

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268B0001

RATE AND SERVICE CHANGES TO IMPLEMENT
FUNCTIONALLY EQUIVALENT NEGOTIATED
SERVICE AGREEMENT WITH BANK ONE
CORPORATION

Docket No. MC2004-3

UNITED STATES POSTAL SERVICE NOTICE OF ERRATA TO
RESPONSE OF WITNESS PLUNKETT TO INTERROGATORY OF THE
OFFICE OF CONSUMER ADVOCATE (OCA/USPS-T1-25)(ERRATA)
(August 9, 2004)

The United States Postal Service hereby provides notice that it is filing errata to the Response of United States Postal Service Witness Plunkett to Interrogatory of the Office of the Consumer Advocate, OCA/USPS-T1-25. The previous response, filed on August 5, 2004, did not identify the maximum discount and the effective conversion. These errors have been corrected in the attached.

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

REVISED

OCA/USPS-T1-25. Please refer to your testimony at VI. Discount Cap, pages 15-17, and PRC Op. MC2002-2, page 154, para. [8025], which states:

Third party mailers will be unharmed by the NSA so long as the dollar amount of the volume discounts the Postal Service makes available to Capital One is not greater than the costs it avoids as a result of the return mail feature of the agreement.

Please explain how the Postal Service has protected third party mailers from harm should the dollar amount of the volume discounts provided to Bank One exceed the costs avoided as a result of the return mail feature of the Bank One NSA.

Response:

Please see my response to OCA/USPS-T1-24. Furthermore, any meaningful risk analysis must recognize that the financial risks run in both directions. As explained in response to interrogatory OCA-USPS-T1-24, the risk of not pursuing an NSA is not zero. Ignoring the cost savings on existing volume and the potential for new First-Class Mail volume, the Postal Service would lose without the NSA 19 million pieces in Year 1 and 99 million pieces in Years 2 and 3 of the agreement. The potential lost opportunity of additional contribution to the Postal Service is, at a minimum, identified below:

	YEAR 1	YEAR 2	YEAR 3
Volume	19,055,000	99,055,000	99,055,000
Contribution	\$0.163	\$0.157	\$0.152
Less Maximum Discount	\$0.05	\$0.05	\$0.05
Less Standard Contribution	\$0.093	\$0.089	\$0.086
Opportunity Cost	\$381,100	\$1,782,990	\$1,584,880

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It should be noted that the \$0.05 is the highest discount structure and would not be earned in any of the scenarios discussed above and is an extreme example.

In addition without the NSA the benefits of the cost-savings identified on Bank

One's existing marketing volume would not be captured.

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.

Nan K. McKenzie

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