

ORIGINAL

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

RECEIVED
AUG 24 4 42 PM '98

MAILING ONLINE SERVICE

Docket No. MC98-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS PLUNKETT TO INTERROGATORY OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T5-28)

The United States Postal Service hereby provides the response of witness Plunkett to the following interrogatory of the Office of the Consumer Advocate: OCA/USPS-T5-28, filed on August 20, 1998.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

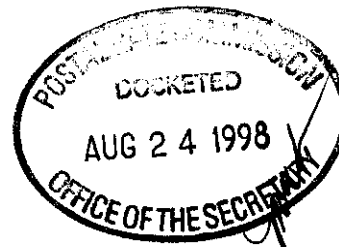
By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

David H. Rubin

David H. Rubin

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2986; Fax -5402
August 24, 1998



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

OCA/USPS-T5-28. Please refer to the attachment to your response to OCA/USPS-T5-21 and to USPS-LR-11, Part 1, Schedule, 1.1 Items and Prices.

a. Please update your attachment to reflect the actual unit prices shown in the Schedule.

b. Where in your attachment did you include the costs for any of items A through F under "Finishing?" Please cite specific page and line numbers. If your attachment does not contain these costs, please explain fully why they are not included.

c. The section in the Schedule entitled "Print Mode (per impression)" does not contain unit prices for either simplex or duplex 11 X 17. Please explain why this size was excluded.

OCA/USPS-T5-28 Response.

a. See attachment for updated table. Note that impression costs no longer include information systems costs, so a new column for information system costs has been added. Likewise, transportation costs are presumably included - though not identified - in the prices in USPS-LR-11, Part 1, Schedule, 1.1 and are therefore not shown in the updated table. A column for folding and insertion costs has also been added.

b. The examples in the attachment assume no stapling, binding, or saddle stitching. Costs for finishing were not available when the original attachment was created. See page 7 of my testimony. Furthermore, the market research presented in USPS-LR-1/MC98-1 provides no guidance regarding which finishing options customers might prefer. In the attached exhibit, I have assumed only that letter-size pieces require two folds.

c. Redirected to witness Garvey.

Exhibit A
Sample Mailing Online Prices - 1999
(Using 8/19/98 Contract Prices)

	Impression Costs (A)	Paper Costs (B)	Envelope Costs (C)	Folding & Insertion Costs (D)	Information Systems Costs (E)	Subtotal (F)	Contribution (G) = (F) * 0.25	Fee (H) = (G) * 1.25	Postage (I)	Total Postage & Fee (J) = (I) + (H)
<u>Example 1</u> 2 Page, 8.5x11, Simplex, Black & White, First-Class	\$ 0.0396	\$ 0.0094	\$ 0.0150	\$ 0.0336	\$ 0.0016	\$ 0.0992	\$ 0.0248	\$ 0.1240	\$ 0.2700	\$ 0.3940
<u>Example 2</u> 10 Page, 8.5x14, Duplex, Black & White, First-Class	\$ 0.3960	\$ 0.0680	\$ 0.0540	\$ 0.1550	\$ 0.0160	\$ 0.6890	\$ 0.1723	\$ 0.8613	\$ 0.7400	\$ 1.6013
<u>Example 3</u> 5 Page, 8.5x11, Simplex, Spot Color, Standard (A)	\$ 0.1490	\$ 0.0235	\$ 0.0150	\$ 0.0336	\$ 0.0040	\$ 0.2251	\$ 0.0563	\$ 0.2814	\$ 0.2190	\$ 0.5004
<u>Example 4</u> 22 Page, 8.5x14, Duplex, Spot Color, First-Class	\$ 1.3112	\$ 0.1496	\$ 0.0540	\$ 0.1550	\$ 0.0352	\$ 1.7050	\$ 0.4263	\$ 2.1313	\$ 1.4000	\$ 3.5313

