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

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| MAILING ONLINE SERVICE | Docket No. MC98–1 |

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS PLUNKETT TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS–T5—35–38)

The United States Postal Service hereby provides the responses of witness

Plunkett to the following interrogatories of the Office of the Consumer Advocate:

OCA/USPS–T5—35–37, filed on October 28, 1998; and OCA/USPS–T5–38, filed on
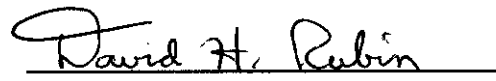
November 2, 1998.

Each interrogatory is stated verbatim and is followed by the response.
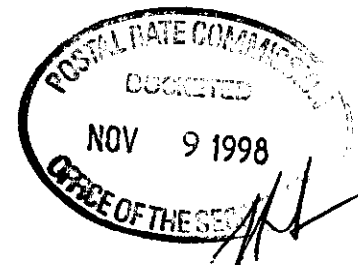
Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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November 9, 1998

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

OCA/USPS-T5-35.   Please refer to your response to OCA/USPS-T1-46(d) (redirected from witness Garvey) and to your Exhibit USPS-5D (USPS-T-5, page 30).  In your interrogatory response you state, "[I]f document length is a parameter used to define potential batch types, some are highly unlikely to be chosen at all."

a.      Please confirm that your Exhibit 5D shows 16,444,(000) 8.5x11 pieces of year-one MOL consisting of more than 15 pages.  If you do not confirm, please state what the number 16,444 in your exhibit represents.

b.      Please confirm that your Exhibit 5D allocates 31 percent of the 16,444,(000) pieces, or 5,103,(000) pieces, to First Class flats.  If you do not confirm, please show the correct allocation and explain its basis.  If you do confirm, please explain the basis for your allocation.

c.      Please confirm that your Exhibit 5D allocates 33.3 percent of the 5,103,(000) pieces, or 1,699,(000) pieces, respectively to the four-ounce, five-ounce, and six-ounce weight increments of First Class flats.  If you do not confirm, please show the correct allocation and explain its basis.  If you do confirm, please explain the basis for your allocation.

d.      Please confirm that a 29-page, 8.5x11 flat with envelope would weigh 6.2 ounces.  If you do not confirm, please provide the correct weight and show its derivation.

e.      Please confirm that your Exhibit 5D assumes that there will be no year-one, First-Class, 8.5x11 MOL pieces in excess of 28 pages.  If you do not confirm, please show where such pieces appear in your exhibit and explain the basis for your allocation.  If you do confirm, please explain the basis for your assumption.

f.      Please list all subclass/job-type/page-count categories for which you have assumed zero year-one volume and explain the basis for your assumption.

g.      Please provide an allocation of year-one MOL volume across subclass/print-site/job-type/page-count categories that is consistent with your Exhibit 5D.  If more than one such allocation exists, please provide the best one and explain why your choice is best.

h.      Please confirm that you have implicitly assumed that the likelihood of particular job-type/page-count batches declines with page count.  If you do not confirm, please explain why you have assumed zero year-one volumes for certain high-page-count batches.

i.      Do you agree that it is reasonable to assume that the likelihood of particular job-type/page-count batches declines with page count.  If you do not agree, please provide a more plausible assumption and justify it.

j.      Please confirm that one-page documents are more likely than any other MOL documents.  If you do not confirm, please identify all page counts that are more likely and explain the basis for your response.

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**OCA/USPS-T5-35 Response:**

a.  Confirmed.

b.  Confirmed.

c.  Confirmed.

d.  Confirmed.

e.  Confirmed. This assumption is implied in the result of the allocation described in

    part d.

f-i. All volume distributions embodied in my testimony and/or interrogatory responses

are derived from the testimony of witness Rothschild (USPS-T-4). While the survey

permits reasonable inferences regarding general parameters, it does not allow informed

construction of precise estimates of volumes within subclass/job-type/page-count

categories as contemplated in this interrogatory. In order to estimate postage

revenues, I made an admittedly simplistic assumption that all documents exceeding 15

pages in length would be flats with weights evenly distributed among 4 ounce, 5 ounce,

and 6 ounce increments. This assumption produces the seemingly anomalous result

that all documents contain fewer than 29 sheets of paper. However, though this

assumption is simplistic, it is based on an observed inverse relationship between

document length and relative share of document volume. This relationship is apparent

from the data provided by witness Rothschild which clearly demonstrate a decline in

volume as the length of the document decreases. As a practical matter, there may be

no job-type/page-count combinations that produce zero batches in a given year.

