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

| | | |
|---|---|---|
| Rate and Service Changes to Implement Functionally Equivalent Negotiated Service Agreement with Discover Financial Services, Inc. | ) ) ) ) | Docket No. MC2004-4 |

OFFICE OF THE CONSUMER ADVOCATE
INTERROGATORIES TO UNITED STATES POSTAL SERVICE
WITNESS ALI AYUB (OCA/USPS-T1-30-32)
July 28, 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/DSF-T1-1-5, dated June 25, 2004, are hereby incorporated by reference.

Respectfully submitted,

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OCA/USPS-T1-30. Please refer to your response to OCA/USPS-T1-5.

(a) Please confirm that there are exogenous factors that can affect the Before Rates (BR) volumes of marketing mail. If you do not confirm, please explain.

(b) Please confirm that there are exogenous factors that can affect the AR volumes of marketing mail. If you do not confirm, please explain.

(c) If your response to parts (a) and (b) of this interrogatory is in the affirmative, please identify and describe such exogenous factors.

(d) In your response to OCA/USPS-T1-5(a) you state:

> The list of exogenous factors that could increase or decrease statement/operations mail is endless but as described in part (b) the Postal Service believes the threshold adjustment mechanism addresses these variables.

Please identify and explain the specific adjustment mechanism of the Discover NSA and proposed DMCS that explicitly recognizes and attempts to address the existence of exogenous variables as they relate to *future* marketing mail volumes.

OCA/USPS-T1-31. Please refer to your response to OCA/USPS-T1-6(b). Please provide and explain the Excel spreadsheets used to derive the table included with your response.

OCA/USPS-T1-32. Table 1 of this interrogatory summarizes the mean, standard deviation, and coefficient of variation for monthly pieces mailed by Discover Financial Services based on data provided in the Direct Testimony of Karin Giffney, DFS-T-1, and in OCA/DFS-T1-5. 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 Discover Financial Services 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 file DFSCV.xls. Please confirm that for First-Class Solicitation Mail the coefficient of variation for Discover is 0.61; that for Standard Mail the coefficient of variation for Discover is 0.33; 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 |
| **Discover** | | | | |
| **Mean** | 26.1 | 14.7 | 40.9 | 47.3 |
| **Standard Deviation** | 1.3 | 9.1 | 9.4 | 15.6 |
| **Coefficient of Variation** | 0.05 | 0.61 | 0.23 | 0.33 |
| | | | | |
| **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** | | | | |
| Discover: First-Calss source data from December 99 through December 03 by month. | | | | |
| Discover: Standard Mail source data from December 2000 through November 03 by month. | | | | |
| Capital One: All source data from October 98 through September 02 by month. | | | | |

