

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

CONFIRM

Docket No. MC2002-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS NIETO TO INTERROGATORY OF OFFICE OF
THE CONSUMER ADVOCATE
(OCA/USPS-T3-4)

The United States Postal Service hereby provides responses of witness Nieto to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T3-4, filed on May 10, 2002.

The 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

Kenneth Hollies

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-3083, Fax -5402
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OCA/USPS-T3-4. The following subparts refer to USPS-LR-2, the library reference that you sponsor.

- a. National Customer Support Center costs for FY 2003 are estimated to be \$382,480.00. See Input Sheet A-4. What impact would significant increases in Confirm® Planet Code Test Year volumes have on the helpdesk support costs? For example, if Confirm® were to be extended to retail First-Class consumers so that the volume initially forecast increased significantly, what would be the increase in support costs by, for example, "\$x.xx per call" or "y" percent.
- b. Please provide a copy of the Confirm, IT Service Level Agreement referred to in footnote "a" of Input Sheet A-4.
- c. On Input Sheet A-7, you refer to electronic post office (EPO) unit costs.
 1. Please confirm that the total number of EPO's needed in the Test Year is 4. If you are unable to confirm, what is the total the number of cumulative EPO's required in the Test Year and then please explain the 4 on line 13 of Worksheet A-5.
 2. Assume that the USPS Confirm® Planet Code volumes exceed the Test Year forecast. What level of increase in mail volumes would require the Postal Service to purchase additional Oracle database software?
 3. EPO "CLIN" storage costs are estimated at \$349,172. At what level of EPO usage would additional "CLIN" storage need to be purchased and what would be the effect on storage costs? For example, an "x" percent increase in volume would increase storage costs by "y" percent.
- d. The following refers to Input Sheet A-8.
 1. For each of the "Business Plan" items listed (lines 2-7), please explain each cost as it relates to the Confirm® Planet Code.
 2. If Confirm® Planet Code usage exceeds the USPS forecast for the Test Year by a given percentage, please explain by line item (lines 2-7) the impact such an increase in volume would have on each cost listed.
 3. For each of the "Technology Support Plan" expenses (lines 9-13), please explain each cost as it relates to the Confirm® Planet Code.
 4. If Confirm® Planet Code usage exceeds the USPS forecast for the Test Year by a given percentage, please explain by line item (lines 9-13) the impact such an increase in volume would have on each cost listed.
- e. The following refers to Worksheet A-1, Marketing Products.
 1. Please explain what the Presentation Development (line 2) costs are and to whom the Presentation is targeted.
 2. If Confirm® Planet Code usage exceeds the USPS forecast for the Test Year by a given percentage, please explain the impact such an increase in volume would have on the Presentation Development costs.

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3. Please explain (1) what the CD-ROM Production (line 3) costs are for, (2) who the CD-ROMs are for, and (3) the number of CD-ROMS to be produced.
 4. If Confirm® Planet Code usage exceeds the USPS Test Year forecast by a given percentage, please explain the impact such an increase in volume would have on the CD-ROM Production costs.
 5. Please explain what the printing costs (line 4) are for; for example, marketing literature, product description, etc.
 6. If Confirm® Planet Code usage exceeds the USPS forecast for the Test Year by a given percentage, please explain the impact such an increase in volume would have on printing costs.
 7. Please explain (1) what the “Promotional Activities” (line 6) are for, and (2) if Confirm® Planet Code usage exceeds the USPS forecast for the Test Year by a given percentage, please explain the impact such an increase in volume would have on promotional activity costs.
- f. The following refers to Worksheet A-3.
1. *Program Management* costs are shown as \$163,376. What would be the percentage impact on program management costs if Confirm® Planet Code usage exceeds by a given percentage the USPS Test Year forecast?
 2. *Management Support* costs are shown as \$329,731. What would be the percentage impact on management support costs if Confirm® Planet Code usage exceeds by a given percentage the USPS Test Year forecast?
 3. *Strategy Support* costs are shown as \$197,971. What would be the percentage impact on strategy support costs if Confirm® Planet Code usage exceeds by a given percentage the USPS Test Year forecast?
- g. The following refers to Worksheet A-4.
1. If Confirm® Planet Code usage increases by a given percentage from that forecast for the Test Year, please explain the impact an increase in volume would have on the capital equipment purchased from Digital Equipment Corporation (DEC). For example, an increase in usage of “x” percent would require additional purchases of DEC equipment valued at “\$y.yy, in year 2002 and \$z.zz, in year 2003.”
 2. If the Confirm® Planet Code offering were expanded to include First-Class retail customers in the Test Year, please explain the impact on the “System Development” costs listed on line 9 for FY2002 and FY2003. For example, adding the capability to allow First-Class retail customers to access Confirm® Planet Code data, in a manner similar to that offered electronically when Delivery Confirmation information is accessed electronically by USPS retail customers, would add additional system development costs of “\$x.xx,” in FY 2002, and “\$y.yy,” in FY 2003.

