# ORIGINAL

## **Official Transcript of Proceedings**

### Before the

## UNITED STATES POSTAL RATE COMMISSION

In the Matter of:

MAILING ONLINE SERVICE

Docket No.

MC98-1

VOLUME 5

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- PLACE: Washington, D.C.
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1	BEFORE THE		
2		POSTAL RATE COMMISSION	
3		X	
4	In the Matter of:	: Docket No. MC98-1	
5	MAILING ONLINE SERV	/ICE :	
6		X	
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8		Third Floor Hearing Room	
9		Postal Rate Commission	
10		1333 H Street, N.W.	
11		Washington, D.C. 20268	
12			
13		Wednesday, November 18, 1998	
14			
15	The above	e matter came on for hearing, pursuant to	
16	notice, at 9:32 a.m	n.	
17			
18	BEFORE:	EDWARD J. GLEIMAN, Chairman	
19		W. H. "TREY" LeBLANC, III, Commissioner	
20		DANA COVINGTON, Commissioner	
21		GEORGE OMAS, Commissioner	
22		RUTH GOLDMAN, Commissioner	
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11	BY MR. RICHARDSON	1	.132/1148		1197
12	BY MR. WIGGINS	1	.142/1159		1201
13					
14	DOCUMENTS TRANSCRIBED	INTO THE RE	CORD:		PAGE
15	Designated Written Cro	oss Examinat	ion		
16	of Daniel Stirewalt,	USPS-T-3			916
17	Additional Designation	n of Writter	L		
18	Cross-Examination of	Daniel Stir	rewalt,		
19	OCA/USPS-T3-84				998
20	Designated Written Cro	oss-Examinat	ion		
21	of Paul G. Seckar, U	SPS-T-2			1035
22	Cross-Examination Exh	ibit No. PBX	-1		1080
23	Designation of Written	n Cross-Exam	ination		
24	of Michael K. Plunke	tt, USPS-T-5	i i		1086
25	Additional Designation	n of Writter	L		

1	DOCUMENTS TRANSCRIBED INTO THE RECORD: [cont.]	PAGE
2	Cross-Examination of Michael K. Plunkett	
3	in response to Presiding Officer's	
4	Information Request Number 2, Questions	
5	1, 2, 7 and 8 and Notice of Inquiry Number	
6	1, Issues 1, 4, and 6	1114
7	Additional Designation of Written	
8	Cross-Examination of Michael K. Plunkett,	
9	in response to interrogatories	
10	OCA/USPS-T-5-39-40, Parts A and B, 41,	
11	Parts A and B, 44, 45, and OCA/USPS-T-1-64	1133
12	Additional Designation of Written	
13	Cross-Examination of Michael K. Plunkett,	
14	responses to Pitney-Bowes/USPS-T-5-2, 3, and 4	1143
15		
16	EXHIBITS	
17	EXHIBITS AND/OR TESTIMONY IDENTIFIED	RECEIVED
18	Designated Written Cross Examination	
19	of Daniel Stirewalt, USPS-T-3	916
20	Additional Designation of Written	
21	Cross-Examination of Daniel Stirewalt,	
22	OCA/USPS-T3-84	998
23	Designated Written Cross-Examination	
24	of Paul G. Seckar, USPS-T-2	1035
25	Cross-Examination Exhibit No. PBX-1 1080	1080

ii

1	EXHIBITS [cont.]	
2	EXHIBITS AND/OR TESTIMONY IDENTIFIED	RECEIVED
3	Designation of Written Cross-Examination	
4	of Michael K. Plunkett, USPS-T-5	1086
5	Additional Designation of Written	
6	Cross-Examination of Michael K. Plunkett	
7	in response to Presiding Officer's	
8	Information Request Number 2, Questions	
9	1, 2, 7 and 8 and Notice of Inquiry Number	
10	1, Issues 1, 4, and 6	1114
11	Additional Designation of Written	
12	Cross-Examination of Michael K. Plunkett,	
13	in response to interrogatories	
14	OCA/USPS-T-5-39-40, Parts A and B, 41,	
15	Parts A and B, 44, 45, and OCA/USPS-T-1-64	1133
16	Additional Designation of Written	
17	Cross-Examination of Michael K. Plunkett,	
18	responses to Pitney-Bowes/USPS-T-5-2, 3, and 4	1143
19		
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1	PROCEEDINGS
2	[9:32 a.m.]
3	COMMISSIONER LEBLANC: Good morning, ladies and
4	gentlemen. Today we'll resume hearings in
5	Docket No. MC98-1, considering the Postal Service request to
6	initiate Mailing Online service.
7	The Commission has already issued one recommended
8	decision in this docket which the Governors of the Postal
9	Service accepted. As a result, a market test a market
10	test of Mailing Online began at the end of last month.
11	Now the first order of business today is to
12	welcome to the bench our newest Commissioner, sitting on my
13	left-hand side, Mr. Danny Covington. Also to congratulate
14	on my right-hand side, our Chairman, Ed Gleiman, who got his
15	reappointment and is still Chairman. So I want to make sure
16	I get that on the record.
17	Now I think we are fortunate to have in my mind a
18	complement of the Commissioners to consider the issues in
19	this case. It's an important case and one that we will take
20	under advisement.
21	Now does anybody have any comments before we get
22	started today?
23	Yes, sir.
24	MR. BUSH: Mr. Presiding Officer, this is Graeme
25	Bush, representing MASA. I have a number of what I would

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1 call housekeeping matters, and I don't know whether that's 2 what you're asking for at this point or whether you want to 3 wait.

4 COMMISSIONER LEBLANC: We'll wait for that in just 5 a moment. Let me get through some of these that I have, and 6 then we can get to that in a moment. If I forget to do it, 7 please remind me.

8 Mr. Reporter, please note that today's hearing 9 should be identified as volume 5 of the transcript in this 10 proceeding. It should begin with the page number 890.

11 Testimony and exhibits that were received into 12 evidence earlier in this docket continue to be part of the 13 record in this case. I urge counsel to try to avoid 14 burdening the record by asking witnesses questions that have 15 already been answered and that are already in evidence.

You all may notice that the Commission has some new equipment up here in front of all of us. All the Commissioners now have access from our bench up here for the electronic data files. This should make it easier for us to follow questions and arguments when counsel moves from data source very quickly, we hope.

However, while we're getting used to this new system, you may hear a few beeps from the computers on the bench, so please bear with us. You might not only hear beeps, you may hear a few words. So just bear with us there

1 too.

25

But today we will receive evidence from three Postal Service witnesses whose direct testimony is already part of our record. Tomorrow, two other witnesses are scheduled to appear. Please note that hearings tomorrow will begin at 1:30 p.m. -- 1:30 p.m., not 9:30. If the hearing runs late, it will be continued on Friday morning at 9:30.

There were no requests for oral cross-examination 9 of the remaining three Postal Service witnesses. However, 10 the Office of Consumer Advocate and Mail Advertising Service 11 Association filed designations of written cross-examination 12 Hamm 13 of Witness Ham. We will introduce the written Hawm cross-examination of Witness Ham as our first order of 14 15 business tomorrow.

