

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

OFFICE OF CONSUMER ADVOCATE  
INTERROGATORIES TO UNITED STATES POSTAL SERVICE  
WITNESS ALI AYUB (OCA/USPS-T1-13-16)  
(April 21, 2006)

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Pursuant to Rules 25 through 28 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits interrogatories and requests for production of documents. Instructions included with OCA interrogatories OCA/USPS-T1-1-5 are hereby incorporated by reference.

Respectfully submitted,

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SHELLEY S. DREIFUSS  
Director  
Office of the Consumer Advocate

EMMETT RAND COSTICH  
Attorney

901 New York Avenue, NW Suite 200  
Washington, D.C. 20268-0001  
(202) 789-6830; Fax (202) 789-6891  
e-mail: [costicher@prc.gov](mailto:costicher@prc.gov)

OCA/USPS-T1-13. This interrogatory seeks information that could be used to reduce financial risk to the Postal Service from the Washington Mutual Bank (WMB) NSA.

Please refer to your response to OCA/USPS-T1-4d. Your response includes the sentence,

Without detail on how the annual fee is calculated and is applied, the arrangement [a two-part tariff] could cause a negative financial impact to the Postal Service.

Please assume that under the two-part tariff,

- (i) the annual fixed fee would be paid to the Postal Service in equal quarterly installments,
- (ii) discount-eligible volume would be each Year's after-rates estimated solicitation volume (a cap but no threshold)
- (iii) all discount-eligible volume would receive the discount associated with each Year's after-rates total First-Class volume estimate under the proposed WMB NSA (*i.e.*, five cents),
- (iv) total discounted postage paid would be based on actual depth of sort,
- (v) total *forecasted* discounted postage paid would be calculated using "Revenue per piece" from your Appendix A, page 4, "Marketing mail letter" volume from your Appendix A, page 2, and "Discount Earned" and "Total Exposure" from your Appendix A, page 7 (*e.g.*, \$181.7 million less the fixed fee for Year 1),
  - a. Please confirm that this two-part tariff would generate the same *estimated* revenue as the WMB NSA if the fixed fee for Year 1 is \$19.2 million = \$181.7 million – (\$0.274 \* 593) million, and Years 2 and 3 are similarly calculated using the applicable estimated volume. If you do not confirm, please provide the correct revenue and show all calculations.
  - b. Please confirm that for volumes in excess of 593 million, the revenue per piece is five cents greater under the two-part tariff than under the WMB NSA. If you do

not confirm, please provide the correct revenue per piece and show all calculations.

- c. Please confirm that the expected revenue (and contribution to institutional costs) under the two-part tariff is subject to less variability (as that term is used at page 29, lines 15-17, of your testimony) than the expected revenue under the WMB NSA. If you do not confirm, please “identify the sources of variability” that are greater (individually and in the aggregate) for the two-part tariff.

OCA/USPS-T1-14. This interrogatory seeks information that could be used to reduce financial risk to the Postal Service from the Washington Mutual Bank (WMB) NSA.

Please refer to the Commission’s unanimous concurring opinion in the Bank One case.<sup>1</sup>

[B]ank one has argued that it might send even more First-Class Mail than it currently forecasts if unlimited discounts are available to it. This potential benefit is insufficient to justify providing special discounts to any individual mailer.

- a. Does “[t]his potential benefit” exist with respect to the WMB NSA? If so, what is the current expected value of “[t]his potential benefit” to the Postal Service?  
Please show all calculations and source all numbers used.
- b. Is the existence of “[t]his potential benefit” consistent with a claim that volume forecasts “accurately reflect the environment within which [WMB] is operating”?  
USPS-T-1, page 23, line 23. Please provide the basis for your response.
- c. Is the existence of “[t]his potential benefit” consistent with a “total postage expenditure” of \$160 million? *Id.*, page 24, line 12. Please provide the basis for your response.

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<sup>1</sup> Docket No. MC2004-3, December 17, 2004, at 4.

OCA/USPS-T1-15. This interrogatory seeks to determine how the WMB NSA differs materially from the Capital One NSA. Please list all elements of the WMB NSA, as proposed, that are functionally different from the Capital One NSA, *as proposed*.

OCA/USPS-T1-16. This interrogatory seeks to determine how the WMB NSA differs materially from the Bank One NSA. In its opinion in the Bank One Case, the Commission stated,<sup>2</sup>

[T]he risk of losses from discounts on mail that would have been sent without the agreement, given the record of this docket, is a continuing concern.

Please identify all elements of the WMB NSA as proposed, that are functionally different from the Bank One NSA, *as proposed*.

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<sup>2</sup> PRC Op. MC2004-3 at 4.