Detailed Calculation of Costs for Exhibit A, Example 1

2 Page, 8.5x11, Simplex, Black & White, First-Class

Source	Description			
(A) Impression Costs				
(a) USPS-LR-11, Part 1, Schedule, 1.1	Total Impression Cost, 8.5x11, Black & White	\$	0.0198	
(b)	Number of Impressions		2	
(c) =(a) * (b)	Total Impression Costs	\$		0.0396
(B) Paper Costs				
(d) USPS-LR-11, Part 1, Schedule, 1.1	8.5 x 11 Paper Cost per sheet	\$	0.0047	
(e)	Number of Sheets		2	
(f) =(d) * (e)	Total Paper Costs	\$		0.0094
(C) Envelope Costs				
(g) USPS-LR-11, Part 1, Schedule, 1.1	# 10 Envelope - No window and logo	\$		0.0150
(D) Folding & Inserting Costs				
(h) USPS-LR-11, Part 1, Schedule, 1.1	Two folds	\$		0.0336
(E) Information Systems Costs				
(i) USPS T-2, Exhibit A, page 2, line 32	Variable Information Systems Costs	\$	0.0008	
(j)	Number of Impressions		2	
(k) = (i) * (j)		\$		0.0016
(F) Subtotal				
(l) =(c) + (f) + (g) + (h) + (k)		\$		0.0992
(G) Contribution				
(m)	Markup		25%	
(n) = (l) * (m)	Contribution	\$		0.0248
(H) Total Fee				
(o) = (l) + (n)		\$		0.1240
(I) Postage				
(p)	Weight per 8x11 sheet of paper (ounces)		0.2	
(q)	Number of sheets		2	
(r) = (p) * (q)	Total paper weight (ounces)		0.4	
(s)	Weight per #10 envelope (ounces)		0.2	
(t) = (r) + (s)	Total mail piece weight (ounces)		0.6	
(u) =roundup[(t),1]	Number of postage ounces		1.0	
(v) R97-1 rates eff. 1/10/99	First ounce automation basic presort rate letters	\$	0.2700	
(w) R97-1 rates eff. 1/10/99	Additional ounce automation basic presort rate letters	\$	0.2200	
(x) =(v) + [(u) - 1] * (w)	Total Postage	\$		0.2700
(y) = (o) + (x)	(I) Total Postage and Fees	\$		<u>0.3940</u>

Detailed Calculation of Costs for Exhibit A, Example 2

10 Page, 8.5x14, Duplex, Black & White, First-Class

Source	Description		Rate	
(A) Impression Costs				
(a) USPS-LR-11, Part 1, Schedule, 1.1	Total Impression Cost, 8.5x14, Black & White	\$	0.0198	
(b)	Number of Impressions		20	
(c) = (a) * (b)	Total Impression Costs	\$		0.3960
(B) Paper Costs				
(d) USPS-LR-11, Part 1, Schedule, 1.1	8.5 x 14 Paper Cost per sheet	\$	0.0068	
(e)	Number of Sheets		10	
(f) = (d) * (e)	Total Paper Costs	\$		0.0680
(C) Envelope Costs				
(g) USPS-LR-11, Part 1, Schedule, 1.1	Flat Envelope - no window no logo	\$	0.0540	
	No Folds	\$		0.1550
(D) Folding & Inserting Costs				
(h) USPS-LR-11, Part 1, Schedule, 1.1				
(E) Information Systems Costs				
(i) USPS T-2, Exhibit A, page 2, line 32	Variable Information Systems Costs	\$	0.0008	
(j)	Number of Impressions		20	
(k) = (i) * (j)		\$		0.0160
(F) Subtotal				
(l) = (c) + (f) + (g) + (h) + (k)		\$		0.6890
(G) Contribution				
(m) = (l) * (m)	Markup Contribution		25%	\$ 0.1723
(H) Total Fee				
(o) = (l) + (n)		\$		0.8613
(I) Postage				
(p)	Weight per 8x14 sheet of paper (ounces)		0.254	
(q)	Number of sheets		10	
(r) = (p) * (q)	Total paper weight		2.54	
(s)	Weight per flat envelope (ounces)		0.4	
(t) = (r) + (s)	Total mail piece weight		2.94	
(u) = roundup[(t), 1]	Number of postage ounces		3.0	
(v) R97-1 rates eff. 1/10/99	First ounce automation basic presort rate flats	\$	0.3000	
(w) R97-1 rates eff. 1/10/99	Additional ounce automation basic presort rate flats	\$	0.2200	
(x) = (v) + [(u) - 1] * (w)	Total Postage	\$		0.7400
(y) = (o) + (x)	(I) Total Postage and Fees	\$		<u>1.6013</u>

