4]	BOC - JPMC Solicitation Ltrs % Extra BR Ltr Vol.	100.0%
[5]	BOC BR Customer Mail Volume	506,650,000
[6]	BOC BR Solicitation Letter Volume	29,387,000
[7]	BOC BR Solicitation Flats Volume	35,043,000
[8]	BOC - JPMC Total Letter Volume	867,937,000
[9]	BOC - JPMC Customer Letter Volume	726,250,000
[10]	BOC - JPMC Solicitation Letter Volume	141,687,000
[11]	BOC - JPMC Solicitation Flats Volume	35,043,000
[12]	Manual Letter Returns Unit Cost	\$0.55
[13]	Manual Flat Returns Unit Cost	\$1.06
[14]	Electronic Letter Returns Unit Cost	\$0.34
[15]	Electronic Flat Returns Unit Cost	\$0.45
[16]	BOC Return Rate - Solicitation Flats	11%
[17]	Address Change Service (ACS) Success Rate	85%
[18]	BOC Solicitation Flats %	100%
[19]	BOC ACS Unit Cost Savings - Letters	\$0.01060800
[20]	BOC ACS Unit Cost Savings - Flats	\$0.05726308
[21]	BOC - JPMC BR Equilibrium Letter Volume	1,158,272,502
[22]	Total ASC Cost Savings - Letters	\$12,286,955
[23]	Total ASC Cost Savings - Flats	\$2,006,670
[24]	Total ASC Savings	\$14,293,625

**TABLE 2
Year 1 - Discount Leakage**

<u>Volume Block</u>		<u>Incremental Volume</u>	<u>Discount</u>	<u>Discount Leakage</u>	
	[1]	[2] = [1b] - [1a]	[3]	[4] = [2] * [3]	
	[a]	[b]			
866,900,001	to	891,900,000	24,999,999	\$0.025	\$625,000
891,900,001	to	916,900,000	24,999,999	\$0.030	\$750,000
916,900,001	to	941,900,000	24,999,999	\$0.035	\$875,000
941,900,001	to	976,900,000	34,999,999	\$0.040	\$1,400,000
976,900,001	to	1,011,900,000	34,999,999	\$0.045	\$1,575,000
1,011,900,001	to	1,193,272,502	181,372,501	\$0.050	\$9,068,625
	Total				\$14,293,625

\$0

**BANK ONE - J.P. MORGAN CHASE
Stop Loss Estimate Model**

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**TABLE 1
Year 2 - ACS Related Savings**

ASSUMPTIONS

[1]	JPMC Total Additional Solicitation Volume	112,300,000
[2]	JPMC Total Additional Customer Volume	219,600,000
[3]	BOC - JPMC Return Rate - Solicitation Letters	6.0%
[4]	BOC - JPMC Solicitation Ltrs % Extra BR Ltr Vol.	100.0%
[5]	BOC BR Customer Mail Volume	506,650,000
[6]	BOC BR Solicitation Letter Volume	29,387,000
[7]	BOC BR Solicitation Flats Volume	35,043,000
[8]	BOC - JPMC Total Letter Volume	867,937,000
[9]	BOC - JPMC Customer Letter Volume	726,250,000
[10]	BOC - JPMC Solicitation Letter Volume	141,687,000
[11]	BOC - JPMC Solicitation Flats Volume	35,043,000
[12]	Manual Letter Returns Unit Cost	\$0.57
[13]	Manual Flat Returns Unit Cost	\$1.10
[14]	Electronic Letter Returns Unit Cost	\$0.36
[15]	Electronic Flat Returns Unit Cost	\$0.47
[16]	BOC Return Rate - Solicitation Flats	11%
[17]	Address Change Service (ACS) Success Rate	85%
[18]	BOC Solicitation Flats %	100%
[19]	BOC ACS Unit Cost Savings - Letters	\$0.01103232
[20]	BOC ACS Unit Cost Savings - Flats	\$0.05955361
[21]	BOC - JPMC BR Equilibrium Letter Volume	1,172,944,789
[22]	Total ASC Cost Savings - Letters	\$12,940,302
[23]	Total ASC Cost Savings - Flats	\$2,086,937
[24]	Total ASC Savings	\$15,027,239

**TABLE 2
Year 2 - Discount Leakage**

<u>Volume Block</u>		<u>Incremental Volume</u>	<u>Discount</u>	<u>Discount Leakage</u>
[a]	[1]	[b]	[2] = [1b] - [1a]	[3]
[a]	to	[b]	[2] = [1b] - [1a]	[4] = [2] * [3]
866,900,001	to	891,900,000	24,999,999	\$0.025 \$625,000
891,900,001	to	916,900,000	24,999,999	\$0.030 \$750,000
916,900,001	to	941,900,000	24,999,999	\$0.035 \$875,000
941,900,001	to	976,900,000	34,999,999	\$0.040 \$1,400,000
976,900,001	to	1,011,900,000	34,999,999	\$0.045 \$1,575,000
1,011,900,001	to	1,207,944,789	196,044,788	\$0.050 \$9,802,239
Total				\$15,027,239

\$0

**BANK ONE - J.P. MORGAN CHASE
Stop Loss Estimate Model**

Attachment to Interrogatory
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**TABLE 1
Year 3 - ACS Related Savings**

