

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

Rate and Service Changes To Implement)
Baseline Negotiated Service Agreement)
With Washington Mutual Bank) Docket No. MC2006-3

NOTICE OF OFFICE OF THE CONSUMER ADVOCATE
CONCERNING ERRATA TO RESPONSE OF OCA WITNESS
JAMES F. CALLOW TO INTERROGATORY WMB/OCA-T1-1(f)
(October 10, 2006)

The Office of the Consumer Advocate hereby gives notice of filing a revised response of OCA witness James F. Callow to interrogatory WMB/OCA-T1-1(f), filed September 7, 2006. The revised response replaces the three charts for Years 1, 2 and 3, with three new charts for the same years. The text of the response is also revised.

The Excel file "Response_WMB/OCA-T1-1(f).xls," used to develop the charts in the original response to WMB/OCA-T1-1(f), contained First-Class Mail and Standard Mail "marginal revenues" and "marginal costs" from the testimony of witness Ayub (USPS-T-1), as revised June 7, 2006. However, the price-difference elasticity, -0.8538, was calculated from First-Class Mail and Standard Mail marginal revenues provided in the testimony of witness Ayub, as originally filed. Inserting this price-difference elasticity into the Excel file that included witness Ayub's revised First-Class Mail and Standard Mail marginal revenue and marginal cost figures calculates the incorrect institutional contribution. The Excel file should have used the First-Class Mail and Standard Mail marginal revenues and costs from the original testimony of witness Ayub, since it was the unrevised marginal revenues that generated the -0.8538 elasticity.

The three new charts are developed using the original “FCM Marginal Revenue” of \$0.324 and “Std Mail Marginal Revenue” of \$0.204, rather than revised marginal revenue of \$0.346 and \$0.206, respectively. See Excel file “Resp(REV10-10-06)_WMB-OCA-T1-1(f).xls” worksheet tabs “Year 1,” “Year 2,” and “Year 3,” at cells H4 and K4, respectively. The charts also reflect use of the original “FCM Marginal Cost” and “Std Mail Marginal Cost” figures of \$0.090 and \$0.073 for Year 1, \$0.094 and \$0.076 for Year 2, and \$0.097 and \$0.079 for Year 3, respectively. See Excel file “Resp(REV10-10-06)_WMB-OCA-T1-1(f).xls” worksheet tabs “Year 1,” “Year 2,” and “Year 3,” at cells I4 and L4, respectively. The text of the response is revised to indicate the use of the original First-Class Mail and Standard Mail marginal revenues, and the original First-Class Mail and Standard Mail marginal costs. The implicit price-difference elasticity based on the First-Class Mail and Standard Mail marginal revenues in witness Ayub’s revised testimony of June 7, 2006, is provided in response to WMB/OCA-T1-5.

The revised pages to the response to WMB/OCA-T1-1(f) are attached. The revised electronic Excel file, "Resp(REV10-10-06)_WMB-OCA-T1-1(f).xls," showing the corrected cells shaded in gray, is also provided.