Detailed Calculation of Costs for Exhibit A, Example 3

5 Page, 8.5x11, Simplex, Spot Color, Standard (A)

Source	Description			
(A) Impression Costs				
(a) USPS-LR-11, Part 1, Schedule, 1.1	Total Impression Cost, 8.5x11 Spot Color	\$	0.0298	
(b)	Number of Impressions		5	
(c) =(a) * (b)	Total Impression Costs	\$		0.1490
(B) Paper Costs				
(d) USPS-LR-11, Part 1, Schedule, 1.1	8.5 x 11 Paper Cost per sheet	\$	0.0047	
(e)	Number of Sheets		5	
(f) =(d) * (e)	Total Paper Costs	\$		0.0235
(C) Envelope Costs				
(g) USPS-LR-11, Part 1, Schedule, 1.1	# 10 Envelope - No window and logo	\$		0.0136
(D) Folding & Inserting Costs				
(h) USPS-LR-11, Part 1, Schedule, 1.1	Two folds	\$		0.0336
(E) Information Systems Costs				
(i) USPS T-2, Exhibit A, page 2, line 32	Variable Information Systems Costs	\$	0.0008	
(j)	Number of Impressions		5	
(k) = (i) * (j)		\$		0.0040
(F) Subtotal				
(l) =(c) + (f) + (g) + (h) + (k)		\$		0.2237
(G) Contribution				
(m)	Markup		25%	
(n) = (l) * (m)	Contribution	\$		0.0559
(H) Total Fee				
(o) = (l) + (n)		\$		0.2796
(I) Postage				
(p)	Weight per 8x11sheet of paper (ounces)		0.2	
(q)	Number of sheets		5	
(r) = (p) * (q)	Total paper weight		1.0	
(s)	Weight per #10 envelope (ounces)		0.2	
(t) = (r) + (s)	Total mail piece weight		1.2	
(u) =roundup[(t),1]	Number of postage ounces		2.0	
(v) R97-1 rates eff. 1/10/99	Standard (A) Letter Size Basic Piece rate	\$	0.2350	
(w) R97-1 rates eff. 1/10/99	Destination Entry Discount - BMC	\$	0.0160	
(x) =(v) + [(u) - 1] * (w)	Total Postage	\$		0.2190
(y) = (o) + (x)	(I) Total Postage and Fees	\$		<u>0.4986</u>

Detailed Calculation of Costs for Exhibit A, Example 4

22 Page, 8.5x14, Duplex, Spot color, First-Class

Source	Description			
(A) Impression Costs				
(a) USPS-LR-11, Part 1, Schedule, 1.1	Total Impression Cost, 8.5x14 Spot Color	\$	0.0298	
(b)	Number of Impressions		44	
(c) =(a) * (b)	Total Impression Costs	\$		1.3112
(B) Paper Costs				
(d) USPS-LR-11, Part 1, Schedule, 1.1	8.5 x 14 Paper Cost per sheet	\$	0.0068	
(e)	Number of Sheets		22	
(f) =(d) * (e)	Total Paper Costs	\$		0.1496
(C) Envelope Costs				
(g) USPS-LR-11, Part 1, Schedule, 1.1	Flat Envelope - No window and no logo	\$		0.0540
(D) Folding & Inserting Costs				
(h) USPS-LR-11, Part 1, Schedule, 1.1	No folding	\$		0.1550
(E) Information Systems Costs				
(i) USPS T-2, Exhibit A, page 2, line 32	Variable Information Systems Costs	\$	0.0008	
(j)	Number of Impressions		44	
(k) = (i) * (j)		\$		0.0352
(F) Subtotal				
(l) =(c) + (f) + (g) + (h) + (k)		\$		1.7050
(G) Contribution				
(m)	Markup		25%	
(n) = (l) * (m)	Contribution	\$		0.4263
(H) Total Fee				
(o) = (l) + (n)		\$		2.1313
(I) Postage				
(p)	Weight per 8x14sheet of paper (ounces)		0.254	
(q)	Number of sheets		22	
(r) = (p) * (q)	Total paper weight		5.588	
(s)	Weight per Flat envelope (ounces)		0.4	
(t) = (r) + (s)	Total mail piece weight		5.988	
(u) =roundup((t),1)	Number of postage ounces		6.0	
(v) R97-1 Automation basic presort	First ounce rate flats	\$	0.3000	
(w) R97-1 Automation basic presort	Additional ounce rate flats	\$	0.2200	
(x) =(v) + [(u) - 1] * (w)	Total Postage	\$		1.4000
(y) = (o) + (x)	(I) Total Postage and Fees	\$		<u>3.5313</u>

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.



MICHAEL K. PLUNKETT

Dated: August 24, 1998