16 Cross-examination during this round of hearings is 17 to focus on the Service's request for authority to offer 18 Mailing Online for two years as an experimental service.

Before we begin, I have a couple of procedural matters to mention. First, the Commission's earlier recommended decision in this case described in some detail the market test data reports to be filed during the next three months. Now I'll get Mr. Hollies or Mr. Rubin, who'll take the lead here? Mr. Hollies?

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If for any reason the Postal Service will be

unable to meet the Commission's expectations on the filing of all this particular data, we would like to be informed as soon as you become aware that there is a problem and what you intend to do to solve that problem.

5 MR. HOLLIES: I thought you might ask that 6 question. The Postal Service was able to determine or at 7 least I was able to determine yesterday that we should have 8 no problems reporting each of the data elements requested.

9 There was some concern about data regarding the level of presortation of jobs going through the Mailing 10 Online system, but I am informed that software changes 11 12 necessary to make that much simpler likely will be implemented in the first week of December. We further 13 expect that those changes will permit us to apply a 14 retrospective to the Mailing Online traffic that will have 15 gone through the system prior to that date, and that we will 16 be able to provide full reports with respect to that volume. 17 18 So the bottom line there appears to be there may be some delay before we get that up and running. 19

We had been trying to grapple with the fact that the mailing statement data plus the mail piece characteristics data provided most of what we wanted by way of presortation, and we are quite gratified to be able to report that the software changes, in particular a file called MAIL.DAT, which has been the subject of some

interrogatory discussions, that feature is expected to be available and to resolve the remaining difficulties that we had.

Notwithstanding that, I might point out that our 4 efforts to get the first report out are still mired rather 5 deeply in the mud, if you will. We're trying to get the 6 information to flow to our contractors who are supporting us 7 on this, and we have made a great deal of progress, but we 8 are not there yet. Again I think the bottom line is there 9 10 may be some trouble getting the data flowing, but once we get it flowing, it will be able to permit us to take a look 11 at the total Mailing Online volume that has flowed through 12 13 the system.

14 COMMISSIONER LeBLANC: I know that the bench and 15 other parties will be following this. I believe Mr. Wiggins 16 has a comment.

MR. WIGGINS: Yes, I'm just a little bit intrigued to know -- that was an interesting statement, but I have no notion when we're going to start seeing information. Could you give us that?

21 MR. HOLLIES: I wish I could be more precise. 22 There was a statement that we made -- I believe Mr. Garvey 23 made at one point to the effect that we thought there was 24 some hope of getting the first report regarding the first 25 week's activity roughly two weeks after the close of that

activity. That's not necessarily still out of bounds, but I
 guess I'm softening that promise a little bit here this
 morning.

4 MR. WIGGINS: Well, two weeks after October 30 it 5 seems to me has come and gone.

6 MR. HOLLIES: Fair enough. Then the softness is a 7 little more than I'm suggesting.

8 COMMISSIONER LEBLANC: Is there an objection 9 there, Mr. Wiggins, or a problem with that, and --10 MR. WIGGINS: There's a -- I can't object to it, 11 it seems to me, but --

COMMISSIONER LeBLANC: Thank you.

12

MR. WIGGINS: I find it objectionable, but the 13 14 problem, it seems to me, Mr. Presiding Officer, is that 15 those of us who care about this case, and my client does a 16 lot, are scheduled to present their affirmative cases on 17 December 4. What I hear Mr. Hollies saying is that we are 18 not likely to have all of the information that the 19 Commission required by that date, and by my calendar, I 20 don't know when we're going to have any of that information, 21 which makes it kind of tough to inform our witnesses who may 22 well want to present to the Commission their view of the 23 state of the state, informed with an evaluation of the first bunch of information. I don't know what the heck to do 24 25 about that.

COMMISSIONER LeBLANC: Yes, sir. 1 2 MR. BUSH: Just to follow up on Mr. Wiggins' 3 statement --4 COMMISSIONER LeBLANC: Please identify yourself for the record. 5 6 MR. BUSH: I'm sorry, it's Graeme Bush, 7 representing MASA. 8 COMMISSIONER LeBLANC: Thank you. 9 MR. BUSH: I have some of the same concerns. 10 Under the schedule that has been set in the case there is an 11 opportunity to file -- I don't know exactly what you'd call 12 it, whether it's supplemental evidence or rebuttal evidence 13 based on the market-test data on January 27, but I know that 14 the expert witness that MASA has retained to file testimony in this case was interested in seeing at least the 15 16 preliminary data that came out of the market test before he 17 filed any even his first round of testimony --18 COMMISSIONER LeBLANC: Um-hum. 19 MR. BUSH: And so the timing of this is problematic and causes us concern too. I don't have a real 20 21 solution to it, other than I suppose we could start 22 monkeying with the schedule. But I don't know whether 23 that's --COMMISSIONER LeBLANC: Well, that's the last thing 24 that we're trying to do -- at this particular point is to 25

1 keep the procedural schedule on track as such.

2 Mr. Hollies, would you get together with your people for us and get back with the bench, Presiding 3 Officer, in writing no later than the end of the week, of 4 this particular week, and get us a definitive time frame as 5 humanly possible at this particular point that we can get to 6 all parties, and at that point we can adjust the procedural 7 schedule if that becomes necessary, which I hope it will 8 9 not, or we can make other adjustments as the bench sees fit at that particular time. 10

11

Is there a problem with that?

MR. HOLLIES: No, that's not a problem. There is some potential that Mr. Garvey himself could be queried regarding these matters tomorrow or on Friday, but we will certainly put in a statement --

16 COMMISSIONER LEBLANC: But in the meantime let's 17 just plan on getting that to us in writing so that all 18 parties will have a chance to take a look at that, and if we 19 have to, we'll make some adjustments at that point.

20 Mr. Wiggins, Mr. Bush, OCA, is that acceptable to 21 all parties?

MR. WIGGINS: Absolutely acceptable to PitneyBowes.

24 MS. DREIFUSS: Yes, sir.

25 MR. BUSH: Acceptable to MASA.

1 COMMISSIONER LEBLANC: And if possible we may want 2 to query Mr. Garvey tomorrow, but in the meantime we will 3 have this in writing by the end of the week.

Now before we begin I also have a couple of other things that I'd like to talk about, is a conditional motion filed by Pitney Bowes in which it indicates that it may seek authority to file additional interrogatories concerning materials filed under protective conditions by the Postal Service in response to Presiding Officer's information request number 2, question 4(a).

11 The motion indicates that cross-examination of 12 Witness Garvey may eliminate the need for further 13 interrogatories on this subject. I appreciate Pitney-Bowes 14 providing advance notice of this particular problem.

Mr. Wiggins, Witness Garvey is scheduled to be cross-examined, as you know, Thursday afternoon and/or Friday morning, if necessary. I will ask you to review the transcript and either renew or withdraw your motion by Tuesday, November 24th. If you intend to renew your motion, please include representative examples of the subject matter of your questions.

If possible, I urge counsel for Pitney-Bowes and the Postal Service to work out an accommodation on this matter. Again, if at all possible, I would like to avoid having to extend the time for filing participants' direct

evidence. Our current schedule calls for Pitney-Bowes to
 file its direct case in chief on or before December 4th.