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3. If the Confirm® Planet Code offering were expanded to include First-Class retail customers in the Test Year, please explain the impact on the “CMOR System Development” costs listed on line 17 for FY2002 and FY2003. For example, adding the capability to allow First-Class retail customers to access Confirm® Planet Code data, in a manner similar to that offered electronically when Delivery Confirmation information is accessed electronically by USPS retail customers, would add additional CMOR system development costs of \$x.xx, in FY 2002, and “\$y.yy,” in FY 2003.
- h. The following refers to Worksheet A-6, lines 6, 7 and 8 (Capital Expenditures). For lines 6, 7 and 8 in FY 2002 and FY 2003, please explain the impact an expansion of the Confirm® Planet Code offering would have on each cost if First-Class retail customers accessed Confirm® Planet Code data in a manner similar to that offered electronically for Delivery Confirmation retail customers.
- i. The following refers to Worksheet A-5, line 11. Please explain the basis for using a peak load factor of 10.0%.

RESPONSE:

(a) PLANET Code volumes themselves do not cause an increase in help desk support costs. Rather, it is the overall level of subscribers that is more closely correlated with National Customer Support Center (NCSC) costs. Please refer to my response to OCA-T3-1(c). However, in regards to your specific example, it is my understanding that the NCSC is not designed to handle individual retail consumer support calls for individual piece scan data. Currently, customer inquiries are handled through the call center supporting the general 1-800-ASKUSPS. I have studied neither the ability of the general 1-800 call center to handle this type of inquiry nor the cost implications of redesigning NCSC to handle retail First-Class Mail inquiries.

(b) The requested document will be filed as USPS-LR-4/MC2002-1, Confirm Service Level Agreement.

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(c)

1. The cumulative number of Test Year EPOs is four (4), each containing two (2) Sun E4500 servers.

2-3. EPO capacity is based on the number of scans. The scan capacity of an EPO is 90,000,000 to 100,000,000 scans per day. My cost estimation conservatively takes the lower bound of this range to estimate the number of EPOs needed. With 4 EPOs there is a total capacity of 360,000,000 to 400,000,000 million scans per day. As shown in USPS-LR-2, I estimated 313,898,059 potential scans per day. The difference between EPO system capacity and my scan projections range from 46,101,941 to 86,101,941 scans. If scans increase by a number somewhere within this range, one new EPO may need to be purchased to handle the increased volume. The EPO includes two servers, one unit of Oracle software, and one unit of "CLIN" storage.

(d)

1. *Presentation Development* – Contractor costs to develop presentations for Postal Forum, trade shows, field training, etc.

CD-ROM – Production costs for 8,000 informational CD-ROMs targeted to mailers, attendees for National Postal Forum, and Postal Service field operations.

Printing – Cost to print marketing/informational materials

Promotional Activities – Costs for publicity activities such as being named in trade journals

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Management Support – General program management support for Confirm[®] performed by contractor(s). This may include, but is not limited to product development and market research.

Strategy Support – General Confirm[®] strategy support performed by contractor(s). This may include, but is not limited to product development/positioning and business planning.

2. All the above “Business Plan” items have no causal relationship with Confirm[®] Planet Code volume – at least within any reasonable variation of the proposed Confirm[®] that I was asked to study. As currently planned for the proposed service of Confirm[®], there would not be a cost impact on these items resulting from a volume increase.

3. *Systems Certification* – Includes validation of Confirm[®] application(s) against the technical infrastructure and provides Tier III engineering infrastructure support.

Eagan System Support – Eagan, Minnesota production operations support provides regular system maintenance and Tier III technical support.

Database Support – Activities focused on database maintenance and Tier III support for the Confirm[®] production system.

Field Implementation/Support – Field implementation support and Eagan Tier II and Field IT Tier III Support.

End to End System Monitoring – Monitors the health of the hardware/software infrastructure supporting Confirm[®].

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4. All of these costs are focused around the Confirm technical system infrastructure, changes in Confirm® Planet Code usage that do not affect the overall size of the infrastructure will not likely have an appreciable effect on these costs— at least within any reasonable variation of the proposed Confirm® that I was asked to study.

(e) (1-7) See Response to (d)(1-2).

(f) (1-3) See Response to (d)(1-2).

(g)

1. The Digital Equipment Corporation costs of \$2,967 classified under Miscellaneous HW/SW on Worksheet A-4 represent a one-time purchase for the Confirm® system. There was no causal relationship between this purchase and PLANET Code usage. Changes in volume would have no affect on this cost.

2-3. I did not study a Confirm® that would include a retail First-Class Mail product offering. CMOR system development costs were excluded from my estimates as they support internal reporting functions. However, it is my understanding that the systems required to support retail customer Delivery Confirmation are not the same as those used in Confirm, and thus would require significant new system development to provide those capabilities.

(h) I did not study a Confirm® that would include a retail First-Class Mail product offering. However, it is my understanding that the systems required to support retail customer Delivery Confirmation are not the same as those used

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in Confirm, and thus provision of the service for retail customers would require significant capital investments.

(i) The 10% peak load factor was used as a conservative assumption to account for daily and seasonal variance in PLANET Code volume and its impact on Confirm[®] system processing burden so as to ensure system failures do not occur.

DECLARATION

I, Norma B. Nieto, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Norma B. Nieto

Dated: _____

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.

Kenneth Hollies

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
May 24, 2002