

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

REVISED RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS AYUB TO INTERROGATORY OF THE OFFICE OF THE
CONSUMER ADVOCATE (ERRATA)
(OCA/USPS-T1-41)
(September 2, 2004)

The United States Postal Service hereby provides its revised response to the following interrogatory: Office of the Consumer Advocate Interrogatory to United States Postal Service Witness Ali Ayub (OCA/USPS-T1-41), filed on August 5, 2004, and originally answered on August 16, 2004. The revisions reflect errata that are being filed today to Attachment A to USPS-T-1. The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,
UNITED STATES POSTAL SERVICE

By its attorneys:

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September 2, 2004

RESPONSE OF THE UNITED STATES POSTAL SERVICE WITNESS AYUB
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T1-41. Please refer to your testimony, Appendix A, page 10, and the table below.

<u>Contribution per Piece</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
First-Class Marketing Mail, After Rates	\$0.158	\$0.152	\$0.147
Standard Mail Contribution per Piece	<u>\$0.091</u>	<u>\$0.088</u>	<u>\$0.084</u>
Net Contribution	\$0.067	\$0.065	\$0.063
Discount	<u>\$0.045</u>	<u>\$0.045</u>	<u>\$0.045</u>
Net Contribution less Discount	\$0.022	\$0.020	\$0.018

- a. Please confirm that Discover's Year 1 After Rates Net Contribution per Piece, after the 4.5 cent discount, is \$0.022. If you do not confirm, please explain.
- b. Please confirm that Discover's Year 2 After Rates Net Contribution per Piece, after the 4.5 cent discount, is \$0.020. If you do not confirm, please explain.
- c. Please confirm that Discover's Year 3 After Rates Net Contribution per Piece, after the 4.5 cent discount, is \$0.018. If you do not confirm, please explain.

RESPONSE:

- (a) Not confirmed. Based upon errata to Appendix A, filed on September 2, 2004, the contingency is now included for Standard Mail costs.

The correct Net Contribution less Discount, according to the methodology provided, would therefore be: 2.3 cents for Year 1, 2.2 cents for Year 2, and 2.0 cents for Year 3. Moreover, this calculation is the minimum contribution per piece, as it is viewed in isolation of the tiered discount structure and volume responses. If you include the contribution earned on volume in the tiers needed to reach the maximum discount, the contribution per piece would increase. Furthermore, savings from eliminating repeat forwards, and the fact that some incremental volume may be new volume, also increase the contribution per piece.

- (b) Please see my response to (a).

- (c) Please see my response to (a).

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.

Brian M. Reimer

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