Now, does any other party have any procedural
matter to raise before we begin? Mr. Bush.

MR. BUSH: Yes, I have a couple, Commissioner 5 6 LeBlanc. First of all, on the point that you were just discussing, I have also raised with Mr. Hollies a question 7 that is related to that. We have designated, MASA has 8 designated an interrogatory answer that would include as a 9 10 Library Reference the marketing plan which has been filed here on a confidential basis, access to which is permitted 11 12 only to people who have signed the acknowledgement of the terms of the confidential status of that document. 13

I, too, have some questions for Mr. Garvey related to that. As I discussed it with Mr. Hollies earlier, it may well be that my questions will get the information I need without putting on the record anything that would be deemed confidential by Mr. Hollies, but if that is impossible, then perhaps we will need to revisit the same question that Mr. Wiggins has raised in his motion.

We also need to decide how to treat that Library Reference because it is only limited access, yet it is a part of the record, so I just raise that. It may be that the Commission has a procedure for dealing with that and it is not a big problem, but I did want to raise it so

1 everybody was aware of it.

2 COMMISSIONER LEBLANC: Well, number one, in the 3 meantime, keep talking to Mr. Hollies and others trying to 4 work at anything that you have. If you do not get any 5 satisfaction from Mr. Garvey, if you will present it to the 6 Commission, in writing, we will take it under advisement as 7 to what your problems are at that particular time, and I 8 will rule on it at that point.

9 MR. BUSH: Okay. The second issue, I have only 10 two more issues, you have already covered one of my four 11 issues, has to do with Mr. Garvey. I apparently misread the 12 schedule and assumed that Mr. Garvey, because of the way it 13 is noted here, was not going to go until Friday morning, and 14 I, unfortunately, can't be here tomorrow. I understand that 15 it is probably not going to be a problem, because it sounds like Mr. Garvey is not going to be completed tomorrow and I 16 17 would be able to do what I suspect will be about a half an 18 hour of cross-examination on Friday morning. But I did want 19 to alert the Commission to that. I don't believe Mr. 20 Hollies has an objection to that, or Mr. Wiggins has any 21 objection to that. In any event, it may be kind of a moot 22 point if he wasn't able to be finished tomorrow anyway. 23 COMMISSIONER LeBLANC: On the other hand, if he is 24 finished tomorrow, you need to be aware of the fact that if

25 there is a problem and you need to come up with some

questions, or whatever you feel or deem appropriate at that 1 2 particular point, could you get that to us in writing? MR. BUSH: Well, I guess -- what I had talked with 3 4 Mr. Hollies about was that if it turns out -- I mean you would have to finish Witness Rothschild and Mr. Garvey both 5 tomorrow between 1:30 and normal closing time. If it turns 6 7 out that happens, I suspect it will be pretty near the end 8 of the day anyway, and Mr. Hollies has said that he doesn't have any objection to coming back on Friday morning. 9 10 COMMISSIONER LeBLANC: That's fine. 11 MR. BUSH: As long as the Commission doesn't have 12 any objection to that, that would be the way I would like to 13 do it. COMMISSIONER LeBLANC: Mr. Hollies, is that 14 15 acceptable? 16 MR. HOLLIES: That is acceptable. COMMISSIONER LeBLANC: Mr. Wiggins? 17 18 MR. WIGGINS: That is absolutely agreeable to Pitney-Bowes. 19 COMMISSIONER LeBLANC: Ms. Dreifuss, is there a 20 21 problem? MS. DREIFUSS: No problem to us either. 22 COMMISSIONER LeBLANC: Mr. Bush, you lucked out, 23 it looks like here. 24 MR. BUSH: Thank you. Thank you very much. 25 Ι

1 hope I keep on my lucky string here.

The last question I have is simply a point of order. As I was looking over this schedule that has been set by the Commission, I am a little bit confused by a couple of dates, and I wanted clarification if I can get it from the Commission. One of them relates a little bit to the question Mr. Wiggins and I raised earlier about Garvey and follow-on interrogatories.

9 We have a date here of January 19th, which says 10 completion of discovery directed to the Service.

11

COMMISSIONER LeBLANC: Yes.

12 That would be a time during which, or MR. BUSH: shortly following the completion of evidentiary hearings on 13 14 the cases in chief of the intervenors and OCA, and I am 15 simply asking for clarification whether it is the Commission's view that discovery can proceed against the --16 17 or of the Postal Service even following these hearings? 18 Whether it relates to the market test data, or whether it 19 relates to other issues that are still open issues? Or 20 whether it is the Commission's view, notwithstanding this date, that discovery of the Postal Service is closed? 21 COMMISSIONER LeBLANC: At --22 23 MR. BUSH: As of now. 24 COMMISSIONER LeBLANC: As of now?

25 MR. BUSH: I would argue for continuing to leave

it open, and I took that as what this must mean. 1 2 COMMISSIONER LeBLANC: Are we talking about the 3 market test data here, experimental data? Well, I am talking -- I think it 4 MR. BUSH: probably would be focused on market test data if we start to 5 get it, but I suppose there could be other issues. 6 I don't want to end up in a lot of squabbling over whether this is 7 8 within or outside of some proper scope of discovery. But I guess my first question is -- Is discovery on some basis 9 10 continued? Does it continue to be open and available 11 through January 19th, as this appears to reflect? COMMISSIONER LeBLANC: That was the understanding 12 of the printout, that is correct. 13 MR. BUSH: Okay. That's all I have then. 14 15 COMMISSIONER LeBLANC: Okay. Mr. Wiggins, Mr. 16 Hollies, does anybody have any comments? 17 MR. HOLLIES: Yes. On that particular issue, our understanding is that discovery, as against the Postal 18 Service's direct case, has, with the usual exceptions, 19 20 closed already. The deadline in January, on January 27, is what we would call Rule 2(e) material. So if you need 21 studies or things available only from the Postal Service 22 23 that you need to rely on for evidence, that would still be 24 fair game until, or up through January 27. Looking at the 25 schedule, it would -- excuse me, January 19.

COMMISSIONER LeBLANC: January 19th, right. 1 2 MR. HOLLIES: That would suggest that if those materials are being woven together with evidence you are 3 producing on the market test data, that is when I think 4 5 those provisions would apply. COMMISSIONER LeBLANC: Remember, this is market 6 7 test data only now. 8 MR. HOLLIES: Yes. If I have misspoken myself, I 9 \_ \_ 10 COMMISSIONER LeBLANC: I might have misunderstood you, but I want to make sure that that is clear, though. 11 12 Okay. 13 MR. HOLLIES: Well, the -- I guess I will just agree with that. Yes, market test data only. 14 MR. WIGGINS: It seems to me, Mr. Presiding 15 Officer, that so long as we have an understanding that we 16 17 can ask questions, the Commission is in a position to rule 18 if there are objections to those questions, as the questions are formed and objected to, and you don't need to decide 19 20 that now. 21 COMMISSIONER LeBLANC: No, obviously not, and if there are, we will take it understand advisement at that 22 particular point. You can put your objections in writing, 23 24 and, again, we will take it under advisement at that particular point, but I think that should answer everybody's 25

1 questions and concerns at this point.