Respectfully submitted,

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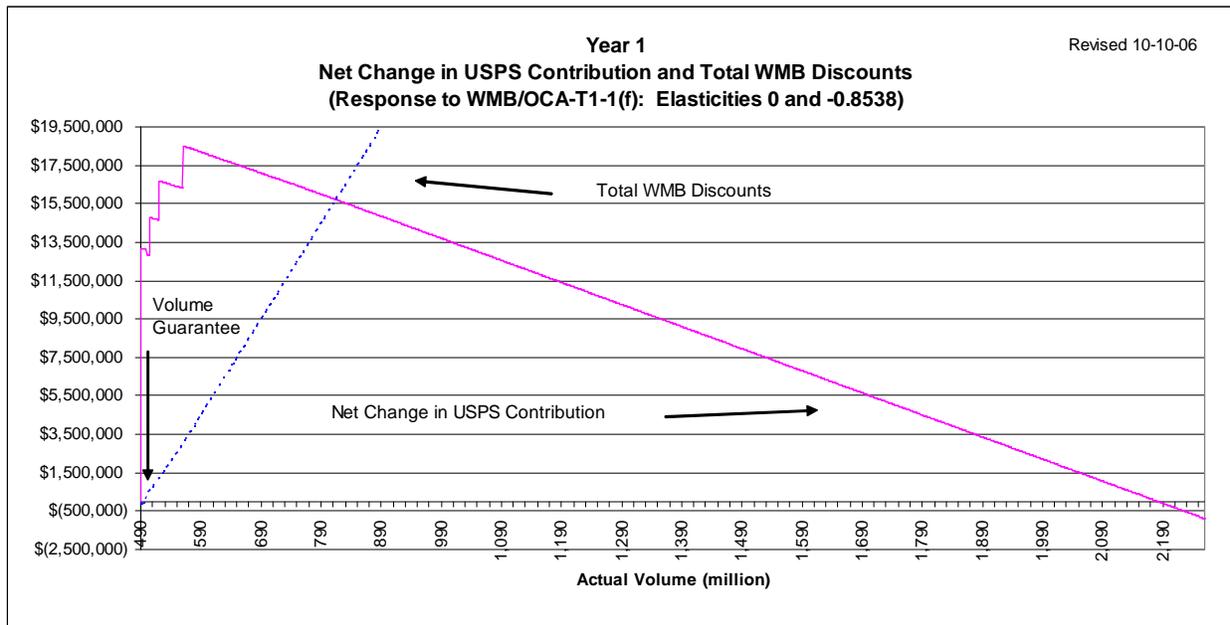
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ANSWERS OF OCA WITNESS JAMES F. CALLOW
TO INTERROGATORIES WMB/OCA-T1-1-4