However, as document length and complexity increase, alternatives to digital printing

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are presumably more cost competitive. For instance, the probability that a customer

would use Mailing Online to send a 48 page, spot color, duplex printed, tape bound

document is likely to be very small. An alternative to my approach would have been to

estimate volumes for all possible combinations. This approach, which would have

produced a seemingly complete set of volumes, would have entailed a number of

assumptions for the sake of spurious precision. As mentioned above, data supporting

this approach were lacking.

j.    Not confirmed. Though this may be a reasonable conclusion, the testimony of

witness Rothschild aggregates one and two page documents into a single category,

and provides no additional basis for concluding that one page documents are more

likely than two page documents. Witness Seckar assumes that one and two page

documents are equally likely (Exhibit USPS-2A). To the extent that I have relied on

witness Seckar's testimony, my testimony employs the same assumption.

**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO INTERROGATORIES
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OCA/USPS-T5-36.   Please provide, and show the derivation of, a total year-one
nonpostage revenue for MOL based on current printer contract prices.

**OCA/USPS-T5-36 Response:** See response to OCA/USPS-T5-37.  Year-one revenues

would be those listed under the heading "1999".

**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO INTERROGATORIES
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OCA/USPS-T5-37. Please provide, in hard copy and stand-alone electronic form (see
USPS-LR-8/MC98-1), a version of your Exhibit 5B (USPS-T-5, pages 25-26) based on
current contract printer prices and corrected information systems costs (see
OCA/USPS-T3-77).

**OCA/USPS-T5-37 Response:**

Attached is a projection of Mailing Online premailing revenues for the period

covered originally by my Exhibit 5B. An electronic version of the attachment has been

filed as LR-USPS-19. Because the current contract contains different cost elements

than witness Seckar's analysis, it was not possible to simply update the original exhibit.

Furthermore, in light of witness Stirewalt's response to OCA/USPS-T3-77, I have used

the original estimate of 0.1 cents per impression in preparing revenue estimates.

It should be noted that this interrogatory implicitly assumes that the current

contract is a reasonable proxy for average Mailing Online costs. In fact, it is a single

contract in a high cost area. Actual average costs are likely to be very different from

those in the contract. Consequently, the Postal Service still considers the original

exhibit, based on witness Seckar's costs, to be a "better" estimate of Mailing Online

revenues.