2 Mr. Bush, is there anything else? MR. BUSH: I am satisfied. Thank you. 3 4 COMMISSIONER LeBLANC: Now, moving right along, as they say, one other thing I want to bring out at this point 5 6 is I recognize that the Thanksqiving holiday is next week. 7 Nonetheless, I ask counsel to try to submit transcript corrections for this week's hearings on or before December 8 9 1st, 1998. If this poses a real hardship on anyone, I will grant extensions, but, if possible, I would like to have the 10 record corrected before participants' cases are filed. 11 12 Now any objections or that or problems? 13 [No response.] COMMISSIONER LeBLANC: I'll proceed then with our 14 15 scheduled testimony for today. Mr. Hollies, will you introduce your first 16 17 witness, please? I'm sorry -- Mr. Rubin are you going to 18 take the lead on this one? 19 MR. RUBIN: Yes, I will. 20 COMMISSIONER LeBLANC: I'm sorry. You can introduce him then. 21 SERVICE The Postal Rate calls Daniel Stirewalt 22 MR. RUBIN: 23 as its next witness. 24 Whereupon, DANIEL STIREWALT, 25

a witness, was called for examination by counsel for 1 OCA/USPS and, having been previously duly sworn was further 2 examined and testified as follows: 3 COMMISSIONER LeBLANC: Mr. Stirewalt, you are 4 5 already under oath and your direct testimony is already in 6 evidence as was filed. 7 Have you had an opportunity to examine the packet 8 of designated written cross examination that was available 9 in the hearing room this morning? THE WITNESS: Yes, I have. 10 11 COMMISSIONER LeBLANC: If these questions were 12 asked of you today, would your answers be the same as those you previously provided in writing? 13 14 THE WITNESS: Yes, with the exception of two 15 corrections I need to make. COMMISSIONER LeBLANC: Please make them. 16 17 THE WITNESS: The first is a correction to OCA/USPS-T-3-72, my response to Part A. 18 19 I make reference to OCA/USPS-T-3-67A. It should 20 read 68-A. The same correction for Part B of my response to 21 the same interrogatory. COMMISSIONER LeBLANC: Mr. Rubin, do you have 2.2 those corrected copies we can present to the Reporter? 23 24 MR. RUBIN: Yes, the corrections have been made to 25 the copies.

1 COMMISSIONER LeBLANC: And has two copies been 2 given to the Reporter? 3 MR. RUBIN: Not yet. I believe Mr. Stirewalt has one more correction. 4 COMMISSIONER LeBLANC: One more correction -- I'm 5 6 sorry, Mr. Stirewalt -- please. 7 THE WITNESS: My second correction is in 8 OCA/USPS-T-3-77, on the second page, in the table labelled Summary of Change to Attachments 1 and 2 in response to 9 OCA/USPS-T-3-77.10 11 On the second row in the third column in the text beginning with the word "Modified" -- "Modified Attachment 2 12 to" and that line and the following five lines should be 13 14 deleted. 15 COMMISSIONER LeBLANC: Did you say the following 16 five lines? 17 THE WITNESS: Yes, the full text -- it's only a few words: "Modified Attachment 2 to eliminate two storage 18 19 devices, PC3 and modified Attachment 2, PC2, to reflect

21 COMMISSIONER LeBLANC: Mr. Rubin, do you have 22 those copies available to give to the Reporter before the

revised requirement." Those words need to be deleted.

20

23

MR. RUBIN: Yes. They are with the witness and we'll bring them over to the Reporter now.

end of the day here?

1 COMMISSIONER LeBLANC: Are there any objections? 2 MR. WIGGINS: I have no objection. I would like the witness to direct me again to that last correction. I 3 qot lost. 4 5 THE WITNESS: I'm sorry. 6 MR. WIGGINS: In the T-3-77 --7 THE WITNESS: Let me repeat -- T-3-77, the second 8 page is a table with the title "Summary of Change to 9 Attachments 1 and 2 in Response to OCA/USPS-T-3-77" --10 I am with you so far. MR. WIGGINS: 11 THE WITNESS: Okay. There is a title, a row with 12 titles on it. You go two rows down --13 MR. WIGGINS: This is a revision column? THE WITNESS: Yes, under -- in the column with the 14 15 title "Revision Made" --16 MR. WIGGINS: Right. 17 THE WITNESS: The third row down, the box begins with the words "Deleted, the Attachment 1" -- if you follow 18 19 the text down to the line that begins with the word "Modified" --20 21 MR. WIGGINS: Yes. I'm there. 22 THE WITNESS: And that line and the following five 23 lines, which is the balance of the text in that box, should 24 be deleted. 25 MR. WIGGINS: Thank you, Mr. Presiding Officer.

COMMISSIONER LeBLANC: Are we on the same sheet of 1 2 music there? You know where he's talking --3 MR. WIGGINS: We are in the same box of text. COMMISSIONER LeBLANC: Okay. Mr. Rubin, you will 4 then present two corrected copies to the Reporter. 5 6 MR. RUBIN: Yes. 7 COMMISSIONER LeBLANC: Of the designated written cross examination of Mr. Stirewalt, and I direct that they 8 9 be accepted into evidence and transcribed into the record at this point. 10 11 [Designation of Written Cross-Examination of Daniel 12 13 Stirewalt, USPS-T-3, was received into evidence and transcribed into 14 15 the record.1 16 17 18 19 20 21 22 23 24 25

#### BEFORE THE POSTAL RATE COMMISSION WASHINGTON, DC 20268-0001

Mailing Online Service

Docket No. MC98-1

#### DESIGNATION OF WRITTEN CROSS-EXAMINATION OF UNITED STATES POSTAL SERVICE WITNESS DANIEL STIREWALT (USPS-T3)

<u>Party</u>

Office of the Consumer Advocate

**Interrogatories** 

OCA/USPS-T3-35-75, 77, 79-80 OCA/USPS-T2-14a, 14b, 14c, 15, 16a, 16b, 16c redirected to T3 PB/USPS-T3-1-2

Pitney Bowes Inc.

OCA/USPS-T3-77 PB/USPS-T3-1-2

Respectfully submitted,

Margaret V Genetian

Margaret P. Crenshaw Secretary

#### INTERROGATORY RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS DANIEL STIREWALT (T3) DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory:	Designating Parties:
OCA/USPS-T2-14a rd. to T3	OCA .
OCA/USPS-T2-14b rd. to T3	OCA
OCA/USPS-T2-14c rd. to T3	OCA
OCA/USPS-T2-15 rd. to T3	OCA
OCA/USPS-T2-16a rd. to T3	OCA
OCA/USPS-T2-16b rd. to T3	OCA
OCA/USPS-T2-16c rd. to T3	OCA
OCA/USPS-T3-35	OCA
OCA/USPS-T3-36	OCA
OCA/USPS-T3-37	OCA
OCA/USPS-T3-38	OCA
OCA/USPS-T3-39	OCA
OCA/USPS-T3-40	OCA
OCA/USPS-T3-41	OCA
OCA/USPS-T3-42	OCA
OCA/USPS-T3-43	OCA
OCA/USPS-T3-44	OCA
OCA/USPS-T3-45	OCA
OCA/USPS-T3-46	OCA
OCA/USPS-T3-47	OCA
OCA/USPS-T3-48	OCA
OCA/USPS-T3-49	OCA
OCA/USPS-T3-50	OCA
OCA/USPS-T3-51	OCA
OCA/USPS-T3-52	OCA
OCA/USPS-T3-53	OCA

