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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

MAILING ONLINE EXPERIMENT

Docket No. MC2000-2

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS PLUNKETT TO INTERROGATORIES OF
MAIL ADVERTISING SERVICE ASSOCIATION
(MASA/USPS-T5-1-3)

The United States Postal Service hereby provides the responses of witness Plunkett to the following interrogatories of Mail Advertising Service Association: MASA/USPS-T5-1-3, filed on December 29, 1999.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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January 10, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PLUNKETT
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INTERNATIONAL**

MASA/USPS-T5-1. Referring to the "product specific costs" that are the subject of your testimony at page 5 through 7 of your testimony:

- a. Confirm that the product specific costs are \$30,303,917 over the life of the experiment (USPS-5D, line 8, as corrected in response to OCA/USPS-T5-1).
- b. Confirm that product specific costs have not been attributed to MOL as part of the cost base to which your mark-up is applied.
- c. Confirm that you have assumed that product specific costs would be recovered over a three year period out of the mark-up portion of the fees charged MOL users.
- d. Identify each asset acquired or created through the expenditure of product specific costs, state the cost of acquisition, and provide your understanding of the depreciable life of the asset (and the basis for that understanding).
- e. Account for any portion of product specific costs not assigned to an asset identified in response to subpart d and state how this portion would be treated with respect to depreciation or amortization.
- f. Identify all workpapers, exhibits, or other references upon which you relied for the determination of amount of product specific costs, and the individual components of product specific costs.

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. Confirmed that Mailing Online will recover all of its costs during the experiment.
- d. This information is the subject of witness Lim's testimony (USPS-T-3)
- e. While I am not an expert in accounting or costing methodology, my understanding is that any "assets" used to develop Mailing Online have been accounted for in witness Lim's testimony. I further understand that if product specific costs include expense items which may not appropriately be

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considered "assets", such expenses would not be depreciated or amortized and would instead be assigned to the year in which they are expected to accrue.

- f. This interrogatory apparently reflects a failure to read my testimony, which expressly relies upon on the testimonies and supporting materials of witnesses Takis (USPS-T-4), Poellnitz (USPS-T-2), and Lim (USPS-T-3).

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MASA/USPS-T5-2. Do any of the components of product specific costs involve expenditures that are likely to recur over the life of MOL? If so, identify those components of product specific costs that fall in this category.

RESPONSE:

To the extent that any such costs recur during the period of the experiment, they have been identified and included by witnesses Lim (USPS-T-3) and Poellnitz (USPS-T-2). However, for the purposes of my pricing analysis, a distinction between recurring and non-recurring product specific costs was not relevant.

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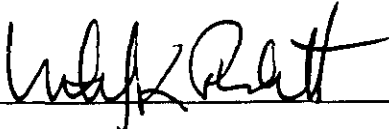
MASA/USPS-T5-3. Describe fully the ways in which your 30% markup methodology differs from the mark-up methodology you used in MC98-1.

RESPONSE:

Please refer to my testimony at pages 8-10.

DECLARATION

I, Michael K. Plunkett, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.



Dated: 4/10/00_____

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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