

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

CONFIRM

Docket No. MC2002-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS NIETO TO INTERROGATORIES OF OFFICE OF
THE CONSUMER ADVOCATE
(OCA/USPS-T3-1-3)

The United States Postal Service hereby provides responses of witness Nieto to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T3-1-3, filed on May 3, 2002.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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May 17, 2002

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OCA/USPS-T3-1. At page 12 of your testimony, footnote 7, you indicate that there was an average of 3.0 scans per piece. USPS-LR-1 indicates that both Origin and Destination Confirm® mail pieces receive an average of 3 scans during mail processing.

- a. In your cost analysis, did you assume that both the Origin and Destination Confirm® mail pieces received an average of 3 scans during processing?
- b. If your response to part “a” of this interrogatory is other than affirmative, please identify the average number of scans you assumed a destination Confirm® mail piece would receive. Include in your response the rationale for using a scan rate other than the average indicated in USPS-LR-1.
- c. If your response to part “a” of this interrogatory is other than affirmative, please identify the average number of scans you assumed an origin Confirm® mail piece would receive. Include in your response the rationale for using a scan rate other than the average indicated in USPS-LR-1.

RESPONSE:

- (a) No.
- (b) The average number of scans per mail piece was not directly used in my cost analysis. Rather, the system capacity was estimated based on the total number of scans allotted per subscription package, as described on pages 11 and 12 of my testimony. For the Platinum package, the total number of scans was assumed to be three times the total number of scans allotted for the Gold subscription package. The three scans per piece was only used as an input into a reasonableness check on that particular assumption.
- (c) See the response to part (b).

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OCA/USPS-T3-2. At page 16 of your testimony, you indicate that “[p]rogram support costs include costs of dedicated program labor and contractor support.”

- a. Are you assuming that the Confirm® dedicated program labor is equivalent to 2,080 man-hours or the equivalent of one person full time for a year?
- b. Please explain how you determined the number of “man-hours” needed to provide Confirm® program labor support. For example: one person is capable of performing 2,080 work hours per year and can support up to “x” number of customers.
- c. In preparing your cost analysis, please provide the estimate you used for the number of Confirm® calls a given customer is likely to make in a year regarding a given Confirm® mailing. If you did not estimate the number of calls made by clients to USPS support personnel, please explain.
- d. Considering your response to part “c” of this interrogatory and in preparing your cost analysis, please provide the estimate you used for the length of time per Confirm® call a USPS support personnel needed to answer the average customer call. If you did not estimate the amount of time taken by USPS support personnel to respond to a customer call, please explain.
- e. When you prepared your cost analysis, did you assume that the USPS customer support personnel were dedicated solely to the Confirm® product?
 1. If not, please identify the proportion of time you assumed a customer support personnel spent responding to Confirm® issues.
 2. If you did not consider whether or not USPS customer support personnel were dedicated solely to Confirm®, please explain.
- f. Assume that the Postal Service’s level of customer interest in using the Confirm® service exceeds the estimated 1,126 subscriptions. Please explain what impact an increased level of interest in using Confirm® would have on your cost estimates of the level and cost of the dedicated program labor and contractor support needed. For example, an “x percent” increase in subscriptions would require a “y percent” increase in dedicated program labor and contractor support costs. If there is no impact on costs with an increase in subscriptions, please explain.

RESPONSE:

(a) I assume one (1) full-time equivalent (FTE) staff for the dedicated program labor. My study does not examine the person-hours involved, as it is not a relevant input into my cost analysis.

(b) The assumption in part (a) reflects Postal Service management’s determination to dedicate one full-time equivalent position to Confirm®. In light of the nature of these program labor costs, I believe this is a safe and conservative

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assumption. The program labor costs outlined in my testimony provide a marketing customer interface for Confirm[®]. As a marketing agent this FTE is focused on *potential* subscribers and a change in the amount of Confirm[®] subscribers does not create any appreciable change in the scale or scope of duties for this dedicated program labor. There is no relation between the number of dedicated program labor FTEs and the number of subscribers to the Confirm[®] program I was asked to study.

(c-d) Helpdesk support level is determined by a service level agreement between the Confirm[®] program and the National Customer Support Center (NCSC). The NCSC provides support beyond the scope of a traditional call center helpdesk (see USPS-T-3, p.17) and will have an evolving role in providing support for subscribers of Confirm[®]. Because the Confirm[®]-NCSC relationship is in its early stages, there are no historical data to support any determination of the relationship between the number of subscribers and costs. However, I assumed 100% volume variability to project the NCSC costs for subscribers above the level in the original service level agreement (see USPS-LR-4, Input Sheet A-4).