Interrogatory: OCA/USPS-T3-54 OCA/USPS-T3-55 OCA/USPS-T3-56 OCA/USPS-T3-57 OCA/USPS-T3-58 OCA/USPS-T3-59 OCA/USPS-T3-60 OCA/USPS-T3-61 OCA/USPS-T3-62 OCA/USPS-T3-63 OCA/USPS-T3-64 OCA/USPS-T3-65 OCA/USPS-T3-66 OCA/USPS-T3-67 OCA/USPS-T3-68 OCA/USPS-T3-69 OCA/USPS-T3-70 OCA/USPS-T3-71 OCA/USPS-T3-72 OCA/USPS-T3-73 OCA/USPS-T3-74 OCA/USPS-T3-75 OCA/USPS-T3-77 OCA/USPS-T3-79 OCA/USPS-T3-80 PB/USPS-T3-1 PB/USPS-T3-2

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**Designating Parties:** OCA OCA OCA OCA **OCA** OCA OCA OCA OCA OCA OCA OCA **OCA** OCA OCA OCA OCA OCA OCA OCA **OCA** OCA OCA, Pitney Bowes OCA OCA OCA, Pitney Bowes OCA, Pitney Bowes

#### RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS STIREWALT TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE, REDIRECTED FROM WITNESS SECKAR

OCA/USPS-T2-14. Please refer to USPS-T-2, Exhibit A, Tables 14 and 15.

- a. For 1999, please confirm that the average information system fixed cost (including system developer costs), per transaction, is \$11.60 (\$831,867 / 71,722). If you do not confirm, please explain and provide the correct figure.
- b. For 1999, please confirm that the average information system variable cost, per transaction, is \$21.73 (\$1,558,624 / 71,722). If you do not confirm, please explain and provide the correct figure.
- c. For 1999, please confirm that the total average information system cost (fixed and variable), per transaction, is \$33.33 (\$2,390,491 / 71,722). If you do not confirm, please explain and provide the correct figure.

#### RESPONSE

- a. Confirmed only to the extent that "transaction" as defined in my testimony can be used to estimate unit costs. I used transactions in my testimony only to estimate an average number of electronic pages, so I could calculate computing and telecommunications capacities. These capacities in turn provide one factor in determining total Information Systems costs for the Mailing Online service.
  "Transaction" in my testimony was not developed for purposes of determining unit costs. As witness Seckar indicated in his response to OCA/USPS-T3-26, impression, rather than transaction, represents a valid unit of cost for the Mailing Online service.
- b. Refer to my response to part (a) above.
- c. Refer to my response to part (a) above.Refer to my response to part (a) above.

#### RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS STIREWALT TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE, REDIRECTED FROM WITNESS SECKAR

**OCA/USPS-T2-15.** Please refer to USPS-LR-1/MC98-1, Attachment 1, page 6. Please confirm that the "YR 2000 Estimate" for the total annual number of Mailing Online transactions is 125,268 (10,439 users x 12 average customer sessions per user per year). If you do not confirm, please explain and provide the correct figure.

#### RESPONSE

Confirmed.
# RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS STIREWALT TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE, REDIRECTED FROM WITNESS SECKAR

OCA/USPS-T2-16. Please refer to USPS-T-2, Exhibit A, Tables 14 and 15.

- a. For 2000, please confirm that the average information system fixed cost (including system developer costs), per transaction, is \$11.59 (\$1,451,830 / 125,268). If you do not confirm, please explain and provide the correct figure.
- b. For 2000, please confirm that the average information system variable cost, per transaction, is \$16.23 (\$2,032,515 / 125,268). If you do not confirm, please explain and provide the correct figure.
- c. For 2000, please confirm that the total average information system cost (fixed and variable), per transaction, is \$27.82 (\$3,484,345 / 125,268). If you do not confirm, please explain and provide the correct figure.

- a. Refer to my response to OCA/USPS-T2-14 part (a) above, which applies to the year 2000 also.
- b. Refer to my response to OCA/USPS-T2-14 part (a) above, which applies to the year 2000 also.
- c. Refer to my response to OCA/USPS-T2-14 part (a) above, which applies to the year 2000 also.

REVISED NOVEMBER 6, 1998

OCA/USPS-T3-35. Please refer to Tr. 3/719-37, 767-75. The first group of transcript pages contains the attachments to your response to interrogatory OCA/USPS-T3-1, which constitutes an expansion of your library reference USPS-LR-1/MC98-1. The second group of transcript pages contain oral cross-examination of you relating to the first group of pages.

- a. At page 767 of the transcript you state, "I believe in my calculation I used postscript for both mail merge and non-mail merge jobs] .... " Is this a correct statement with respect to page 722 of the transcript? If not, what should the correct statement be? Does the calculation of "Number of Bytes per Business Day" appearing at page 721 reflect current practice? If not, please conform your cost model to current practice.
- b. Please confirm that the actual calculation in your electronic spreadsheet of "Number of Bytes per Business Day" appearing at page 721 reflects the following formula: PCS/DAY \* BYTES/PAGE \* % MAIL MERGE \* COMP FACT \* SESSIONS/DAY \* BYTES/PAGE \* 5 NON MAIL MERGE \* COMP FACT = 1.15721E+15. If you do not confirm, please state the formula you used in words and provide a rationale for that formula.
- c. Please confirm that the formula you used to calculate "Number of Bytes per Business Day" is incorrect. In particular, the factor "SESSION/DAY" is unnecessary, the "\*" following the first "COMP FACT" should be "+", there should be a factor called "PAGES/PC" on the first line shown above, there should be a separate "BYTES/PAGE" for mail merge and non-mail merge jobs, and there should be a factor "PCS/DAY \* PAGES/PC" in the second line above yielding a value for "Number of Bytes per Business Day" of 8.12851E+9. If you do not confirm, please show that the units associated with your figure of 1.15721E+15 are inn fact PCS/DAY and not (PCS \* BYTES^2\* SESSIONS) / (DAY^2 \* PAGES^2).
- d. At page 768 of the transcript you state, "I don't have a complete understanding of all the processing steps that occur within the processor; that is, what the software performs upon the data. But I do know that . . . the files could be in a PDF format or a postscript format." For purposes of your cost model, have you properly accounted for all situations in which different file formats may be used? If not, please correct your library reference.
- e. At page 772 of the transcript you state, 'At one part of the process they're both in PDF format, and at a later point in the process, they are both in Postscript format." Please confirm that in your cost model (e.g., Tr. 3/722-23), mail merge jobs are in PDF format while non-mail merge jobs are in Postscript format at the *same* "point in the process". Please state what the current actual practice is with respect to the format used to store files associated with mail merge and non-mail merge jobs. Please conform your cost model to current actual practice.
- f. At page 773 of your transcript you state, 'The PDF should be non-mail merge job. And the Postscript should be mail merge jobs ..... It's an error in the heading." Please confirm that if one changes the heading at page 723 of the transcript from "Postscript Files For Non-Mail Merge Jobs" to PDF, then one must also change the line "Average Bytes per Page in Postscript format" (30720) to PDF (5020). Please

REVISED NOVEMBER 6, 1998 OCA/USPS-T3-35, PAGE 2 OF 4

conform your cost model to your statement at page 773 or explain what the correct headings and values should be.

