

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

RESPONSES OF THE UNITED STATES POSTAL SERVICE WITNESS AYUB
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T1-33-34)
(August 9, 2004)

The United States Postal Service hereby provides its responses to the following interrogatories: Office of the Consumer Advocate Interrogatories to United States Postal Service Witness Ali Ayub (OCA/USPS-T1-33-34), filed on July 30, 2004.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,
UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Brian M. Reimer

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August 9, 2004

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

OCA/USPS-T1-33. Please refer to the table below, entitled APPENDIX A, page 4, (REVISED BY OCA), which contains revisions to the Discover Model at Appendix A, page 4 of your testimony. Please confirm that the table entitled APPENDIX A, page 4, (REVISED BY OCA) is an alternative presentation of the Discover Model that separates various calculations in Appendix A at page 4 of your testimony. If you do not confirm, please explain and show all calculations.

APPENDIX A, page 4 (REVISED BY OCA)

Discover Model (Statement Mail)

Negotiated Service Agreement
Appendix A, page 4

Discover Marketing Mail Return Percentage =	9.3%	(1)
Discover Statement Mail Return Percentage =	0.3%	(2)
Average Presort Letters Return Percentage =	1.23%	(3)
Discover Statement Mail Volume BEFORE RATES =	295,000,000	(4)
Discover Statement Mail Volume AFTER RATES =	295,000,000	(5)
Discover Marketing Mail Volume BEFORE RATES =	156,000,000	(6)
Discover Marketing Mail Volume AFTER RATES =	169,000,000	(7)
Manual Returns Unit Cost =	\$0.551	(8)
Electronic Returns Unit Cost =	\$0.343	(9)
Address Change Service (ACS) Success Rate =	85.0%	(10)
Contingency Factor =	1.03	

Rate Category	OCA's REVISED COLUMNS									USPS' ORIGINAL COLUMNS (Ayub)			
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(13)	(14)	(15)	(16)
	Discover TY 2004 Total Unit Cost (Dollars)	Discover FY 2003 Mail Volume (Pieces)	Discover FY 2003 Mail Volume (Percent)	Discover BR 2004 Statement Adjustment for Average Returns Unit Cost (Dollars)	Discover BR 2004 Statement w/o Average Returns (Dollars)	Discover BR 2004 Statement Adjustment for Returns Unit Cost (Dollars)	Discover BR 2004 Statement Adjusted Returns Unit Cost (Dollars)	Discover AR 2004 Statement Adjustment for Returns Unit Cost (Dollars)	Discover AR 2004 Statement Adjusted Returns Unit Cost (Dollars)	Current Returns Adjustment Unit Cost (Dollars)	Current w/Rets Adj Total Unit Cost (Dollars)	After Rates Returns Adjustment Unit Cost (Dollars)	After Rates w/Rets Adj Total Unit Cost (Dollars)
FIRST-CLASS MAIL LETTERS													
Nonautomation Presort Letters	0.254	11,155,885	3.6%										
Automation Presort Letters													
Automation Mixed AADC	0.123	7,752,541	2.5%										
Automation AADC	0.111	15,543,758	5.0%										
Automation 3-Digit	0.108	226,048,367	72.2%										
Automation 5-Digit	0.095	51,718,335	16.5%										
Automation Carrier Route	0.107	833,517	0.3%										
WEIGHTED AVERAGE / TOTAL	0.111	313,052,403	100.0%	\$0.0068	\$0.1045	\$0.0017	\$0.106 0.10617306	\$0.0017	\$0.106 0.10617306	(0.0051)	0.106 0.10617306	(0.0051)	0.106 0.10617306
Total Unit Cost Estimates, Including Contingency =										0.109	0.109	0.109	0.109

NOTES (to OCA's portion of table):

- (1) USPS-T-1 (Ayub), Appendix A, page 1
- (2) USPS-T-1 (Ayub), Appendix A, page 1
- (3) USPS-T-1 (Ayub), Appendix A, page 1
- (4) USPS-T-1 (Ayub), Appendix A, page 2
- (5) USPS-T-1 (Ayub), Appendix A, page 2
- (6) USPS-T-1 (Ayub), Appendix A, page 2
- (7) USPS-T-1 (Ayub), Appendix A, page 2
- (8) USPS-T-1 (Ayub), Appendix A, page 1
- (9) USPS-T-1 (Ayub), Appendix A, page 1
- (10) USPS-T-1 (Ayub), Appendix A, page 1
- (11) USPS-T-1 (Ayub), Appendix A, page 5, Col. (10)
- (12) USPS-T-1 (Ayub), Appendix A, page 5, Col. (11)
- (13) USPS-T-1 (Ayub), Appendix A, page 5, Col. (12)
- (14) (7) * (3)
- (15) (11) - (14)
- (16) ((1) * (8) * (6)) / (6)
- (17) (15) + (16)
- (18) (((1) * ((10) * (9)) + ((1 - (10)) * (8)))) * (7) / (7)
- (19) (15) + (19)

NOTES (to USPS' portion of table):