(e) Yes

(f) The program labor and contractor support costs will not increase with an increase in subscriptions. The program labor costs outlined in my testimony provide a marketing customer interface for Confirm[®]. A change in the amount of Confirm[®] subscribers will not drive (i.e. cause) a change in these marketing costs. Since marketing costs are not caused by the number of subscribers no additional program labor costs would be associated with an increase in subscribers within any reasonable variation of the proposed Confirm[®] that I was asked to study. Similarly, contractor

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support costs are tied to strategy, product development and positioning, market research, and business planning activities; these costs will not be caused to change by a change in the level of subscriptions within any reasonable variation of the proposed Confirm[®] that I was asked to study. Changes in program costs caused by fundamental deviations from the proposed parameters of Confirm[®] outlined by witness Bakshi in USPS-T-1 would require further study that I have not performed. The assumption made by the question in part (f) that Confirm[®] program labor costs and contractor support costs are driven by the number of subscribers is incorrect.

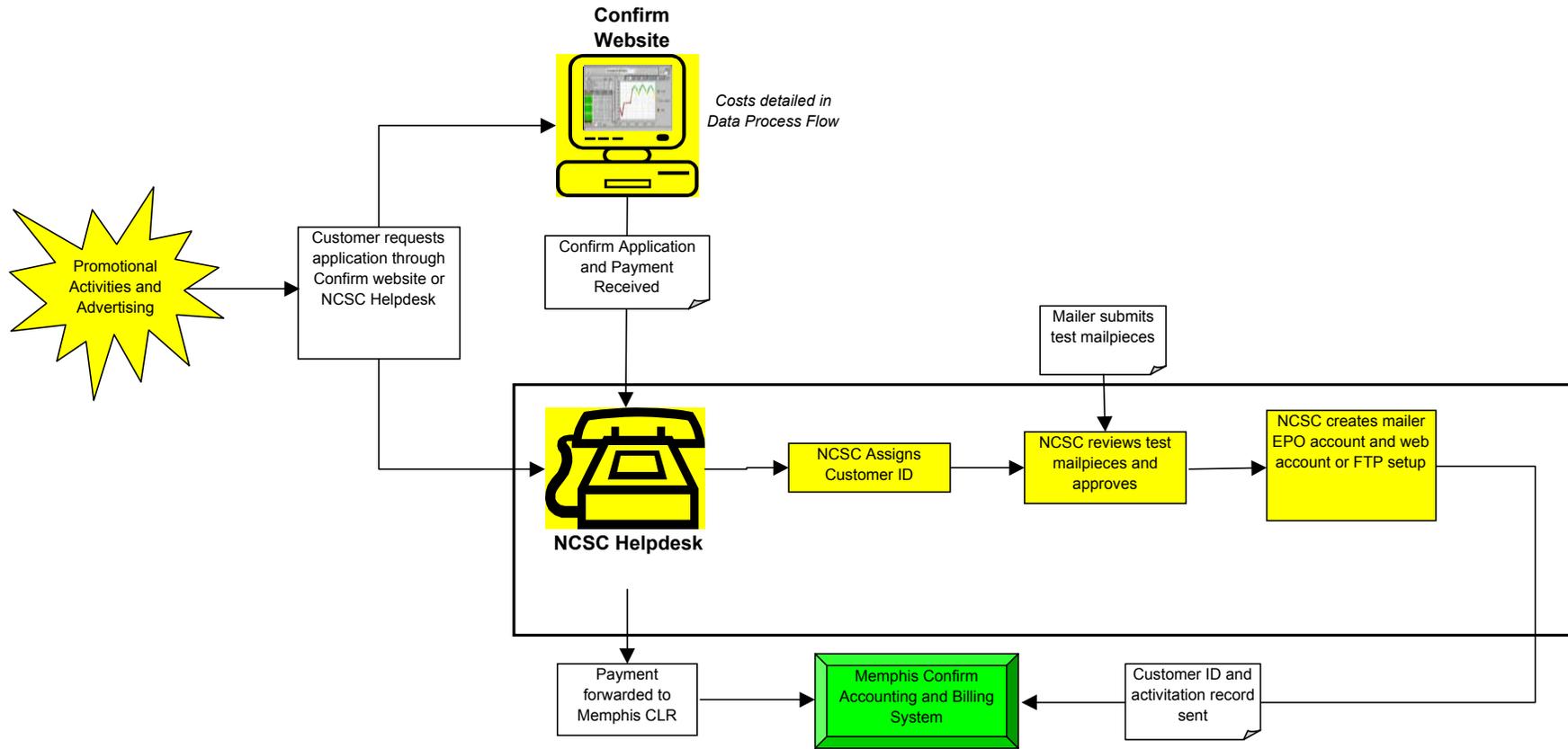
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OCA/USPS-T3-3. The following information is requested in an attempt to better understand the production and technology processes that surround the innovative Confirm® product. On page 5 of your testimony, you state the following: “Upon mapping the technology and production processes, I identified the resources (both new and existing cost components) drawn upon by Confirm®, including technology, maintenance, and program management.” Please provide a copy of the maps you created of the technology and production processes.

RESPONSE:

Please see Attachment A for the maps.

Confirm - Customer Certification Process



Key	
	Associated with CMOR, not included in DAR or FY2003 budget
	Associated with CMOR, included in DAR or FY2003 budget
	Customer Confirm product cost, included in rate case costing and paid for or budgeted
	Customer Confirm product cost, included in rate case costing but not yet budgeted for
	Item/development purchased and depreciated prior to rate case timeframe

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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