### **RESPONSE:**

a. My statement at page 767 does not apply to my calculations for data storage on page 722. My statement should read: "In my testimony, Mail Merge Jobs are stored in Postscript format. Non-mail-merge jobs are stored in PDF format." I have verified that the currently operating Mailing Online system stores all files in PDF format. I have applied this information, in addition to other changes noted in my responses to-parts (c), (d), and (f). The effect is to delete the two Postscript file sections from pages 9 and 10 of Attachment 1 to USPS-LR-1/MC98-1, and to modify the "Telecommunications - FTP Servers" section on pages 7 and 8 of Attachment 1, as shown in the attachment to this response. The effect of these changes is to reduce the telecommunications capacity requirements presented in Attachment 1 as shown below.

CATEGORY / COMPONENT	YR 1999	YR 2000	YR 2001	YR 2002	YR 2003	SOURCE
Description, Item #	Estimate	Estimate	Estimate	Estimate	Estimate	
TELECOMMUNICATIONS - FTP						
SERVERS Data Sent from USPS to Print Sites						
USPS to Print Sites	10	17	25	25		PRICE WATERHOUSE LIBRARY REFERENCE
numer or romers	,0		13	13	15	Exhibit A, Table 9 fiem 20, page 15
Number of Mail Pieces Per Year	295.665.000	516.015.000	804.531.000	1,127,826,000		Library Relevence USPS-LR-2/MC98 1 Section E
Number of Mail Pieces Per Business Day	947 <u>6</u> 44	1,653,894	2.578.625	3.614.827	4,222 449	Calculated (pieces per year - 312 business days in a year, 6 day work week assumed as the marketing plant
Average Bytes Per Page in Postscript format	30720	30720	30720	30720	30720	Estimate based on observation of the 5 zest generated by the Mailing Online software outing the pilot
Percentage mail merge jobs	05	0 5	05	05	0 5	Both mail-merge and no mail-merge are scalable with Making Online. There is no data to indicate what percentage of customer orders reduce mall merge and since file size vanes greatly between the two logitons, they both must be considered.
Percentage non mail merge jobs	0.5	0.5	0.5	0.5		in this analysis. A 50%-50% split is assumed here
Compression factor using ZIP	0 15	D 15	0 15	0 15	0 15	Files are compressed using a data compression utility15 is an estimate of the average compression factor using any of several data compression utilities used by the Postal Service and industry
Number of Bytes Per Business Day	6988549205	12196853353	19016363281	26657927362		(pieces per day"bytes per postscript page"pgs per doc"meir menge factor' comp factor;=(doc's per day"bytes per postscript page"pages per doc'hon- mail-menge factor " comp factor;=(documents per day " bytes per making listinon-mail-menge factor"comp factor)
Percentage usage during daily peak period	0 75	0 75	0.75	0 75		A Peak Period of Usage is required to par 10: maximum capacity, % of users expected during such a period is unknown, 75% usage is therefore assumed
Number of bytes during daily peak period	5241411904	9147640015	14262272461	19993445522		Calculated (Total bytes per day 1 peak usage percentage;
Peak Usage Penod Hours	4	4	4	4		1PM-5PM EST assumed
Peak Usage Penod Seconds	14400	\$4400		14400		Calculated (hours 3600)
#4 Peak Usage Throughput Per Second to each Print Site	36398.69377	37367.81052	39617,4235	55537.34867	946/2.95704	Calculated (bytes during peak period, total seconds in period, no, of printers)

REVISED NOVEMBER 6, 1998 OCA/USPS-T3-35, PAGE 3 OF 4

#### b. Confirmed.

c. Confirmed that the "\*" following the first "COMP FACT" should be "+". Not confirmed that the factor "SESSIONS/DAY" is unnecessary. In my calculation, I equate the number of documents with the number of transactions which in turn equals the number of customer sessions. For non-mail-merge jobs, the document is not parsed into pieces before being transmitted to a print site. Therefore, for non-mail-merge jobs the number of documents, rather than pieces, is relevant. A calculation for total number of bytes associated with mailing lists sent with non-mail-merges jobs was not included. The addition, BYTES/PAGE should multiplied by the average number of pages per document. Per all of the above, the calculation should be as follows: For the total number of mail merge document bytes; Number of Mail Pieces per Business Day \* (estimated) Number of Pages Per Document \* Average (number of) Bytes Per Page in Postscript format \* Percentage mail merge jobs \* compression factor. For the total number of non-mail-merge document bytes: Customer sessions per business day (as stated above this is equivalent to the number of documents per day) \* (estimated) Number of Pages Per Document \* Average (number of) Bytes Per Page in Postscript format \* Percentage non-mail-merge jobs \* compression factor. For the total number of mailing list data bytes sent with non-mail-merge jobs: Customer sessions per business day (as stated above this is equivalent to the number of documents per day) \* Number of bytes Per mailing list \* Percentage non-mail-merge jobs \* the compression factor. The total number of bytes for mail-merge pieces, non-mail-merge documents, and nonmail-merge mailing lists are added together to arrive at total number of bytes per Business Day to be transmitted to the print sites. I have applied this correction, in addition to other changes noted in my responses to parts (a), (d), and (f), as explained in part (a) above.

d. I consulted with the Mailing Online software developers and learned that mail merge documents are not stored in Postscript format in the current Mailing Online system . Based on this information the sections of the analysis titled "PROCESSING CENTER -

#### REVISED NOVEMBER 6, 1998 OCA/USPS-T3-35, PAGE 4 OF 4

DATA STORAGE Postscript Files For Non(sic)-Mail Merge Jobs<sup>\*</sup>, and \*PROCESSING CENTER - APPLICATION SERVER Backup Postscript Files For Non(sic)-Mail Merge Jobs (Night Only)<sup>\*</sup>, are not relevant and should be removed from the analysis. I have applied this change, as explained in part (a) above.

e. Confirmed. I have verified that the current Mailing Online system stores both mail merge and non-mail-merge jobs in PDF format. See my response to part (d) above for more detail. The current Mailing Online system transmits all jobs to the print site in PDF format.

f. Not confirmed. The heading "Postscript Files For Non-mail-merge Jobs", should read "Postscript Files for Mail Merge Jobs". Only the heading is incorrect. The file format and calculations remain the same. However, as I noted in my response to part (d) above, the current Mailing Online system does not store files in Postscript format, nor is there a requirement to do so. As explained in part (a) above, I have applied this change to my analysis.

OCA/USPS-T3-36. Please refer to your response to OCA/USPS-T3-4(c), OCA/USPS-T3-32, and USPS-LR-1/MC98-1, Attachment 2.