# Mailing Online Volumes
## 1999-2003

| | | Note: | 1999 | 2000 | 2001 | 2002 | 2003 | 1999-2000 |
|---|---|---|---|---|---|---|---|---|
| | **Paper** | | | | | | | |
| (1) | 8½ x 11 Sheets | Source: USPS-T-2, Table 4 | 974,425,778 | 1,700,634,620 | 2,651,498,717 | 3,716,985,760 | 4,341,778,237 | 2,675,060,398 |
| (2) | 8½ x 14 Sheets | Source: USPS-T-2, Table 4 | 108,818,496 | 189,917,493 | 296,104,750 | 415,092,464 | 484,865,842 | 298,735,989 |
| (3) | 11 x 17 Sheets | Source: USPS-T-2, Table 4 | 911,810,164 | 265,367,121 | 413,740,007 | 579,998,665 | 677,491,318 | 1,177,177,285 |
| (4) | **Total Sheets** | [(1)+(2)+(3)] | 1,995,054,438 | 2,155,919,234 | 3,361,343,474 | 4,712,076,889 | 5,504,135,397 | 4,150,973,672 |
| | **Impressions** | | | | | | | |
| (5) | Black & White Impressions | Source: USPS-T-2, Table 4 | 1,170,399,332 | 2,042,661,091 | 3,184,760,088 | 4,464,534,649 | 5,214,983,493 | 3,213,060,424 |
| (6) | Color Impressions | Source: USPS-T-2, Table 4 | 834,902,418 | 1,457,128,894 | 2,271,843,315 | 3,184,768,371 | 3,720,099,806 | 2,292,031,313 |
| (7) | **Total Impressions** | [(5)+(6)] | 2,005,301,751 | 3,499,789,986 | 5,456,603,403 | 7,649,303,019 | 8,935,083,299 | 5,505,091,736 |
| | **Envelopes** | | | | | | | |
| (8) | 8.5/11<6 Sheets | Source: USPS-T-2, Table 3 | 194,122,428 | 338,795,759 | 528,224,294 | 740,487,695 | 864,957,137 | 532,918,187 |
| (9) | 8.5/14<5 Sheets | Source: USPS-T-2, Table 3 | 20,442,540 | 35,677,721 | 55,625,960 | 77,978,879 | 91,086,440 | 56,120,261 |
| (10) | 11/17<3 Sheets | Source: USPS-T-2, Table 3 | 24,680,375 | 43,073,881 | 67,157,483 | 94,144,268 | 109,969,088 | 67,754,256 |
| (11) | **Total No. 10 Envelopes** | [(8)+(9)+(10)] | 239,245,343 | 417,547,361 | 651,007,737 | 912,610,842 | 1,066,012,665 | 656,792,704 |
| (12) | 8.5/11>5 Sheets | Source: USPS-T-2, Table 3 | 39,104,387 | 68,247,653 | 106,406,493 | 149,165,229 | 174,238,587 | 107,352,040 |
| (13) | 8.5/14>4 Sheets | Source: USPS-T-2, Table 3 | 5,602,943 | 9,778,642 | 15,246,106 | 21,372,650 | 24,965,205 | 15,381,585 |
| (14) | 11/17>2 Sheets | Source: USPS-T-2, Table 3 | 11,712,350 | 20,441,194 | 31,870,340 | 44,677,226 | 52,187,070 | 32,153,544 |
| (15) | **Total Flat Envelopes** | [(12)+(13)+(14)] | 56,419,680 | 98,467,489 | 153,522,939 | 215,215,105 | 251,390,862 | 154,887,169 |
| | **Folding** | | | | | | | |
| (16) | 8.5/11 Letters | =2*(8) | 388,244,856 | 677,591,517 | 1,056,448,587 | 1,480,975,390 | 1,729,914,273 | 1,065,836,373 |
