

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. R2006-3

**UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS
TO OFFICE OF CONSUMER ADVOCATE WITNESS CALLOW
(USPS/OCA-T1—1-4)**

Pursuant to rules 25 and 26 of the Rules of Practice, the United States Postal Service directs the following interrogatories and requests for production of documents to Office of Consumer Advocate witness Callow: USPS/OCA-T1—1-4.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Anthony F. Alverno
Chief Counsel, Customer Programs

Matthew J. Connolly
Attorney

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1135
(202) 268-8582; Fax -5419
August 24, 2006

USPS/OCA-T1-1. Please refer to page 9, lines 7 and 8, of your testimony. You state that “the Washington Mutual NSA, unlike previously proposed or recommended NSAs, permits unlimited discounts.”

- a) Please confirm that the term “unlimited discounts” refers to the fact that the Washington Mutual NSA contains no cap or stop loss mechanism in relation to the declining block rate discounts Washington Mutual is eligible to receive. If you cannot confirm, please explain.
- b) Please confirm that the NSAs with Capital One, Bank One, and HSBC, as proposed by the Postal Service, did not contain stop loss caps.

USPS/OCA-T1-2. Please refer to the appendix labeled “OCA-T-1_att1-WMB.xls” that you included with your testimony. Cell D11 in the worksheet tabs labeled “Year 1,” “Year 2,” and “Year 3” contains the number -0.111483.

- a) Please confirm that the source of this number is a coefficient in the multivariate regression model that USPS witness Thress used to forecast demand for First-Class Mail presort letters (Docket No. R2006-1).
- b) If you cannot confirm, please explain.

USPS/OCA-T1-3. Please refer to page 3, lines 10 to 12, of your testimony. You state, “I accept Postal Service witness Ayub’s assumption that Washington Mutual’s entire discount induced First-Class Mail solicitation letter volume is converted from Standard Mail.”

- a) In your judgment, does Washington Mutual’s ability to convert its solicitation letter volume from Standard Mail to First-Class Mail suggest that Washington Mutual regards First-Class Mail as a close substitute for Standard Mail?
- b) Do you agree with the proposition that by substituting a more expensive product (First-Class Mail) with a less expensive product (Standard Mail), Washington Mutual expects the additional expense to be offset by a higher response rate to its First-Class Mail solicitations? If no, please explain.

OCA/USPS-T1-4. Please refer to page 12, lines 17 to 19, of your testimony. You state that “Washington Mutual receives discounts on all eligible First-Class Mail solicitation letters exceeding the minimum discount threshold volume of 490 million mailpieces that are prompted for any reason, ensuring Washington Mutual a positive financial outcome.”

- a) In reaching this conclusion, did you consider whether Washington Mutual’s negotiation and litigation costs associated with this NSA would have an effect on Washington Mutual’s financial outcome? If yes, please provide the results of your analysis.
- b) Do you agree that Washington Mutual’s financial outcome under the NSA depends, in part, on the rate of customer responses it receives from its First-Class mail solicitations?
- c) If Washington Mutual’s solicitation letter volume is converted from Standard Mail to First-Class Mail and the rate of customer responses it

receives from its First-Class mail solicitations does not increase, will Washington Mutual's financial outcome necessarily be positive? If yes, please explain.

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.

Matthew J. Connolly
Attorney

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1135
(202) 268-8582; Fax -5419
August 24, 2006