- (13) (Manual Letter Returns Unit Cost * After Rates Statement Mail) * (Statement Mail Return Forecast - USPS FCM Avg. Return Rate) / After Rates Statement Mail
- (14) (10) + (13). NOTE: column (10) in Appendix A, page 4 is the same as column (11) in this table.
- (15) ((ACS Success Rate * Electronic Letter Returns Unit Cost + (1 - ACS Success Rate) * Manual Letter Returns Unit Cost) * After Rates Statement Mail * (Statement Mail Return Forecast - USPS FCM Avg. Return Rate)) / After Rates Statement Mail - USPS FCM Avg. Return Rate * (Manual Letter Returns Unit Cost - Electronics Letter Returns Unit Cost) * ACS Success Rate
- (16) (10) + (15). NOTE: column (10) in Appendix A, page 4 is the same as column (11) in this table.
- (17) (14) * Contingency Factor (Assumptions)
- (18) (16) * Contingency Factor (Assumptions)

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

RESPONSE:

Confirmed that the calculations present a modified version of the calculations on page 4 of Appendix A to my testimony.

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

OCA/USPS-T1-34. Please refer to the table below, entitled APPENDIX A, page 5, (REVISED BY OCA), which contains revisions to the Discover Model at Appendix A, page 5 of your testimony. Please confirm that the table entitled APPENDIX A, page 5, (REVISED BY OCA) is an alternative presentation of the Discover Model that separates various calculations in Appendix A at page 5 of your testimony. If you do not confirm, please explain and show all calculations.

APPENDIX A, page 5 (REVISED BY OCA)

Discover Model (Marketing Mail)

Negotiated Service Agreement
Appendix A, page 5

Discover Marketing Mail Return Percentage =	9.3%	(1)
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Contingency Factor =	1.03	

OCA's REVISED COLUMNS

DOCKET NO. R2001-1 PRC FIGURES - DISCOVER MAIL MIX

USPS' ORIGINAL COLUMNS (Ayub)

Rate Category	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(13)	(14)	(15)	(16)
	Discover TY 2004 Total Unit Cost (Dollars)	Discover FY 2003 Mail Volume (Pieces)	Discover FY 2003 Mail Volume (Percent)	Discover BR 2004 Adjustment for Average Returns Unit Cost (Dollars)	Discover BR 2004 Marketing Total Unit Cost w/o Average Returns (Dollars)	Discover BR 2004 Adjustment for Marketing Returns Unit Cost (Dollars)	Discover BR 2004 Marketing Total Returns Adjusted Unit Cost (Dollars)	Discover AR 2004 Adjustment for Marketing Returns Unit Cost (Dollars)	Discover AR 2004 Marketing Total Returns Adjusted Unit Cost (Dollars)	Current Returns Adjustment Unit Cost (Dollars)	Current w/Rets Adj Total Unit Cost (Dollars)	After Rates Returns Adjustment Unit Cost (Dollars)	After Rates w/Rets Adj Total Unit Cost (Dollars)
FIRST-CLASS MAIL LETTERS													
Nonautomation Presort Letters	0.254	54,986	0.0%										
Automation Presort Letters													
Automation Mixed AADC	0.123	1,235,576	0.9%										
Automation AADC	0.111	3,554,645	2.6%										
Automation 3-Digit	0.108	82,154,566	59.8%										
Automation 5-Digit	0.095	49,987,987	36.4%										
Automation Carrier Route	0.107	459,875	0.3%										
WEIGHTED AVERAGE / TOTAL	0.103	137,447,635	100.0%	\$0.0068	\$0.0964	\$0.0513	\$0.148 0.14768543	\$0.0348	\$0.131 0.13124303	0.0445	0.148 0.14768543	0.0280	0.131 0.13124303
Total Unit Cost Estimates, Including Contingency =											0.151		0.135

NOTES (to OCA's portion of table):

- (1) USPS-T-1 (Plunkett), Appendix A, page 1
- (2) USPS-T-1 (Plunkett), Appendix A, page 1
- (3) USPS-T-1 (Plunkett), Appendix A, page 1
- (4) USPS-T-1 (Plunkett), Appendix A, page 2
- (5) USPS-T-1 (Plunkett), Appendix A, page 2
- (6) USPS-T-1 (Plunkett), Appendix A, page 2
- (7) USPS-T-1 (Plunkett), Appendix A, page 2
- (8) USPS-T-1 (Plunkett), Appendix A, page 1
- (9) USPS-T-1 (Plunkett), Appendix A, page 1
- (10) USPS-T-1 (Plunkett), Appendix A, page 1
- (11) USPS-T-1 (Plunkett), Appendix A, page 5, Col. (10)
- (12) USPS-T-1 (Plunkett), Appendix A, page 5, Col. (11)
- (13) USPS-T-1 (Plunkett), Appendix A, page 5, Col. (12)
- (14) (7) * (3)
- (15) (11) - (14)
- (16) ((1) * (8) * (6)) / (6)
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NOTES (to USPS' portion of table):

- (13) (Manual Letter Returns Unit Cost * After Rates Statement Mail) * (Statement Mail Return Forecast - USPS FCM Avg. Return Rate) / After Rates Statement Mail
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- (16) (10) + (15). NOTE: column (10) in Appendix A, page 4 is the same as column (11) in this table.
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ite) /

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

RESPONSE:

Confirmed that the calculations present a modified version of the calculations on page 5 of Appendix A to my testimony.

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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August 9, 2004