

RECEIVED
Dec 16 4 18 PM '99
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Mailing Online Experiment

Docket No. MC2000-2

PRESIDING OFFICER'S INFORMATION REQUEST NO.1

(December 16, 1999)

The Postal Service is requested to provide the information described below to assist in developing a record for the consideration of its request for changes in rates and fees. In order to facilitate inclusion of the requested material in the evidentiary record, the Postal Service is to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers at our hearings. The answers are to be provided on or before December 28, 1999.

1. The Commission marks up attributable costs to estimate revenue for subclasses and special services. In Docket No. 97-1, the Commission includes both volume variable costs and product specific costs in defining attributable costs. Please confirm that the 119.4% calculated in USPS T-5, Exhibit D at line 9, provides the implicit markup of 19.4% if product specific costs are included in the definition of attributable costs used by the Commission. Also, please explain why the USPS does not include product specific costs in the mark-up base.

2. In USPS T-2, Table 6 on page 6, witness Poellnitz identifies the unit volume variable information technology cost as \$0.000638. Please confirm that \$0.000638 is the unit impression cost for Year 1 and that the average for the 3 year experiment period is \$0.000439.

3. The Request of the United States Postal Service for a Recommended decision on an Experimental Classification and Fee Schedule for Mailing Online ("Request") states "the Postal Service plans to have its full network of 25 print sites in place near the middle of the second year of the experiment. While preparation of a request for a permanent service likely would not have to begin until soon after that time, much better data should be available than would be after only one year (when a permanent request to follow a two-year experiment might need to be ready)." Request at 3. Witness Garvey states "[s]ince preparation and completion of a case can take more than a year, a three year experiment can provide close to two years of experience with the service—including a full network of 25 printers—to consider whether a request for permanent service would be appropriate." USPS-T-1 at 12. Both statements infer that this will be a three-year experiment with the filing for a permanent change occurring at the end of the second year.

The Postal Service has proposed DMCS language pertaining to the duration of the experiment that appears in Section 981.61, Request, Attachment A at 5, and Fee Schedule 981, Request, Attachment B at 2. It states that the experiment will expire the later of:

- (a) three years after the implementation date specified by the Postal Service Board of Governors, or
- (b) if, by the expiration date specified in (a), a proposal to make Mailing Online permanent is pending before the Postal Rate Commission, the later of:
 - (1) three months after the Commission takes action on such proposal under section 3624 of Title 39, or
 - (2) —if applicable—on the implementation date for a permanent Mailing Online.

As stated, the proposed DMCS language allows the experiment to continue while a decision is pending before the Commission on a permanent request for Mailing Online, plus a possible additional three months. Thus, if the Postal Service does not file a permanent request until three years into the experiment, the experiment could conceivable continue for four or more years. The allowable duration proposed in the DMCS language appears to conflict with the request for a three year experiment as stated in the Request and in Witness Garvey's testimony.

- a. Please clarify the apparent conflict between the Request and Witness Garvey's testimony, and the proposed DMCS language concerning the duration of the experiment.

b. If the Mailing Online Experiment is meeting volume and pricing expectations at the end of two years, and is otherwise considered a success, please state any reason(s) why the Postal Service would not file a permanent request for Mailing Online at the end of two years.

c. If the Postal Service requests, and the Commission recommends, that Mailing Online Service rates and classification provisions no longer be experimental, please state any reason(s) implementation of permanent rates might be delayed more than three months beyond the Commission's decision.



W.H. "Trey" LeBlanc III
Presiding Officer