

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

NOTICE OF UNITED STATES POSTAL SERVICE
OF ERRATA TO TESTIMONY AND EXHIBIT A OF
UNITED STATES POSTAL SERVICE WITNESS POELLNITZ (USPS-T-2)
(January 11, 2000)

The United States Postal Service hereby provides notice of errata to Table 7 in the testimony of witness Poellnitz (USPS-T-2), and to his Exhibit A, Tables 1 and 6. These changes reflect the shifting of costs from Year 1 to Pre-Experiment by witness Lim, as discussed in the notice of errata to his testimony and workpapers, also filed today. The changes do not change the bottom line costs, but do reallocate costs from Year 1 to Pre-Experiment.

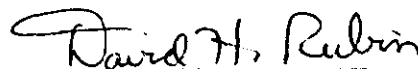
A summary of the changes is attached, along with the revised pages.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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January 11, 2000

Errata to USPS-T-2 Direct Testimony and Exhibit A, Docket No. MC2000-2

The following changes have been made to my direct testimony (USPS-T-2) and my Exhibit A as a result of a minor change to the testimony and workpapers of witness Lim (USPS-T-3).

Direct Testimony changes:

- Table 7, p.6, MOL pre-experiment product specific information technology costs change from \$9,634,448 to \$10,903,417 and MOL experiment product specific information technology costs change from \$20,669,470 to \$19,400,501.

Exhibit A changes:

- Table 1, p.2, MOL pre-experiment product specific information technology costs (column labeled "Pre-experiment Costs," line 20) change from \$9,634,448 to \$10,903,417 and MOL experiment product specific information technology costs (column labeled "Experiment Costs," line 20) change from \$20,669,470 to \$19,400,501.
- Table 6, pp.12-13:
 - In column labeled "Pre-experiment:"
 - ⇒ Line 7 and line 35 change from \$970,202 to \$2,239,171
 - ⇒ Line 10 and line 38 change from \$9,503,251 to \$10,772,220
 - ⇒ Line 28 and line 56 change from \$9,634,448 to \$10,903,417
 - In column labeled "Year 1:"
 - ⇒ Line 8 and line 36 change from \$4,117,583 to \$2,848,614
 - ⇒ Line 10 changes from \$4,880,226 to \$3,611,257
 - ⇒ Line 38 changes from \$4,448,226 to \$3,179,257
 - ⇒ Line 28 changes from \$8,494,366 to \$7,225,397
 - ⇒ Line 56 changes from \$7,215,140 to \$5,946,171
 - In column labeled "Total:"
 - ⇒ Line 7 and line 35 change from \$970,202 to \$2,239,171
 - ⇒ Line 8 and line 36 change from \$9,395,581 to \$8,126,612

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Table 4: MOL Experiment Insertion Costs⁹

| Shape | Unit | Total |
|--------|------------|--------------|
| Letter | \$0.023074 | \$30,176,099 |
| Flat | \$0.025320 | \$7,808,987 |

2

3

Table 5: MOL Experiment Transportation Costs

| Mail Type | Unit | Total |
|--------------------|------------|-------------|
| First-Class Letter | \$0.000208 | \$81,228 |
| First-Class Flat | \$0.000315 | \$29,084 |
| Standard Letter | \$0.000456 | \$396,522 |
| Standard Flat | \$0.006008 | \$1,231,423 |

4

5

Table 6: MOL Experiment Volume Variable Information Technology Costs

| Impression Type | Unit | Total |
|----------------------|------------|-------------|
| 8.5x11/14 B&W | \$0.000638 | \$2,192,811 |
| 11x17 B&W | \$0.000638 | \$615,587 |
| 8.5x11/14 Spot Color | \$0.000638 | \$2,003,366 |

6

7

Table 7: MOL Experiment Product Specific Costs

| Component | Pre-Experiment | Experiment |
|------------------------|----------------|--------------|
| Advertising | \$0 | \$2,175,000 |
| Information Technology | \$10,903,417 | \$19,400,501 |

⁹ Insertion costs include inserter hardware costs, inserter maintenance costs, inserter personnel costs (including sweepers), a portion of supervisor personnel costs, and facilities costs associated with inserters.

