

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPLAINT OF CAPITAL ONE SERVICES, INC.

Docket No. C2008-3

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF PUBLIC REPRESENTATIVE
(PR/USPS-12)
(March 20, 2009)**

The United States Postal Service hereby provides its response to the following interrogatory of the Public Representative, filed on August 28, 2008: PR/USPS-12.

The interrogatory is stated verbatim, and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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March 20, 2009

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PR/USPS-12. Please refer to the Postal Service's response to PR/USPS-3.

- a. Pursuant to Rate Schedule 630A (First-Class Mail), please provide the value of the discounts earned by, but not paid to, Bank of America. Please provide an electronic spreadsheet showing the Postal Service's calculation of the discounts earned by Bank of America. If Bank of America has prepared a separate calculation of the discounts earned, please provide that calculation. Finally, please explain the differences between the Postal Service's and Bank of America's calculations.
- b. Pursuant to Rate Schedule 630D (Standard Mail), please provide the value of the discounts earned by, but not paid to, Bank of America. Please provide an electronic spreadsheet showing the Postal Service's calculation of the discounts earned by Bank of America. If Bank of America has prepared a separate calculation of the discounts earned, please provide that calculation. Finally, please explain the differences between the Postal Service's and Bank of America's calculations.

RESPONSE:

The discounts earned pursuant to schedules 630A and D were calculated using a universe of letters sent at automation rates by Bank of America, less those letters entered in automation categories, but destinating in zones with no automation equipment. These letters to non-auto zones were excluded because there was no expectation that they would be processed (or scanned) on automation equipment, and therefore no reason to believe that they necessarily contribute to savings from readability or processing improvements. The read/accept rates were calculated as the (non-duplicate) pieces included in the universe described above that were scanned on automation equipment, divided by the total universe. Finally, this read/accept rate calculation was used to determine the per-piece rebate, which was then multiplied by the universe of eligible pieces to compute the total rebate.

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Two adjustments were made to this basic calculation, both related to Postal Service system implementation issues. First, Confirm scans were used to supplement Postal Service Seamless Acceptance system data in some cases where the Seamless Acceptance data was missing as a result of data upload problems. Second, for a period of two weeks during the quarter, both the Confirm and Seamless Acceptance systems recorded anomalously low scan rates system wide. Data for these two weeks was excluded from the computation, although the pieces mailed by Bank of America during this time were included in the payment calculation.

- a. Under Schedule 630A, USPS paid a rebate of \$41,368.57 to Bank of America for the first quarter of the contract period.
- b. Under Schedule 630D, USPS paid a rebate of \$997,434.95 to Bank of America for the first quarter of the contract period.