| (17) | 8.5/14 Letters | =2*(9) | 40,885,080 | 71,355,442 | 111,251,920 | 155,957,758 | 182,172,880 | 112,240,522 |
| (18) | 11/17 Letters | =3*(10) | 74,041,125 | 129,221,643 | 201,472,449 | 282,432,804 | 329,907,264 | 203,262,768 |
| (19) | **Subtotal - Letter Folds** | [(16)+(17)+(18)] | 503,171,061 | 878,168,602 | 1,369,172,956 | 1,919,365,952 | 2,241,994,417 | 1,381,339,663 |
| (20) | 8.5/11 Flats | =0*(12) | - | - | - | - | - | 0 |
| (21) | 8.5/14 Flats | =1*(13) | 5,602,943 | 9,778,642 | 15,246,106 | 21,372,650 | 24,965,205 | 15,381,585 |
| (22) | 11/17 Flats | =1*(14) | 11,712,350 | 20,441,194 | 31,870,340 | 44,677,226 | 52,187,070 | 32,153,544 |
| (23) | **Subtotal - Flat Folds** | [(20)+(21)+(22)] | 17,315,293 | 30,219,836 | 47,116,446 | 66,049,876 | 77,152,275 | 47,535,129 |
| (24) | **Total Folds** | [(19)+(23)] | 520,486,354 | 908,388,438 | 1,416,289,402 | 1,985,415,828 | 2,319,146,692 | 1,428,874,792 |
| | **Finishing Options** | | | | | | | |
| | Staples | | | | | | | |
| (25) | 8.5/11 (2-15 Pages) | Assumes that 50% of documents between 2-15 pages are stapled | 68,849,610 | 120,161,055 | 187,345,877 | 262,629,565 | 306,775,275 | 945,761,362 |
| (26) | 8.5/11 (More than 15 pages) | Assumes that 75% of documents longer than 15 pages are stapled | 12,333,101 | 21,524,573 | 33,559,459 | 47,045,103 | 54,952,970 | 169,415,205 |
| (27) | 8.5/14 (2-48 Pages) | documents longer than 15 pages are stapled | 9,525,134 | 16,623,918 | 25,918,735 | 36,334,004 | 42,441,429 | 130,843,220 |
| (28) | 8.5/17 | No stapling of 11/17 documents | 0 | 0 | 0 | 0 | 0 | 0 |
| (29) | **Total** | [(25)+(26)+(27)+(28)] | 90,707,846 | 158,309,546 | 246,824,070 | 346,008,671 | 404,169,674 | 1,246,019,806 |
| | Saddle Stitching | | | | | | | |
| (30) | 8½ x 11 | No saddle stitching | 0 | 0 | 0 | 0 | 0 | 0 |
| (31) | 8½ x 14 | No saddle stitching | 0 | 0 | 0 | 0 | 0 | 0 |
| (32) | 11 x 17 | Assumes 75% of documents longer than 15 pages are saddle stitched | 1,924,457 | 3,358,695 | 5,236,620 | 7,340,921 | 8,574,864 | 26,435,557 |
| (33) | **Total** | [(30)+(31)+(32)] | 1,924,457 | 3,358,695 | 5,236,620 | 7,340,921 | 8,574,864 | 26,435,557 |
| | Tape Binding | | | | | | | |
| (34) | 8½ x 11 | 25 % of documents longer than 15 pages | 4,111,034 | 7,174,858 | 11,186,486 | 15,681,701 | 18,317,657 | 56,471,735 |
| (35) | 8½ x 14 | No tape binding | 0 | 0 | 0 | 0 | 0 | 0 |
| (36) | 11 x 17 | No tape binding | 0 | 0 | 0 | 0 | 0 | 0 |
| (37) | **Total** | [(34)+(35)+(36)] | 4,111,034 | 7,174,858 | 11,186,486 | 15,681,701 | 18,317,657 | 56,471,735 |

