

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

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

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**Docket No. MC2006-3**

**SECOND INTERROGATORY OF WASHINGTON MUTUAL BANK  
TO OFFICE OF THE CONSUMER ADVOCATE  
WITNESS JAMES F. CALLOW (OCA-T1-5)**

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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**INTERROGATORY OF WASHINGTON MUTUAL BANK TO  
OFFICE OF THE CONSUMER ADVOCATE WITNESS CALLOW WMB/OCA-T1-5)**

**WMB/OCA-T1-5.** Please refer to your response to WMB/OCA-T1-2(d) where you explain how cost savings “could be incorporated into the Panzar analysis.” Please also refer to your response to WMB/OCA-T1-1(f) where you provide a Panzar analysis using a price-difference elasticity of  $-0.8538$ . Finally, please refer to Table 4 on page 9 of WMB-T-1, which shows after-rates First-Class Mail volume forecasts of 713 million, 750 million, and 785 million pieces, respectively, for Year 1, 2, and 3 of the NSA. For the purpose of this interrogatory, please assume that WMB’s own-price elasticity for First-Class Mail is zero.

- (a) Based upon a Panzar analysis that incorporates cost savings using the method described in your response to WMB/OCA-T1-2(d), what is the minimum price-difference elasticity that would result in a Year 1 USPS net benefit at an after-rates volume of 713 million First-Class Mail pieces? Please provide all of your underlying calculations.
- (b) Based upon a Panzar analysis that incorporates cost savings using the method described in your response to WMB/OCA-T1-2(d), what is the minimum price-difference elasticity that would result in a Year 2 USPS net benefit at an after-rates volume of 750 million First-Class Mail pieces? Please provide all of your underlying calculations.
- (c) Based upon a Panzar analysis that incorporates cost savings using the method described in your response to WMB/OCA-T1-2(d), what is the minimum price-difference elasticity that would result in a Year 3 USPS net benefit at an after-rates volume of 785 million First-Class Mail pieces? Please provide all of your underlying calculations.