# Table 2

| | Discover: Monthly Mailings | | | |
|---|---|---|---|---|
| | Standard Mail | Marketing Mail | Operations Mail | Total FC Mail |
| Dec-99 | 46,185,374 | 10,983,803 | 26,019,712 | 37,003,515 |
| Jan-00 | 21,201,659 | 4,442,905 | 24,656,256 | 29,099,161 |
| Feb-00 | 55,253,673 | 11,560,124 | 25,283,389 | 36,843,513 |
| Mar-00 | 42,455,983 | 47,080,329 | 24,889,656 | 71,969,985 |
| Apr-00 | 65,933,173 | 8,880,749 | 23,954,905 | 32,835,654 |
| May-00 | 54,360,690 | 2,971,024 | 24,590,695 | 27,561,719 |
| Jun-00 | 67,842,744 | 8,463,686 | 24,662,650 | 33,126,336 |
| Jul-00 | 62,997,819 | 14,718,654 | 24,938,017 | 39,656,671 |
| Aug-00 | 85,110,470 | 13,616,328 | 25,409,691 | 39,026,019 |
| Sep-00 | 71,542,368 | 9,875,462 | 24,947,667 | 34,823,129 |
| Oct-00 | 68,523,453 | 10,689,321 | 26,131,086 | 36,820,407 |
| Nov-00 | 56,233,554 | 16,934,257 | 27,833,898 | 44,768,155 |
| Dec-00 | 62,836,837 | 10,656,050 | 25,620,543 | 36,276,593 |
| Jan-01 | 35,036,900 | 12,392,639 | 25,360,153 | 37,752,792 |
| Feb-01 | 64,221,153 | 24,068,360 | 25,875,912 | 49,944,272 |
| Mar-01 | 46,507,548 | 13,240,232 | 25,368,388 | 38,608,620 |
| Apr-01 | 52,261,978 | 10,895,366 | 25,409,041 | 36,304,407 |
| May-01 | 46,032,444 | 5,054,920 | 25,649,428 | 30,704,348 |
| Jun-01 | 57,508,640 | 14,101,784 | 25,297,673 | 39,399,457 |
| Jul-01 | 45,641,195 | 10,907,850 | 25,252,916 | 36,160,766 |
| Aug-01 | 66,524,211 | 21,055,416 | 25,787,691 | 46,843,107 |
| Sep-01 | 51,107,780 | 18,782,428 | 25,844,965 | 44,627,393 |
| Oct-01 | 28,632,214 | 38,849,619 | 26,495,123 | 65,344,742 |
| Nov-01 | 34,829,111 | 29,225,728 | 27,236,967 | 56,462,695 |
| Dec-01 | 26,124,243 | 11,036,124 | 27,821,835 | 38,857,959 |
| Jan-02 | 70,399,581 | 20,579,413 | 27,831,948 | 48,411,361 |
| Feb-02 | 40,303,066 | 18,734,310 | 27,512,108 | 46,246,418 |
| Mar-02 | 27,402,433 | 9,918,058 | 28,125,220 | 38,043,278 |
| Apr-02 | 33,946,497 | 9,295,077 | 27,671,148 | 36,966,225 |
| May-02 | 30,870,973 | 18,309,872 | 27,316,428 | 45,626,300 |
| Jun-02 | 64,328,566 | 28,061,863 | 25,995,405 | 54,057,268 |
| Jul-02 | 23,206,401 | 431,865 | 28,180,136 | 28,612,001 |
| Aug-02 | 41,955,362 | 10,662,159 | 28,316,130 | 38,978,289 |
| Sep-02 | 45,904,975 | 14,463,979 | 28,238,399 | 42,702,378 |
| Oct-02 | 52,597,759 | 20,727,322 | 28,637,176 | 49,364,498 |
| Nov-02 | 42,724,616 | 33,618,431 | 28,127,623 | 61,746,054 |
| Dec-02 | 37,622,732 | 28,357,215 | 26,774,983 | 55,132,198 |
| Jan-03 | 61,877,181 | 13,427,613 | 27,367,651 | 40,795,264 |
| Feb-03 | 60,621,690 | 10,163,281 | 26,098,149 | 36,261,430 |
| Mar-03 | 48,819,532 | 11,568,258 | 26,103,841 | 37,672,099 |
| Apr-03 | 49,460,915 | 11,724,500 | 26,281,431 | 38,005,931 |
| May-03 | 44,447,020 | 9,426,696 | 26,833,247 | 36,259,943 |
| Jun-03 | 33,634,169 | 7,291,696 | 25,862,033 | 33,153,729 |
| Jul-03 | 31,166,613 | 8,208,638 | 25,654,287 | 33,862,925 |
| Aug-03 | 33,295,819 | 8,049,412 | 25,052,196 | 33,101,608 |
| Sep-03 | 33,409,274 | 8,993,174 | 24,383,001 | 33,376,175 |
| Oct-03 | 34,490,170 | 8,877,887 | 24,626,432 | 33,504,319 |
| Nov-03 | 14,921,093 | 20,124,732 | 23,355,150 | 43,479,882 |
| Dec-04 | | 11,131,530 | 24,805,590 | 35,937,120 |
| Mean | 47,339,826 | 14,747,554 | 26,111,999 | 40,859,553 |
| Std Dev | 15,611,285 | 9,066,121 | 1,315,238 | 9,376,320 |
| Coefficient of Variation | 0.33 | 0.61 | 0.05 | 0.23 |

Source: Standard Mail: MC2004-4, OCA/DFS-T1-5
First-Class Mail: MC2004-4, DFS-T-1