# MAILING ONLINE MARKET TEST UNIT COSTS

**Feature**

| | **Paper (per sheet)** | Contract Cost | IS Cost | Total Cost |
|---|---|---|---|---|
| (a) | 8½ x 11 | $ 0.0047 | $ - | $ 0.0047 |
| (b) | 8½ x 14 | 0.0068 | 0 | 0.0068 |
| (c) | 11 x 17 | 0.0108 | 0 | 0.0108 |
| | **Printing (per impression)** | | | |
| (d) | Simplex (8½ x 11) | 0.0207 | 0.001 | 0.0217 |
| (e) | Simplex (8½ x 14) | 0.0207 | 0.001 | 0.0217 |
| (f) | Duplex (8½ x 11) | 0.0207 | 0.001 | 0.0217 |
| (g) | Duplex (8½ x 14) | 0.0207 | 0.001 | 0.0217 |
| (h) | **Spot Color (per impression)** | 0.0100 | 0 | 0.0100 |
| | **Finishing** | | | |
| (i) | Folding (per fold) | 0.0100 | 0 | 0.0100 |
| (j) | Stapling (per staple) | 0.0080 | 0 | 0.0080 |
| (k) | Saddle Stitch (per finished piece) | 0.2000 | 0 | 0.2000 |
| (l) | Tape Binding (8½ x 11) (per finished piece) | 0.4500 | 0 | 0.4500 |
| (m) | Tape Binding (8½ x 14) (per finished piece) | 0.5500 | 0 | 0.5500 |
| (n) | Applying Tabs to Self Mailer | 0.0700 | 0 | 0.0700 |
| | **Envelopes** | | | |
| (o) | #10 envelope | 0.0150 | 0 | 0.0150 |
| (p) | Flat envelope | 0.0540 | 0 | 0.0540 |
| | **Inserting (per envelope)** | | | |
| (q) | #10 envelope | 0.0136 | 0 | 0.0136 |
| (r) | Flat envelope | 0.1550 | 0 | 0.1550 |

