

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

**RESPONSES OF UNITED STATES POSTAL SERVICE  
WITNESS AYUB TO INTERROGATORIES OF THE OFFICE OF CONSUMER  
ADVOCATE (OCA/USPS-T1-22-24)**

June 21, 2006

The United States Postal Service hereby provides the responses of witness Ayub to the following interrogatories of the Office of Consumer Advocate: OCA/USPS-T1-22-24, filed on May 11, 2006. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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June 21, 2006

**RESPONSE OF USPS WITNESS AYUB TO INTERROGATORIES  
OF THE OFFICE OF CONSUMER ADVOCATE**

OCA/USPS-T1-22. This interrogatory seeks information to clarify the value of the Washington Mutual Bank (WMB) NSA. Please refer to your testimony, Appendix A, page 7 (REVISED April 11, 2006), and the \$0.035 and \$0.040 discount tiers for Years 1, 2, and 3. Please explain why there are two separate volume blocks for each discount, i.e., a separate 20 million block and 15 million for the \$0.035 discount tier, and a separate 50 million and another 50 million for the \$0.040 discount tier.

**RESPONSE:**

The automated structure we have developed for tracking and reporting on the incentives earned by NSA customers is based on a six-tiered structure. To simplify and ensure consistency across models and negotiations, we look at most agreements through the six-tiered structure. Because WMB's agreement consisted of only four volume blocks and incentives, I chose the volume blocks at \$0.035 and \$0.04 cents as placeholders to fit within the six-tiered structure. I could have also chosen to treat the incentives above \$0.05 as three structures.

This response is consistent with the Revised Appendix A filed on June 7.

**RESPONSE OF USPS WITNESS AYUB TO INTERROGATORIES  
OF THE OFFICE OF CONSUMER ADVOCATE**

OCA/USPS-T1-23. This interrogatory seeks to understand the basis for the Postal Service's estimate of future postage expenditures by Washington Mutual Bank (WMB). Please refer to your testimony at page 24, lines 2-7. Please explain the basis for your understanding of "WMB's historical marketing budgets."

**RESPONSE:**

During the course of developing the business case to develop NSA's, the Postal Service may engage in discussions with financial analysts. The basis for understanding WMB's historical marketing budgets is based on these discussions with analysts and my review of equity reports issued by a variety of investment firms. For further information, please see my Supplemental Testimony and revised Attachment A, which document WMB's historical marketing budgets.

**RESPONSE OF USPS WITNESS AYUB TO INTERROGATORIES  
OF THE OFFICE OF CONSUMER ADVOCATE**

OCA/USPS-T1-24. This interrogatory seeks information on the proposed Data Collection Plan (DCP) for the Washington Mutual Bank (WMB) NSA. Please refer to your testimony, Appendix C, "WMB Financial Services NSA Proposed Data Collection Plan." Please identify and explain the rationale for any material changes in the proposed DCP from the Data Collection Plan recommended by the Commission in Docket No. MC2004-3, the BankOne NSA.

**RESPONSE:**

The data collection plan proposed in this docket is similar to those proposed by the Postal Service in previous NSAs with credit card issuers in First-Class Mail. There are a few differences, however. The differences between the proposed data collection plan in this docket and the Bank One data collection plan include the following:

- In the Bank One case, the Commission imposed a cap and additional data requirements on the Bank One Agreement. The Postal Service is not proposing a cap in this case.
- Some additions to the data collection plan in the Bank One case were incorporated as part of settlement discussions with interveners in Docket No. MC2004-3.
- In the case of Bank One, there were special provisions for marketing flats which are not at issue in the WMB NSA.

## 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.

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Frank R. Heselton

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