

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

RESPONSE OF THE UNITED STATES POSTAL SERVICE WITNESS AYUB
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T1-44-46)
(August 27, 2004)

The United States Postal Service hereby provides its responses to the following interrogatories: Office of the Consumer Advocate Follow-up Interrogatories to United States Postal Service Witness Ali Ayub (OCA/USPS-T1-44-46), filed on August 18, 2004.

The interrogatories are stated verbatim and are followed by the responses.

Respectfully submitted,
UNITED STATES POSTAL SERVICE

By its attorneys:

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August 27, 2004

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OCA/USPS-T1-44. Please refer to your response to OCA/USPS-T1-35(a), where it states “The current ratio of Discover’s marketing mail volume to total First-Class mail volume is 33.6%.” Please confirm that the “current” (i.e., Year 1) ratio should be 34.59 (156,000,000 / 451,000,000) percent. If you do not confirm, please explain.

RESPONSE:

Confirmed that the ratio for Year 1 BR is 34.59 percent, and that the ratio is 36.4 percent for Year 1 AR.

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OCA/USPS-T1-45. Please refer to your response to OCA/USPS-T1-35(a), where it states “While both DFS and the Postal Service agree that a cap limits the potential volume response to the price incentives, DFS appears to believe that the cap of \$14 million for the term of the agreement or (\$4.6 million per year) provides them ample opportunity for growth.” Please confirm that the “competitive cap” proposed by Discover is \$13 million. See DFS-T-1 (Giffney), page 12; *and*, USPS-T-1 (Ayub), page 9, lines 14-15. If you do not confirm, please explain.

RESPONSE:

Confirmed.

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OCA/USPS-T1-46. Please refer to your response to OCA/USPS-T1-36(a)-(d), and the attachment to OCA/USPS-T1-28.

- a. Please refer to the Excel worksheet "OCA36a". For cells D6, D7, D11 and D14, enter the following: in D6, 0.5512; in D7, 0.3432; in D11, $=156000000/(295000000+156000000)$; and, in D14, $=497630513/1000$. After making these changes, please confirm that your result in line (11) is the same as the figure \$2,830,220 in line [10] of Table 1, Year 1 – ACS Related Savings of the attachment to OCA/USPS-T1-28. If you do not confirm, please explain.
- b. Please refer to the Excel worksheet "OCA36b". For cells D6, D7, D11 and D14, enter the following: in D6, 0.573248; in D7, 0.356928; in D11, $=156000000/(290000000+156000000)$; and, in D14, $=501928341/1000$. After making these changes, please confirm that your result in line (11) is the same as the figure \$3,002,134 in line [10] of Table 1, Year 2 – ACS Related Savings of the attachment to OCA/USPS-T1-28. If you do not confirm, please explain.
- c. Please refer to the Excel worksheet "OCA36c". For cells D6, D7, D11 and D14, enter the following: in D6, 0.59617792; in D7, 0.37120512; in D11, $=156000000/(285000000+156000000)$; and, in D14, $=506540893/1000$. After making these changes, please confirm that your result in line (11) is the same as the figure \$3,186,636 in line [10] of Table 1, Year 3 – ACS Related Savings of the attachment to OCA/USPS-T1-28. If you do not confirm, please explain.
- d. Please refer to the Excel worksheet "OCA36d". Please confirm that 95 percent of the ACS related cost savings over the term of the agreement is \$8,568,040 ($0.95 * (\$2,830,220 + \$3,002,134 + \$3,186,636)$), the same result in Table 3 of the attachment to OCA/USPS-T1-28. If you do not confirm, please explain.

RESPONSE:

- a) Confirmed.
- b) Confirmed.
- c) Confirmed.
- d) Confirmed.

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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