| | | | | | | |
|----|---|------------------------|------------|--------------|---------------|---------------|
| 25 | Product Specific Advertising | From Table 7 | N/A | N/A | \$2,175,000 | \$2,175,000 |
| 22 | Black & White 11x17 | From Table 6 | \$0.000638 | N/A | \$615,587 | \$615,587 |
| 23 | Spot Color 8.5x11 & 8.5x14 | From Table 6 | \$0.000638 | N/A | \$2,003,366 | \$2,003,366 |
| 24 | Total | Sum of L21 through L23 | | N/A | \$4,811,765 | \$4,811,765 |
| 20 | Product Specific Information Technology | From Table 6 | N/A | \$10,903,417 | \$19,400,501 | \$30,303,918 |
| | Volume Variable Information Technology | | | | | |
| 21 | Black & White 8.5x11 & 8.5x14 Envelopes | From Table 6 | \$0.000638 | N/A | \$2,192,811 | \$2,192,811 |
| 17 | #10 envelopes | From Table 5 | \$0.015020 | N/A | \$19,643,197 | \$19,643,197 |
| 18 | Flat-sized envelopes | From Table 5 | \$0.048686 | N/A | \$15,015,132 | \$15,015,132 |
| 19 | Total | L17 + L18 | | N/A | \$34,658,328 | \$34,658,328 |
| 14 | 8.5x14 | From Table 5 | \$0.005904 | N/A | \$5,695,048 | \$5,695,048 |
| 15 | 11x17 | From Table 5 | \$0.020800 | N/A | \$9,598,397 | \$9,598,397 |
| 16 | Total | Sum of L13 through L15 | | N/A | \$41,226,119 | \$41,226,119 |
| 12 | Total | Sum of L8 through L11 | | N/A | \$1,738,256 | \$1,738,256 |
| | Paper | | | | | |
| 13 | 8.5x11 | From Table 5 | \$0.004869 | N/A | \$25,932,674 | \$25,932,674 |
| 8 | First-Class letters | From Table 4 | \$0.000208 | N/A | \$81,228 | \$81,228 |
| 9 | First-Class flats | From Table 4 | \$0.000315 | N/A | \$29,084 | \$29,084 |
| 10 | Standard Mail (A) letters | From Table 4 | \$0.000456 | N/A | \$396,522 | \$396,522 |
| 11 | Standard Mail (A) flats | From Table 4 | \$0.006008 | N/A | \$1,231,423 | \$1,231,423 |
| 6 | Flat-sized documents | From Table 3 | \$0.025320 | N/A | \$7,808,987 | \$7,808,987 |
| 7 | Total | L5 + L6 | | N/A | \$37,985,086 | \$37,985,086 |
| | Transportation | | | | | |
| 4 | Total | Sum of L1 through L3 | | N/A | \$232,590,930 | \$232,590,930 |
| | Inserters | | | | | |
| 5 | Letter-sized documents | From Table 3 | \$0.023074 | N/A | \$30,176,099 | \$30,176,099 |
| | Impressions | | | | | |
| 1 | Black & White 8.5x11 & 8.5x14 | From Table 2 | \$0.017301 | N/A | \$86,425,118 | \$86,425,118 |
| 2 | Black & White 11x17 | From Table 2 | \$0.029044 | N/A | \$40,730,481 | \$40,730,481 |
| 3 | Spot Color 8.5x11 & 8.5x14 | From Table 2 | \$0.023102 | N/A | \$105,435,331 | \$105,435,331 |

Table 1: Mailing Online Cost Summary

| Notes | Unit Cost | Pre-experiment Costs | Experiment Costs | Total Cost |
|-------|-----------|----------------------|------------------|------------|
|-------|-----------|----------------------|------------------|------------|

| | | | | | | |
|--|------------------------|----------------|-------------|-------------|-------------|--------------|
| 28 Grand Total | L10 + L15 + L21 + L27 | \$10,903,417 | \$7,225,397 | \$9,901,932 | \$7,084,937 | \$35,115,683 |
| 25 Telecom & Network | USPS-T-3 | \$25,632 | \$0 | \$0 | \$0 | \$25,632 |
| 26 Services | USPS-T-3 | \$0 | \$882,400 | \$1,507,600 | \$1,560,000 | \$3,950,000 |
| 27 Total | Sum of L23 through L26 | \$103,069 | \$1,216,220 | \$1,591,055 | \$1,560,000 | \$4,470,343 |
| 22 Print Sites | MOL | | | | | |
| 23 Hardware | USPS-T-3 | \$73,437 | \$313,820 | \$78,455 | \$0 | \$465,711 |
| 24 Software | USPS-T-3 | \$4,000 | \$20,000 | \$5,000 | \$0 | \$29,000 |
| 18 Software | USPS-T-3 | \$0 | \$2,500 | \$4,249 | \$4,249 | \$10,998 |
| 19 Personnel | USPS-T-3 | \$0 | \$245,000 | \$245,000 | \$245,000 | \$735,000 |
| 20 Services | USPS-T-3 | \$0 | \$599,726 | \$960,369 | \$1,206,671 | \$2,766,767 |
| 21 Total | Sum of L17 through L20 | \$0 | \$847,226 | \$1,211,119 | \$1,457,420 | \$3,515,765 |
| 15 Total | Sum of L12 through L14 | \$28,129 | \$1,550,695 | \$2,611,918 | \$1,752,074 | \$5,942,815 |
| 16 Help Desk | MOL/USPS.com | | | | | |
| 17 Hardware | USPS-T-3 | \$0 | \$0 | \$1,500 | \$1,500 | \$3,000 |
| 11 Administrative Management & Maintenance | MOL | | | | | |
| 12 Software | USPS-T-3 | \$0 | \$20,000 | \$20,000 | \$20,000 | \$60,000 |
| 13 Personnel | USPS-T-3 | \$0 | \$785,400 | \$922,000 | \$980,000 | \$2,687,400 |
| 14 Services | USPS-T-3 | \$28,129 | \$745,295 | \$1,669,918 | \$752,074 | \$3,195,415 |
| 8 MOL Enhancement | USPS-T-3 | \$0 | \$2,848,614 | \$3,725,198 | \$1,552,800 | \$8,126,612 |
| 9 MOL Integration with USPS.com | USPS-T-3 | \$250,000 | \$0 | \$0 | \$0 | \$250,000 |
| 10 Total | Sum of L1 through L9 | \$10,772,220 | \$3,611,257 | \$4,487,841 | \$2,315,443 | \$21,186,760 |
| 4 Telecom & Networking | USPS-T-3 | \$154,087 | \$432,000 | \$432,000 | \$432,000 | \$1,450,087 |
| 5 Services | | | | | | |
| 6 MOL Cost For Development (To Date) | USPS-T-3 | \$3,258,290 | \$0 | \$0 | \$0 | \$3,258,290 |
| 7 MOL Application Development | USPS-T-3 | \$2,239,171 | \$0 | \$0 | \$0 | \$2,239,171 |
| Total IT Costs | Notes | Pre-Experiment | Year 1 | Year 2 | Year 3 | Total |
| 1 Systems Development and Implementation | MOL | | | | | |
| 2 Hardware | USPS-T-3 | \$2,645,144 | \$264,514 | \$264,514 | \$264,514 | \$3,438,687 |
| 3 Software | USPS-T-3 | \$2,225,577 | \$66,129 | \$66,129 | \$66,129 | \$2,423,913 |

