

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

MAILING ONLINE EXPERIMENT

Docket No. MC2000-2

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS PLUNKETT TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T5-6-8)

The United States Postal Service hereby provides the responses of witness Plunkett to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T5-6-8, filed on December 29, 1999.

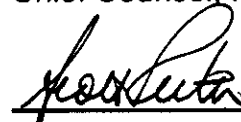
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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Chief Counsel, Ratemaking



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January 10, 2000

RESPONSE OF UNITED STATES POSTAL SERVICE PLUNKETT TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T[]5-6. Please refer to your testimony at pages 10 and 11, line 23, and lines 1-2, respectively, where it states "Moreover, at projected volumes Mailing Online pieces will achieve depth of sort that is, on average, much greater than required to qualify for automation basic rates."

- a. Please explain in detail how the Postal Service intends to verify that volume of Mailing Online pieces during the experiment will achieve a depth of sort that is, on average, much greater than required to qualify for automation basic rates.
- b. Please confirm that, as part of the "Experimental Data Collection Plan," the Postal Service will compute and report the actual average depth of sort achieved for Mailing Online pieces during the experiment. If you do not confirm, please explain.

Response.

The Postal Service plans to make available electronic data files which contain complete depth of sort information for pieces entered via Mailing Online. Given the projected length of the experiment, an overall average for depth of sort attained is unlikely to be very meaningful, simply because volumes entered at the end of the experiment are likely to be much greater than those entered closer to the launch date. Nevertheless, the Postal Service's expectation is that volumes will be sufficient that analysis will support the Postal Service's current position: Automation Basic rates are a useful substitute for unique Mailing Online rates given the absence of empirical data upon which to base such rates.

**RESPONSE OF UNITED STATES POSTAL SERVICE PLUNKETT TO
INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-T[5-7. Have you set the size and amount of MOL fees to recover any of the advertising costs for MOL (even if shared with other services) that have been expended to date, including the operations test and the market test?

- a. If so, explain how these costs are to be recovered through MOL fees. Include citations to Postal Service testimony, exhibits, and workpapers.
- b. If not, why not?

Response.

In setting fees for Mailing Online, I relied solely on the cost testimonies, and associated workpapers and exhibits, of witnesses Takis (USPS-T-4), Poellnitz (USPS-T-2), and Lim (USPS-T-3). While a detailed explanation of their assumptions would best be obtained from the appropriate witness, my understanding is that the treatment of historical costs is governed by prior Postal Service and Commission precedent, specifically that costs incurred in previous years are not carried forward to be recovered through revenues in prospective periods. Thus, for example, if Parcel Post fails to cover its costs completely during one rate cycle no carryover loss is recovered in the next. With Mailing Online, we are also faced with a situation where the market test was completed in its entirety before the Postal Service even filed its current Request for an experiment, so the connection between the two is even further attenuated.

I further understand that to the extent that costs incurred in development of Mailing Online version 3.0 can be isolated, they have been included in witness Poellnitz's estimate of total product specific costs. As such my testimony (Exhibit D) describes how Mailing Online costs are recovered during the experiment.

**RESPONSE OF UNITED STATES POSTAL SERVICE PLUNKETT TO
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OCA/USPS-T[5-8. The Mailing Online Accounting Period data reports filed with the Commission throughout (and following) the market test have reported five types of costs. Please provide a crosswalk to your testimony and exhibits, *for every A/P report* filed with the Commission, for each of the costs reported in:

- a. Table 1, Advertising and Marketing costs
- b. Table 2, Help Desk costs
- c. Table 3, Hardware and Software costs
- d. Table 4, Communications costs
- e. Table 5, Print Site costs

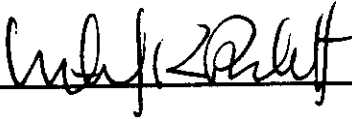
Include an explanation of how each of these costs have been included in either the attributable costs of MOL or have been recovered through the cost coverage you propose for MOL.

RESPONSE:

See my response to interrogatory OCA/USPS-T5-7.

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: 1/10/00_____

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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