- a. For the "ANNUAL COSTS, YR 1999," please confirm that labor, or labor-related, costs of providing the information technology services related to Mailing Online total \$1,074,000. If you do not confirm, please explain and provide the correct amount.
- Please confirm that the labor, or labor-related, costs of providing the information technology services related to Mailing Online constitute 68.9 percent (\$1,074,000 / \$1,558,624) of the "ANNUAL COSTS" for the year 1999. If you do not confirm, please explain and provide the correct percentage.
- c. Please explain how your statement in OCA/USPS-T3-4(c) that "technology costs ... account for more than fifty percent of the total" is consistent with the
  - percentage figure calculated in part (b) of this interrogatory.

- a. Confirmed.
- b. Confirmed.
- c. In interrogatory OCA/USPS-T3-4(c) I was requested to explain why I used the same unit costs for the years 1999-2003. My response dealt with the impact of changes over time between technology and personnel costs. In that context, I was referring to costs for the years 1999-2003. The total information costs shown in my testimony are 12,405,896. Labor, travel, and training costs account for 6,131,900 of that total. Computer hardware, software, and telecommunications costs total 6,273,996. Hence technology costs account for over fifty percent of the total costs.

OCA/USPS-T3-37. Please refer to USPS-LR-1/MC98-1, Attachment 2, at page 17.

- a. Please confirm that during the expanded (market) test, the print site is to have one FTP server and one "hot backup" server. See Tr. 2/283-84. If you do not confirm, please explain.
- b. Please confirm that the Postal Service will be responsible for installing one FTP server and one "hot backup" server at each print site during the experimental service. If you do not confirm, please explain.
- c. For the "FIXED COSTS, YR 1999," please confirm that the 10 "Initial Print Sites -FTP Servers" represent one FTP server for each print site established in 1999 for the experimental service. If you do not confirm, please explain.
- d. In Attachment 2, please identify where the "FIXED COSTS" of the "hot backup" server are to be found for each of the 10 print sites established in 1999 for the experimental service.

#### RESPONSE

- a. Confirmed.
- b. Confirmed.

c-d. Attachment 2 does not contain any reference to a "hot backup" server for any of the ten print sites established in 1999. At the time I developed Attachment 2 there was no "hot backup" server in the Mailing Online design.

OCA/USPS-T3-38. Please refer to USPS-LR-1/MC98-1, Attachment 1. Assume a black and white, 8.5x11, simplex document and 5,000 addresses. Please confirm that for a mail merge job, an individual print file would be created for each of the 5,000 addresses. If you do not confirm, please explain.

#### RESPONSE

:

:

Confirmed.

OCA/USPS-T3-39. Please refer to USPS-LR-1/MC98-1, Attachment 1, page 7, under the heading, "PROCESSING CENTER - APPLICATION SERVER: Source File to PDF Conversion."

- a. Please confirm that the figure, 10,063.76, "Bytes Per Second During Peak Hours," is calculated by multiplying the "Average Bytes Per Incoming Customer Transmission" (839,964.69) and the "Incoming Documents/Mailing Lists Per Second During Peak Period" (0.01). If you do not confirm, please explain.
- b. Please confirm that the figure, 839,964.69, "Average Bytes Per Incoming Customer Transmission," is calculated as follows: (3.2 \* 5,020) + (4,120 \* 200), i.e., (Number of pages per Document \* Number of Bytes Per Page Word Processing/Desk Top Publishing) + (Number of Addresses Per Mailing List \* Number of bytes per address). If you do not confirm, please explain.

- a. Confirmed.
- b. Confirmed.

OCA/USPS-T3-40. Please refer to USPS-LR-1/MC98-1, Attachment 1, page 7, under the heading, \*PROCESSING CENTER - NETPOST COMMAND CENTER SERVER.\*

- a. Please confirm that the figure, 10,063.76, represents the number of "Incoming bytes Per Second During Peak Hours" in PDF format. If you do not confirm, please explain.
- b. Please confirm that the figure, 1,516,231, "Bytes Processed Per Second During Peak Hours," is in Postscript format. If you do not confirm, please explain.
- c. Please confirm that the figure referred to in part (a) of this interrogatory is not used in the calculation of the figure, 1,516,231, "Bytes Processed Per Second During Peak Hours." If you do not confirm, please explain.

- a. Not Confirmed. The file format is assumed to be one of several file formats that Mailing Online users may use to submit documents. The figure "Number of Bytes Per Page Word Processing/Desk Top Publishing" is an estimate of the user's source file. This figure is used to calculate "Incoming bytes Per Second During Peak Hours."
- b. Confirmed.
- c. Confirmed.

OCA/USPS-T3-41. Please refer to Tr. 3/766, and USPS-LR-1/MC98-1, Attachment 1, at page 7. In USPS-LR-1/MC98-1, the figure 30,720 is described as the "Number of Bytes Per Mailing Piece Transaction." Please confirm that the figure 30,720 represents the number of bytes *per page*, as stated at Tr. 3/766. If you do not confirm, please explain.

## RESPONSE

Confirmed.

OCA/USPS-T3-42. Please refer to USPS-LR-1/MC98-1, Attachment 1, at page 7.

- a. Please confirm that the "Number of Bytes Per Mailing Piece Transaction" should be 98,304 (30,720 \* 3.2 Number of pages per Document). If you do not confirm, please explain.
- b. Please confirm that the figure, 1,516,231, "Bytes Processed Per Second During Peak Hours," should be 4,851,938 (98,304 \* 49.35647 Mail Merge Transactions Per Second During Peak Hours). If you do not confirm, please explain.
- c. Please confirm that the figure, 1,516,231, "Bytes Processed Per Second During Peak Hours," should also include the calculation "Number of addresses Per Mailing List" times the "Number of bytes per address." If you do not confirm, please explain. If you do confirm, please provide the number of bytes per address.

- a. Confirmed.
- b. Confirmed.
- c. Not Confirmed. In this section of the analysis, "Bytes Processed Per Second During Peak Hours" is an estimate of the processing required to apply a number of actions to documents submitted by users, including the conversion of source files, in whatever format they are submitted, to Postscript format. The figure "Bytes Processed Per Second During Peak Hours" is included to indicate the maximum number of bytes these documents represent over time, which in turn would indicate what processing capability is required. Since one of the actions is to convert the source files to Postscript format, and my estimate for Postscript format per page (30720) is greater than my estimate for source documents per page (5020), I used the Postscript figure. Mailing List data is also processed, but presumably at a different step than the step that converts the source document to Postscript format; hence I did not include calculation for mailing list data in the figure "Bytes Processed Per Second During Peak Hours".

OCA/USPS-T3-43. Please refer to USPS-LR-1/MC98-1, Attachment 1, at page 6, in the column "YR 1999 Estimate."