## Mailing Online Costs & Non-Postage Revenues
### (Including Variable Information Systems Costs)
### 1999-2003

| | | | 1999 | 2000 | 2001 | 2002 | 2003 | | 1999-2000 |
|---|---|---|---|---|---|---|---|---|---|
| | **Paper Costs** | Note: | | | | | | | |
| (1) | 8½ x 11 Sheets | Unit Cost (Line a) * Volumes (Line 1) | 4,579,801 | 7,992,983 | 12,462,044 | 17,469,833 | 20,406,358 | | 12,572,784 |
| (2) | 8½ x 14 Sheets | Unit Cost (Line b) * Volumes (Line 2) | 739,966 | 1,291,439 | 2,013,512 | 2,822,629 | 3,297,088 | | 2,031,405 |
| (3) | 11 x 17 Sheets | Unit Cost (Line c)* Volumes (Line 3) | 9,847,550 | 2,865,965 | 4,468,392 | 6,263,986 | 7,316,906 | | 12,713,515 |
| (4) | **Total Paper Costs** | [(1)+(2)+(3)] | $ 15,167,317 | $ 12,150,387 | $ 18,943,948 | $ 26,556,447 | $ 31,020,352 | $ | 27,317,703 |
| | **Impression Costs** | | | | | | | | |
| (5) | Black & White Impressions | Unit Cost (Line d) * Volumes (Line 5) | 25,397,666 | 44,325,746 | 69,109,294 | 96,880,402 | 113,165,142 | | 69,723,411 |
| (6) | Color Impressions | Unit Cost (Line d+ Line h)* Volumes (Line 6) | 26,466,407 | 46,190,986 | 72,017,433 | 100,957,157 | 117,927,164 | | 72,657,393 |
| (7) | **Total Impression Costs** | [(5)+(6)] | $ 51,864,072 | $ 90,516,732 | $ 141,126,727 | $ 197,837,559 | $ 231,092,306 | $ | 142,380,804 |
| | **Envelope Costs** | | | | | | | | |
| (8) | Letters 8.5/11<6 Sheets | Unit Cost (Line o) * Volumes (Line 8) | 2,911,836 | 5,081,936 | 7,923,364 | 11,107,315 | 12,974,357 | | 7,993,773 |
| (9) | 8.5/14<5 Sheets | Unit Cost (Line o) * Volumes (Line 9) | 306,638 | 535,166 | 834,389 | 1,169,683 | 1,366,297 | | 841,804 |
| (10) | 11/17<3 Sheets | Unit Cost (Line o) * Volumes (Line 10) | 370,206 | 646,108 | 1,007,362 | 1,412,164 | 1,649,536 | | 1,016,314 |
| (11) | **Total Letters** | [(8)+(9)+(10)] | $ 3,588,680 | $ 6,263,210 | $ 9,765,116 | $ 13,689,163 | $ 15,990,190 | $ | 9,851,891 |
| (12) | Letter Insertion Costs | Unit Cost (Line q) * Volumes (Line 11) | 3,253,737 | 5,678,644 | 8,853,705 | 12,411,507 | 14,497,772 | | 8,932,381 |
| (13) | Flats 8.5/11>5 Sheets | Unit Cost (Line p) * Volumes (Line 12) | 6,061,180 | 10,578,386 | 16,493,006 | 23,120,610 | 27,006,981 | | 16,639,566 |
| (14) | 8.5/14>4 Sheets | Unit Cost (Line p) * Volumes (Line 13) | 868,456 | 1,515,690 | 2,363,146 | 3,312,761 | 3,869,607 | | 2,384,146 |
| (15) | 11/17>2 Sheets | Unit Cost (Line p) * Volumes (Line 14) | 1,815,414 | 3,168,385 | 4,939,903 | 6,924,970 | 8,088,996 | | 4,983,799 |
| (16) | **Total Flats** | [(8)+(9)+(10)] | $ 8,745,050 | $ 15,262,461 | $ 23,796,055 | $ 33,358,341 | $ 38,965,584 | $ | 24,007,511 |
| (17) | Flat Insertion Costs | Unit Cost (Line r) * Volumes (Line 15) | 3,046,663 | 5,317,244 | 8,290,239 | 11,621,616 | 13,575,107 | | 8,363,907 |
| (18) | **Total Envelope & Insertion Costs** | [(11)+(12)+(16)+(17)] | $ 18,634,130 | $ 32,521,560 | $ 50,705,115 | $ 71,080,627 | $ 83,028,652 | $ | 51,155,690 |
| | **Folding Costs** | | | | | | | | |
| (19) | 8.5/11 Letters | Unit Cost (Line i) * Volumes (Line 16) | 3,882,449 | 6,775,915 | 10,564,486 | 14,809,754 | 17,299,143 | | 10,658,364 |
| (20) | 8.5/14 Letters | Unit Cost (Line i) * Volumes (Line 17) | 408,851 | 713,554 | 1,112,519 | 1,559,578 | 1,821,729 | | 1,122,405 |
| (21) | 11/17 Letters | Unit Cost (Line i) * Volumes (Line 18) | 740,411 | 1,292,216 | 2,014,724 | 2,824,328 | 3,299,073 | | 2,032,628 |
| (22) | 8.5/11 Flats | Unit Cost (Line i) * Volumes (Line 20) | - | - | - | - | - | | 0 |
| (23) | 8.5/14 Flats | Unit Cost (Line i) * Volumes (Line 21) | 56,029 | 97,786 | 152,461 | 213,727 | 249,652 | | 153,816 |
| (24) | 11/17 Flats | Unit Cost (Line i) * Volumes (Line 22) | 117,124 | 204,412 | 318,703 | 446,772 | 521,871 | | 321,535 |
| (25) | **Total Folding Costs** | [(19)+(20)+(21)+(22)+(23)+(24)] | $ 5,204,864 | $ 9,083,884 | $ 14,162,894 | $ 19,854,158 | $ 23,191,467 | $ | 14,288,748 |
| | **Finishing Options** | | | | | | | | |
| (26) | Stapling | Unit Cost (Line j) * Volumes (Line 29) | 725,663 | 1,266,476 | 1,974,593 | 2,768,069 | 3,233,357 | | 1,992,139 |
| (27) | Saddle Stitching | Unit Cost (Line k) * Volumes (Line 33) | 384,891 | 671,739 | 1,047,324 | 1,468,184 | 1,714,973 | | 1,056,630 |
| (28) | Tape Binding | Unit Cost (Line l) * Volumes (Line 37) | 1,849,965 | 3,228,686 | 5,033,919 | 7,056,765 | 8,242,945 | | 5,078,651 |
| (29) | **Total Finishing Costs** | [(26)+(27)+(28)] | $ 2,960,519 | $ 5,166,901 | $ 8,055,835 | $ 11,293,019 | $ 13,191,276 | $ | 8,127,421 |
| (30) | **Total Costs** | [(4)+(7)+(18)+(25)+(29)] | $ 93,830,902 | $ 149,439,463 | $ 232,994,520 | $ 326,621,811 | $ 381,524,052 | $ | 243,270,365 |
| (31) | **Revenues** | =(30)*1.25 | $ 117,288,627 | $ 186,799,329 | $ 291,243,150 | $ 408,277,264 | $ 476,905,065 | $ | 304,087,956 |
| (32) | **Net Contribution** | =(31)-(30) | $ 23,457,725 | $ 37,359,866 | $ 58,248,630 | $ 81,655,453 | $ 95,381,013 | $ | 60,817,591 |

**RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO INTERROGATORIES
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OCA/USPS-T5-38. Please refer to your Exhibit USPS-5D, at page 1.

a.     Please confirm that the Mailing Online volume of 24,680,375 for 1-2 page, 11x17 pieces is computed as follows: 36,369 / 295,665 * 200,490. If you do not confirm, please explain and show the correct calculation.

b.     Please confirm that the Mailing Online volume of 24,680,375 for 1-2 page, 11x17 pieces includes volume for 1-2 page, 11x17 Black & White and 11x17 Spot color, Simplex pieces. If you do not confirm, please explain

c.     Please provide the volume for 1-2 page, 11x17 Black & White and 11x17 Spot color, Simplex pieces.

d.     Please provide the price per piece for 1-2 page, 11x17 Black & White and 11x17 Spot color, Simplex pieces.


**RESPONSE:**

a.     Confirmed.

b-c.     Not confirmed. At the time of the filing of this case, technical constraints precluded the preparation of spot color documents on 11X17 paper. As is indicated in witness Seckar's testimony, there are no 11X17 color impressions (USPS-T-2, Exhibit A, p. 2). Consequently, all 11X17 documents would be Black & White.

d. See attachment, which was also filed electronically as LR-USPS-19. Though the attachment calculates hypothetical prices, using what I regard as appropriate assumptions given the volume projections in witness Rothschild's testimony (USPS-T-4), the requested document configurations are anomalous. Customers who attempt to select a document configuration that results in simplex printing on 11/17 paper will be given a message indicating that this option is not available. Such documents would inevitably contain a significant amount of white space and are better suited to 8.5/11 paper. This restriction was not known when the cost and pricing testimony was prepared. This apparent inconsistency arises from survey results which specify values

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for specific variables, for instance the relative proportion of simplex documents, without

additional detail regarding the interrelationships between variables, e.g. paper size and

color. Resolution of such anomalies would depend either on much more exhaustive

research, or on arbitrary assumptions regarding customer choice under constrained

conditions. It is unlikely that either would produce appreciably better results.

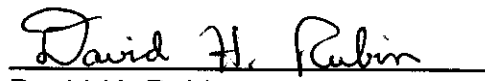| | | Note | Black & White 11X17 - 1 Page Simplex | Black & White 11X17 - 2 Page Simplex |
|---|---|---|---|---|
| (1) | Impression Costs | Two impressions per sheet | $ 0.042 | $ 0.083 |
| (2) | Paper Costs | | $ 0.011 | $ 0.022 |
| (3) | Envelope Costs | No. 10 letter size envelope | $ 0.015 | $ 0.015 |
| (4) | Folding & Insertion Costs | Three folds per document: one vertical, two horizontal | $ 0.044 | $ 0.044 |
| (5) | Information Systems Costs | | $ 0.002 | $ 0.004 |
| (6) | Finishing (Stapling) | Two staples along vertical fold | $ - | $ 0.016 |
| (7) | Subtotal | [(1)+(2)+(3)+(4)+(5)+(6)+(7)] | $ 0.113 | $ 0.167 |
| (8) | Contribution | (8)*1.25 | $ 0.028 | $ 0.042 |
| (9) | Fee | [(7)+(8)] | $ 0.141 | $ 0.209 |
| (10) | Postage | First-Class automation basic rate for a 1 ounce letter (R97 rates) | $ 0.270 | $ 0.270 |
| (11) | Total Postage & Fee | [(9)+(10)] | $ 0.411 | $ 0.479 |

## 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.

_(signature)_

Dated: November 9, 1998

## 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.

David H. Rubin
David H. Rubin

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260–1137
November 9, 1998