

**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001**

**RATE AND SERVICE CHANGES TO
IMPLEMENT BASELINE NEGOTIATED
SERVICE AGREEMENT WITH
WASHINGTON MUTUAL BANK**

Docket No. MC2006-3

**THIRD INTERROGATORY OF WASHINGTON MUTUAL BANK
TO OFFICE OF THE CONSUMER ADVOCATE
WITNESS JAMES F. CALLOW (OCA-T1-6)**

Washington Mutual Bank requests the Office of the Consumer Advocate to respond fully and completely to the following interrogatories and requests for production of documents pursuant to Rules 25 and 26 of the Commission's Rules of Practice and Procedure.

Respectfully submitted,

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Dated : September 26, 2006

**INTERROGATORY OF WASHINGTON MUTUAL BANK TO
OFFICE OF THE CONSUMER ADVOCATE WITNESS CALLOW WMB/OCA-T1-6)**

WMB/OCA-T1-6. Please refer to the charts you provided in response to WMB/OCA-T1-1(f), which show that, assuming an own-piece elasticity of zero and a price-difference elasticity of -0.8538 and ignoring the NSA's cost savings, the NSA will generate a significant net change in USPS contribution in each year at WMB's After Rates volume forecasts.

Please also refer to interrogatory WMB/OCA-T1-5 and your response to it. Albeit in different words, WMB/OCA-T1-5 asked you how large WMB's price-difference elasticity would need to be for the NSA to generate a positive net change in USPS contribution each year at WMB's After Rates volume forecasts (713 million in Year 1, 750 million in Year 2, and 785 million in Year 3). You responded to this interrogatory by providing estimates of the price-difference elasticities implied by WMB's Before-Rates and After-Rates volume forecasts if one makes the additional assumption that WMB's own-price elasticity is zero.

Assuming that WMB's own-price elasticity is zero, how large, according to a Panzar Analysis, must the price-difference elasticity be for the NSA to produce a positive USPS net change in USPS contribution at WMB's After-Rates volume forecasts? Please provide your underlying calculations. If you are unable to incorporate the NSA's cost savings into the "Panzar Analysis," please indicate that this is so and ignore the NSA's cost savings in performing the Panzar Analysis.