Table 6: Mailing Online Information Technology Costs

Estimated by Witness Lim

| | | | | | | |
|----------------|-----------------------|--------------|-------------|-------------|-------------|--------------|
| 56 Grand Total | L38 + L43 + L49 + L55 | \$10,903,417 | \$5,946,171 | \$8,258,813 | \$5,195,516 | \$30,303,918 |
|----------------|-----------------------|--------------|-------------|-------------|-------------|--------------|


| | | | | | | |
|--|------------------------|-----------------------|---------------|---------------|---------------|--------------|
| 53 Telecom & Network | USPS-T-3 | \$25,632 | \$0 | \$0 | \$0 | \$25,632 |
| 54 Services | USPS-T-3 | \$0 | \$882,400 | \$1,507,600 | \$1,560,000 | \$3,950,000 |
| 55 Total | Sum of L51 through L54 | \$103,068 | \$1,216,220 | \$1,591,055 | \$1,560,000 | \$4,470,343 |
| 50 Print Sites | MOL | | | | | |
| 51 Hardware | USPS-T-3 | \$73,437 | \$313,820 | \$78,455 | \$0 | \$465,711 |
| 52 Software | USPS-T-3 | \$4,000 | \$20,000 | \$5,000 | \$0 | \$29,000 |
| 46 Software | USPS-T-3 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 47 Personnel | USPS-T-3 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 48 Services | USPS-T-3 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 49 Total | Sum of L45 through L48 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 43 Total | Sum of L40 through L42 | \$28,129 | \$1,550,695 | \$2,611,918 | \$1,752,074 | \$5,942,815 |
| 44 Help Desk | MOL/USPS.com | | | | | |
| 45 Hardware | USPS-T-3 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 39 Administrative Management & Maintenance | MOL | | | | | |
| 40 Software | USPS-T-3 | \$0 | \$20,000 | \$20,000 | \$20,000 | \$60,000 |
| 41 Personnel | USPS-T-3 | \$0 | \$785,400 | \$922,000 | \$980,000 | \$2,687,400 |
| 42 Services Application Development | USPS-T-3 | \$28,129 | \$745,295 | \$1,669,918 | \$752,074 | \$3,195,415 |
| 36 MOL Enhancement | USPS-T-3 | \$0 | \$2,848,614 | \$3,725,198 | \$1,552,800 | \$8,126,612 |
| 37 MOL Integration with USPS.com | USPS-T-3 | \$250,000 | \$0 | \$0 | \$0 | \$250,000 |
| 38 Total | Sum of L29 through L37 | \$10,772,220 | \$3,179,257 | \$4,055,841 | \$1,883,443 | \$19,890,760 |
| 32 Telecom & Networking | USPS-T-3 | \$154,087 | \$0 | \$0 | \$0 | \$154,087 |
| 33 Services | | | | | | |
| 34 MOL Cost For Development (To Date) | USPS-T-3 | \$3,258,290 | \$0 | \$0 | \$0 | \$3,258,290 |
| 35 MOL Application Development | USPS-T-3 | \$2,239,171 | \$0 | \$0 | \$0 | \$2,239,171 |
| Product Specific IT Costs | Notes | Pre-Experiment | Year 1 | Year 2 | Year 3 | Total |
| 29 Systems Development and Implementation | MOL | | | | | |
| 30 Hardware | USPS-T-3 | \$2,645,144 | \$264,514 | \$264,514 | \$264,514 | \$3,438,687 |
| 31 Software | USPS-T-3 | \$2,225,577 | \$66,129 | \$66,129 | \$66,129 | \$2,423,913 |

Table 6: Mailing Online Information Technology Costs

Estimated by Witness Lim

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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January 11, 2000