ASSUMPTIONS		
[1]	JPMC Total Additional Solicitation Volume	112,300,000
[2]	JPMC Total Additional Customer Volume	219,600,000
[3]	BOC - JPMC Return Rate - Solicitation Letters	6.0%
[4]	BOC - JPMC Solicitation Ltrs % Extra BR Ltr Vol.	100.0%
[5]	BOC BR Customer Mail Volume	506,650,000
[6]	BOC BR Solicitation Letter Volume	29,387,000
[7]	BOC BR Solicitation Flats Volume	35,043,000
[8]	BOC - JPMC Total Letter Volume	867,937,000
[9]	BOC - JPMC Customer Letter Volume	726,250,000
[10]	BOC - JPMC Solicitation Letter Volume	141,687,000
[11]	BOC - JPMC Solicitation Flats Volume	35,043,000
[12]	Manual Letter Returns Unit Cost	\$0.60
[13]	Manual Flat Returns Unit Cost	\$1.15
[14]	Electronic Letter Returns Unit Cost	\$0.37
[15]	Electronic Flat Returns Unit Cost	\$0.48
[16]	BOC Return Rate - Solicitation Flats	11%
[17]	Address Change Service (ACS) Success Rate	85%
[18]	BOC Solicitation Flats %	100%
[19]	BOC ACS Unit Cost Savings - Letters	\$0.01147361
[20]	BOC ACS Unit Cost Savings - Flats	\$0.06193575
[21]	BOC - JPMC BR Equilibrium Letter Volume	1,188,546,812
[22]	Total ASC Cost Savings - Letters	\$13,636,926
[23]	Total ASC Cost Savings - Flats	\$2,170,414
[24]	Total ASC Savings	\$15,807,340

**TABLE 2
Year 3 - Discount Leakage**

<u>Volume Block</u>		<u>Incremental Volume</u>	<u>Discount</u>	<u>Discount Leakage</u>
[a]	[1]	[2] = [1b] - [1a]	[3]	[4] = [2] * [3]
	[b]			
866,900,001	to 891,900,000	24,999,999	\$0.025	\$625,000
891,900,001	to 916,900,000	24,999,999	\$0.030	\$750,000
916,900,001	to 941,900,000	24,999,999	\$0.035	\$875,000
941,900,001	to 976,900,000	34,999,999	\$0.040	\$1,400,000
976,900,001	to 1,011,900,000	34,999,999	\$0.045	\$1,575,000
1,011,900,001	to 1,223,546,812	211,646,811	\$0.050	\$10,582,341
Total				\$15,807,340

\$0

RATE SCHEDULE 612A

<u>Volume Block</u>		<u>Incremental Volume</u>	<u>Discount</u>	<u>Discount Leakage</u>
[a]	[1]	[2] = [1b] - [1a]	[3]	[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 645,000,000	34,999,999	\$0.040	\$1,400,000
645,000,001	to 680,000,000	34,999,999	\$0.045	\$1,575,000
680,000,001	to		\$0.050	\$0

TABLE 1

Notes & Sources

- [1] OCA/BOC-T1-13(b)(ii), revised August 9, 2004.
- [2] OCA/BOC-T1-13(b)(i), revised August 9, 2004.
- [3] OCA/BOC-T1-17(g)(i).
- [4] ASSUMES 100% of extra BR volume is solicitation mail.
- [5] USPS-T-1 (Plunkett), Appendix A, page 2
- [6] USPS-T-1 (Plunkett), Appendix A, page 2
- [7] USPS-T-1 (Plunkett), Appendix A, page 2
- [8] = [4] + [5] + [1] + [2]
- [9] = [8] - [10]
- [10] = [6] + [1]
- [11] USPS-T-1 (Plunkett), Appendix A, page 2
- [12] USPS-T-1 (Plunkett), Appendix A, page 1
- [13] USPS-T-1 (Plunkett), Appendix A, page 1
- [14] USPS-T-1 (Plunkett), Appendix A, page 1
- [15] USPS-T-1 (Plunkett), Appendix A, page 1
- [16] USPS-T-1 (Plunkett), Appendix A, page 1
- [17] USPS-T-1 (Plunkett), Appendix A, page 1
- [18] Percent of BOC solicitation flats eligible for ACS
- [19] = ([12] - [14]) * [3] * [17] * [4]
- [20] = ([13] - [15]) * [16] * [17] * [18]
- [21] = Table 2 [1b] - ([10] - 43,000)
- [22] = [19] * [21]
- [23] = [20] * [11]
- [24] = [22] + [23]

TABLE 2

Notes and Sources:

- [1a] Request, Attachment B, Rate Schedule 612A + Table 1 [1]
- [1b] Request, Attachment B, Rate Schedule 612A + Table 1 [1]
- [3] Request, Attachment B

BANK ONE - J.P. MORGAN CHASE

TABLE 3
Calculation of Total Stop Loss Estimate

	<u>Volume</u> [1]	<u>Discount</u> <u>Leakage</u> [2]	<u>Return</u> <u>Cost</u> <u>Savings</u> [3]
Year 1	1,193,272,502	\$14,293,625	\$14,293,625
Year 2	1,207,944,789	\$15,027,239	\$15,027,239
Year 3	1,223,546,812	\$15,807,340	<u>\$15,807,340</u>
			\$45,128,205
Passthrough Percent			95%
TOTAL STOP LOSS ESTIMATE			\$42,871,794

TABLE 3

Notes and Sources

[1] & [2] TABLE 2, for the year indicated

[3] TABLE 1, for the year indicated