# Table 3

| | Capital One: Monthly Mailings | | | |
|---|---|---|---|---|
| **Date** | **Customer Mail** | **Solicitation FC Mail** | **Total FC Mail** | **Standard Mail** |
| **Oct-98** | 20,000,000 | 64,312,211 | 84,312,211 | 2,279,673 |
| **Nov-98** | 20,000,000 | 84,513,668 | 104,513,668 | 1,248,749 |
| **Dec-98** | 20,000,000 | 70,330,103 | 90,330,103 | 698,236 |
| **Jan-99** | 20,093,585 | 48,713,996 | 68,807,581 | 4,704,266 |
| **Feb-99** | 18,936,302 | 51,911,135 | 70,847,437 | 6,815,494 |
| **Mar-99** | 21,429,647 | 101,113,831 | 122,543,478 | 5,442,520 |
| **Apr-99** | 20,237,967 | 53,185,873 | 73,423,840 | 21,569,499 |
| **May-99** | 21,493,755 | 42,784,936 | 64,278,691 | 21,335,863 |
| **Jun-99** | 21,315,898 | 51,911,418 | 73,227,316 | 15,785,065 |
| **Jul-99** | 22,366,963 | 82,763,889 | 105,130,852 | 27,986,822 |
| **Aug-99** | 22,218,406 | 45,709,167 | 67,927,573 | 66,617,101 |
| **Sep-99** | 22,283,276 | 47,420,011 | 69,703,287 | 42,448,557 |
| **Oct-99** | 23,753,037 | 78,771,652 | 102,524,689 | 30,248,391 |
| **Nov-99** | 24,924,804 | 99,036,307 | 123,961,111 | 15,345,511 |
| **Dec-99** | 28,323,271 | 56,759,404 | 85,082,675 | 7,921,155 |
| **Jan-00** | 25,733,873 | 90,404,633 | 116,138,506 | 56,792,786 |
| **Feb-00** | 24,438,019 | 35,453,537 | 59,891,556 | 34,437,081 |
| **Mar-00** | 27,320,181 | 53,057,033 | 80,377,214 | 39,614,873 |
| **Apr-00** | 29,480,138 | 38,846,756 | 68,326,894 | 28,331,357 |
| **May-00** | 30,351,077 | 53,642,857 | 83,993,934 | 50,397,191 |
| **Jun-00** | 30,470,815 | 82,813,549 | 113,284,364 | 55,393,585 |
| **Jul-00** | 30,068,221 | 63,641,402 | 93,709,623 | 47,904,323 |
| **Aug-00** | 32,449,688 | 48,333,024 | 80,782,712 | 66,828,624 |
| **Sep-00** | 31,289,392 | 52,860,401 | 84,149,793 | 105,033,143 |
| **Oct-00** | 35,458,669 | 36,680,749 | 72,139,418 | 119,564,729 |
| **Nov-00** | 36,222,564 | 69,978,222 | 106,200,786 | 82,909,126 |
| **Dec-00** | 38,333,630 | 69,555,071 | 107,888,701 | 32,121,903 |
| **Jan-01** | 37,538,604 | 71,609,132 | 109,147,736 | 94,006,455 |
| **Feb-01** | 37,228,200 | 67,678,601 | 104,906,801 | 73,448,261 |
| **Mar-01** | 40,595,396 | 79,707,394 | 120,302,790 | 85,245,080 |
| **Apr-01** | 39,584,216 | 53,734,153 | 93,318,369 | 93,752,823 |
| **May-01** | 39,613,572 | 68,816,452 | 108,430,024 | 94,422,524 |
| **Jun-01** | 40,094,283 | 50,499,839 | 90,594,122 | 63,251,136 |
| **Jul-01** | 43,936,373 | 77,390,674 | 121,327,047 | 70,807,874 |
| **Aug-01** | 41,780,602 | 61,920,684 | 103,701,286 | 101,295,653 |
| **Sep-01** | 40,206,176 | 81,359,208 | 121,565,384 | 69,564,731 |
| **Oct-01** | 46,379,476 | 109,959,062 | 156,338,538 | 88,010,149 |
| **Nov-01** | 42,756,595 | 123,429,831 | 166,186,426 | 88,765,050 |
| **Dec-01** | 49,050,084 | 114,868,000 | 163,918,084 | 25,136,785 |
| **Jan-02** | 49,347,570 | 111,473,290 | 160,820,860 | 105,436,265 |
| **Feb-02** | 46,416,492 | 97,894,068 | 144,310,560 | 83,400,395 |
| **Mar-02** | 50,472,716 | 118,835,045 | 169,307,761 | 86,376,653 |
| **Apr-02** | 50,248,542 | 98,176,516 | 148,425,058 | 97,144,193 |
| **May-02** | 51,306,612 | 121,404,738 | 172,711,350 | 76,604,133 |
| **Jun-02** | 48,162,673 | 56,909,685 | 105,072,358 | 54,916,252 |
| **Jul-02** | 48,732,181 | 36,351,765 | 85,083,946 | 41,894,720 |
| **Aug-02** | 50,000,000 | 43,000,000 | 93,000,000 | |
| **Sep-02** | 50,000,000 | 64,000,000 | 114,000,000 | |
| **Mean** | 34217573.77 | 70490061.92 | 104707635.69 | 53983799.02 |
| **Std Dev** | 10894158.29 | 24733365.74 | 30672788.78 | 34327313.76 |
| **Coefficient of Variation** | 0.32 | 0.35 | 0.29 | 0.64 |

Source: COS-T-2, MC2002-2, Direct Testimony of Stuart Elliott, Exhibit 2
MC2002-2, OCA/COS-T2-6.