Revised 10-10-06

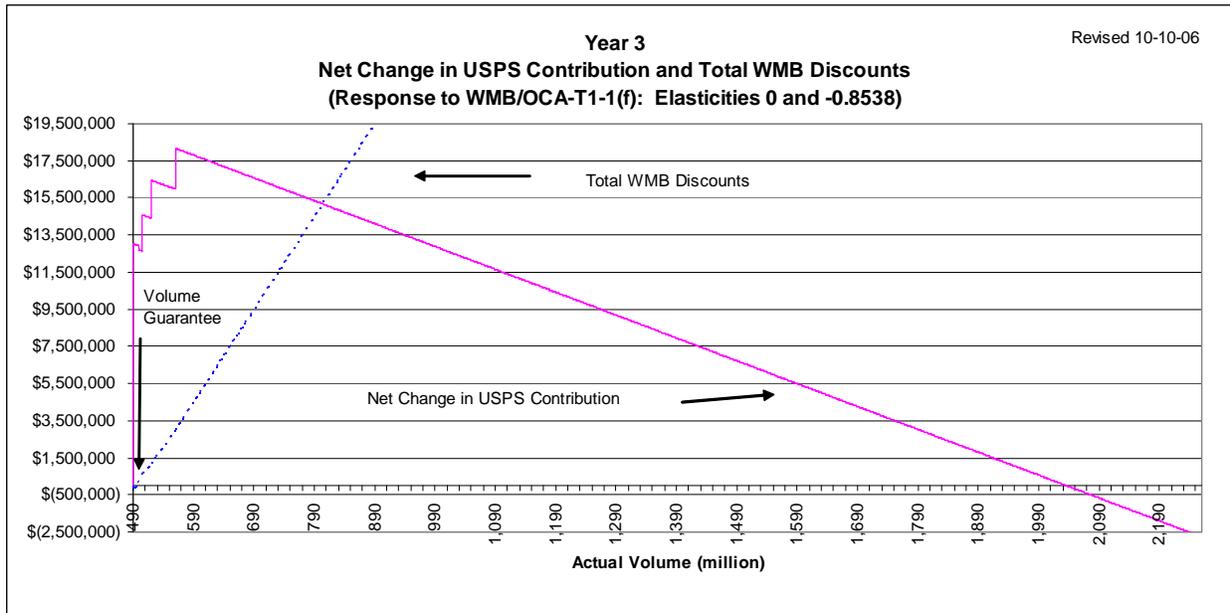
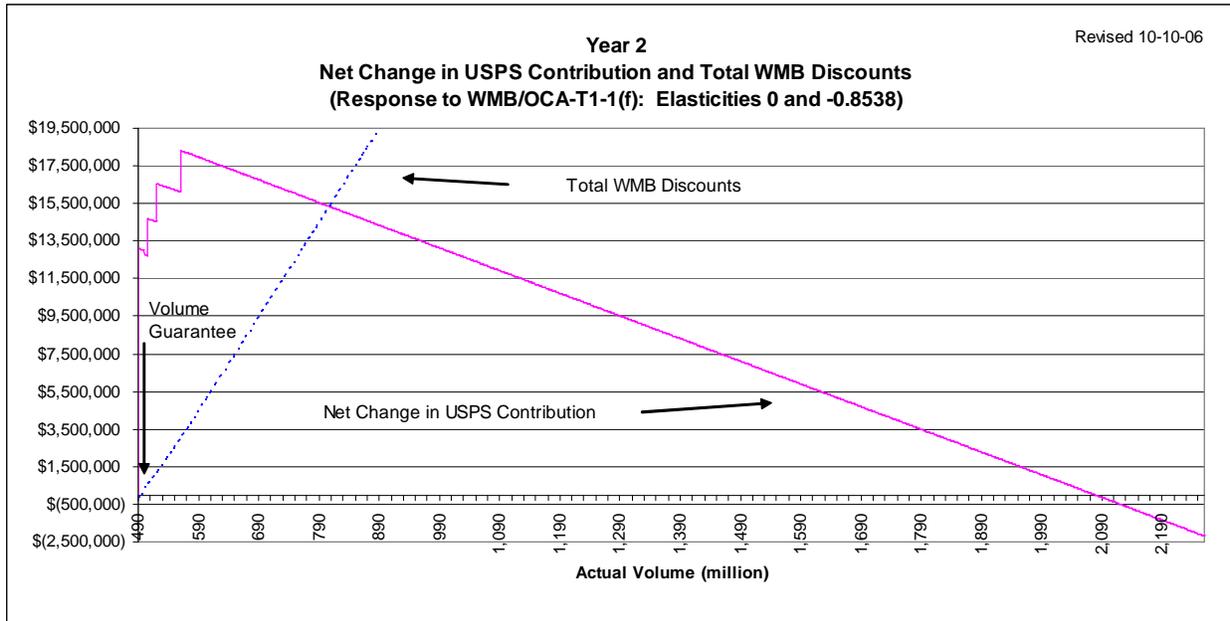
(e) Confirmed. The price-difference elasticity of -0.8538 was “backed-out” of Washington Mutual’s stated before-rates and after-rates point volume estimates, using the average revenue for First-Class marketing letters of $\$0.324$, the Standard Mail revenue per piece of $\$0.204$, and the highest negotiated discount of $\$0.050$.

(f) See charts for Years 1, 2, and 3, below, developed by inserting -0.8538 in Cell D11 of the Excel file “Resp(REV10-10-06)_WMB/OCA-T1-1(f).xls,” worksheets “Year 1,” “Year 2,” and “Year 3.” The First-Class Mail and Standard Mail revenue figures used to derive the price-difference elasticity of -0.8538 are provided in response to part (e), above. This response also uses the First-Class Mail marketing letter and Standard Mail unit costs provided in the testimony of witness Ayub (USPS-T-1), as originally filed, to calculate the institutional contribution used to develop the charts. See USPS-T-1 (Ayub), Appendix A, Page 10.



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(g) See charts, below, for Years 1, 2, and 3, obtained by using the “Long-Run” own-price elasticity (-0.129934) for First-Class workshared letters estimated by witness Thress (USPS-T-7), Table 16, in Docket No. R2006-1, and the average price-difference elasticity (-0.111483) in the following equation