

**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

**WASHINGTON MUTUAL BANK (WMB) NOTICE
REGARDING ERRATA TO TESTIMONY
OF
WITNESS MICHAEL RAPAPORT (WMB-T-1),
AND FILING OF REPLACEMENT COPY (ERRATA)**

As noted in Mr. Rapaport's testimony (at 3), WMB Card Services had been reviewing its mail volumes for the fourth quarter of 2005. This review identified errors in the 2005 volumes reported in Section IV of the testimony (and a small error for 2004).

The primary error identified was that Card Services 2005 First-Class Mail volumes were about 124 million pieces higher than reported in Section IV of Mr. Rapaport's testimony (as originally filed). There are two major reasons for the discrepancy. First, the 2005 volumes reported in Section IV inadvertently excluded all solicitations (70 million pieces) sent to existing cardholders. Second, the reported 2005 volumes did not reflect the additional volumes – including a one-time merger notification sent to the bank's cardholders (11 million pieces) and "cross-sell" solicitations sent to Washington Mutual customers (20 million pieces) – that resulted from the merger of Washington Mutual Bank and Providian.

Fortunately, these reporting errors were confined largely to the 2005 First-Class Mail volumes. Specifically, the 2003 and 2004 volumes reported in Section IV of the testimony include solicitations sent to existing customers and the mail volume forecasts reported in Section V of the testimony include both solicitations sent to existing cardholders and cross-sell solicitations. Since the Card Services' marketing budget, upon which the mail volume forecasts are based, did include the cost of cross-sell solicitations and solicitations to existing cardholders, correcting the omissions to 2005 volumes that caused the filing of this errata does not affect the volume forecasts presented in Section V of Rapaport's testimony. However, the revised testimony adds explanations of why the increased 2005 volumes do not impact the 2006 forecast.

In addition to correcting 2005 volumes and making other conforming changes to the testimony, this erratum also increases 2004 First-Class Mail marketing volume by 10 million pieces. This change is the result of additional validation that was spurred by finding the error in 2005 volumes.

The change in the 2005 First-Class Mail volume caused the Postal Service to reconsider the terms of the NSA. The changes negotiated were: The thresholds to earn discounts were changed, with the initial threshold increased from 450 million to 490 million, and the size of the discounts were changed (also, except for the first tier, the differences between the upper and lower bounds in the volume blocks have been shrunk).

The Testimony has been revised to reflect these changes.

Accordingly, Washington Mutual Bank hereby gives notice that a replacement copy of the testimony of Michael Rapaport, WMB-T-1, is being filed today. Also provided herewith, for the convenience of the Commission and the parties, is a redlined version of the revised testimony, which shows the deletions and additions made to the original testimony.

Respectfully submitted,

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