

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

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
TO INTERROGATORIES OF  
THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS PATELUNAS  
(OCA/USPS-ST44-43 and 44)

The United States Postal Service hereby provides its responses to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-ST44-43 and 44, filed on July 21, 2000, and redirected from witness Patelunas. A partial objection to interrogatory OCA/USPS-ST44-4 was filed on July 31, 2000.

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



Susan M. Duchek

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August 16, 2000

**INTERROGATORIES TO UNITED STATES POSTAL SERVICE FROM THE  
OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS PATELUNAS**

**OCA/USPS-ST44-43.** Please refer to pages 5-6 of your testimony stating, "Two new programs, E-Commerce and Co-Branded Advertising/Expanded Retail Product sales, were added to the test year." You further indicate that the two programs cost \$146 million and \$50 million, respectively.

- a) Where do these new programs appear in the FY 2000 Update Capital Investment Plan FY 1998-2002 attached to ANM/USPS-T9-8 (Tr. 2/124)? If they do not appear, please explain.
- b) Please provide the dates when the programs were approved (or expected to be approved) by the level of Postal Service management with final approval over the programs.
- c) Please provide the date of any action or transactions that you contend creates a binding commitment to incur costs for these new projects.
- d) Are any other expenses for either of these programs included in FY00 or FY01?
- e) Were any expenses for these programs included in the initial Request?

**Response:**

**OCA/USPS-ST44-43.**

- (a) The \$146 million and \$50 million in expenses are primarily for operating programs, not for capital programs. They are included in the FY 2001 preliminary operating budget.
- (b) The components of E-Business and Co-Branded Advertising/Expanded Retail Products programs have been approved by senior management and/or the Board of Governors and will be included in the FY 2001 budget plan to be submitted for final approval to the Board of Governors.
- (c) Much, if not most, of all projected test year expenses are not incurred by virtue of binding commitments. With respect to these particular programs, the Postal Service will have no opportunity to earn the related revenues unless the underlying expenses are incurred.

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(d)-(e) The funding for these programs represents incremental expenditures, *i.e.*,  
spending above what was included in the Request.

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**OCA/USPS-ST44-44.** Please provide the basis for all of the assumptions together with related documentation supporting the estimates indicated on page 8, lines 16-17 of your testimony that the following test year revenue will be generated by the new programs: E-commerce-\$104 million, co-branded advertising-\$100 million and Retail Product sales-\$100 million.

**Response:**

**OCA/USPS-ST44-44..**

Partial objection filed on July 31,2000.

The revenue projections for these programs were judgmentally determined based on the knowledge and experience of their program managers.

E-Business is expected to generate \$104 million in revenue through a variety of initiatives including Mailing Online, Shipping and Enhanced Shipping Online, NetPost Certified (eProof), Secure Billing/Payment, Secure Electronic Delivery Services (SEDS), and PosteCS.

Co-Branded Advertising is expected to generate \$100 million through partnerships with marketers to advertise their brands on a variety of Postal Service assets, including billboard advertising, product displays, promotional events, and advertising on postal trucks, stamp booklets, stamp sheet boarders, and/or stamp cancellations.

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Expanded Retail products is expected to generate \$100 million through a variety of initiatives including Postmark America sales merchandise (such as stationery, greeting cards, stamp albums and computer stationery), packaging items , phone cards and sales from opening additional passport application sites.

## 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.

A handwritten signature in cursive script, appearing to read "Susan M. Duchek", is written above a solid horizontal line.

Susan M. Duchek

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