- a. Please confirm that the figure, 5,981, is expressed in units of "users." If you do not confirm, please show the derivation of the proper units.
- b. Please confirm that the figure, 12, is expressed in units of "sessions/user/yr." If you do not confirm, please show the derivation of the proper units.
- Please confirm that the figure, 230.04, is expressed in units of "sessions/business day." If you do not confirm, please show the derivation of the proper units.
- d. Please confirm that the figure, 0.75, is a pure number with no associated units. If you do not confirm, please show the derivation of the proper units.
- e. Please confirm that the figure, 172.53, is expressed in units of "sessions/business day." If you do not confirm, please show the derivation of the proper units.
- f. Please confirm that the figure, 0.5, is expressed in units of "hours." If you do not confirm, please show the derivation of the proper units.
- g. Please confirm that the figure, 4, is expressed in units of "hours." If you do not confirm, please show the derivation of the proper units.
- h. Please confirm that the figure, 21.57, is expressed in units of "sessions/business day." If you do not confirm, please show the derivation of the proper units.
- i. Please confirm that the figure, 0.01, is expressed in units of "(sessions/business day)/sec." If you do not confirm, please show the derivation of the proper units.
- j. Please confirm that the figure, 3.2, is expressed in units of "pages/piece." If you do not confirm, please show the derivation of the proper units.
- k. Please confirm that the figure, 5,020, is expressed in units of "bytes/page (PDF)." If you do not confirm, please show the derivation of the proper units.
- Please confirm that the figure, 4,120, is expressed in units of "pieces/session." If you do not confirm, please show the derivation of the proper units.
- m. Please confirm that the figure, 200, is expressed in units of "bytes/piece." If you do not confirm, please show the derivation of the proper units.
- Please confirm that the figure, 839,964.69, is expressed in units of "bytes/session." If you do not confirm, please show the derivation of the proper units. Please confirm that you use the same size address file for both mail merge and non-mail merge jobs at this point in the capacity analysis. If you do not confirm, please explain.
- Please confirm that the figure, 10,063.76, is expressed in units of "(bytes/business day)/sec." If you do not confirm, please show the derivation of the proper units.

### RESPONSE

a. Confirmed that the figure 5,981 represents users as indicated in Attachment 1: "Total Number of Users".

- b. Confirmed that the figure 12 represents average customer sessions per user per year as indicated in Attachment 1: "Average customer sessions per user per year".
- c. Confirmed that the figure 230.04 represents customer sessions per business day as indicated in Attachment 1: "Customer sessions per business day".
- d. Not Confirmed. The figure 0.75 represents the percentage of customer sessions on a given business day that would occur during a daily usage peak period as indicated in Attachment 1: "Percentage usage during daily peak usage period", and elaborated in the entry for this figure in the "Source" column: "A Peak Period of Usage is required to plan for maximum capacity. % of users expected during such a period is unknown, 75% usage is therefore assumed."
- e. Confirmed that the figure 172.53 represents customer sessions during peak period as indicated in Attachment 1: "Customer sessions during peak period".
- f. Confirmed that the figure 0.5 represents hours as indicated in Attachment 1:
  "Average session duration (no. hours)"
- g. Confirmed that the figure 4 represents hours as indicated in Attachment 1: "Peak Usage Period Hours".
- h. Confirmed that the figure 21.57 represents average number of concurrent sessions during peak hours as indicated in Attachment 1: "Avg. No. Concurrent Sessions During Peak Hours".
- i. Confirmed that the figure 0.01 represents incoming documents/mailing lists per second during the peak usage period as indicated in Attachment 1: "Incoming Documents/Mailing Lists Per Second During Peak Period"
- j. Confirmed only to the extent at that the time a user submits a source document, it represents what will later become one or more electronic mail pieces. In the section of Attachment 1 titled "TELECOMMUNICATIONS INTERNET CONNECTION Customers Accessing Mailing Online", a user submits a source document, not individual pieces, to Mailing Online. The figure 3.2 represents the number of pages per incoming user document as indicated in Attachment 1: "Number of pages per Documents".

- k. Not confirmed. The figure 5020 represents an estimate of the total size in bytes of a user's source file. The file format is assumed to be one of several file formats that Mailing Online users may submit documents. This is indicated in the title in Attachment 1: "Number of Bytes Per Page Word Processing/Desk Top Publishing" and the explanatory note for this figure in the "Source" column.
- I. Confirmed to the extent that the figure 4,120 is derived from the annual mail volumes (in pieces) divided by estimated number of customers, divided again by the average number of customer session per year. In the section of Attachment 1 titled "TELECOMMUNICATIONS INTERNET CONNECTION Customers Accessing Mailing Online", a user submits a source document, not individual pieces, to Mailing Online. In this context the figure 4,120 is relevant only for estimating the file size of an address list submitted with a source document. Each piece in a mailing is assumed to have an unique addressee. Therefore the figure 4,120 is being used to represent the number of addresses in a given user's mailing list as indicated in Attachment 1: "Number of Addresses per Mailing List".
- m. Not confirmed. The figure 200 represents the number of bytes per address record contained in an electronic mail list submitted by a user with a source document to Mailing Online, as indicated in Attachment 1: "Number of bytes per address".
- n. Confirmed that the figure 839,964.69 represents the average number of bytes per incoming customer transmission, i. e., session.
- Not confirmed. The figure 10,063.76 represents the estimated number of bytes transmitted to Mailing Online per second during the daily peak usage period as indicated in Attachment 1: "Incoming bytes Per Second During Peak Hours".

OCA/USPS-T3-44. Please refer to USPS-LR-1/MC98-1, Attachment 1, at page 7, in the column "YR 1999 Estimate."

- a. Please confirm that the figure, 30,720, is expressed in units of "bytes/page (Postscript)." If you do not confirm, please show the derivation of the proper units.
- Please confirm that the figure, 49, is expressed in units of "(pieces/business day)/sec." If you do not confirm, please show the derivation of the proper units.
- c. Please confirm that the figure, 1,516,231, is expressed in units of "((pieces/business day)/sec. \* (bytes/page (Postscript)))." Please confirm that the correct units should be "(bytes (Postscript)/business day)/sec." If you do not confirm, please show the derivation of the proper units.
- d. Please confirm that the formula used to calculate the figure 1,516,231 should contain the multiplicative term 3.2 pages per piece. If you do not confirm, please explain.

## RESPONSE

- a. Confirmed that the figure 30,720 represents number of bytes per page in Postscript format.
- b. Confirmed that the figure 49 represents the number of mail merge transactions per second during the daily peak usage period and that transactions here corresponds to pieces.
- c. Not confirmed. The process described here is the conversion of mail merge documents from a source document to individual electronic pieces, merging of addressee specific information into each mail piece, and then converting each electronic mail piece to Postscript format.

To calculate a peak processing volume for the processor that performs these functions, the number of mail merge transaction per second during the daily peak usage period is derived by multiplying incoming documents per second during the peak period by the number of addressees per document (each piece in mail merge job is assumed to have one addressee). This figure is then multiplied by the average size of a document in Postscript format.

d. Confirmed.

OCA/USPS-T3-45. Please refer to USPS-LR-1/MC98-1, Attachment 1, at page 7 and 8, in the column "YR 1999 Estimate."

- a. Please confirm that the figure, 10, is expressed in units of "print sites." If you do not confirm, please show the derivation of the proper units.
- Please confirm that the figure, 295,665,000, is expressed in units of "pieces/year." If you do not confirm, please show the derivation of the proper units.
- c. Please confirm that the figure, 947,644, is expressed in units of "pieces/business day." If you do not confirm, please show the derivation of the proper units.
- d. Please confirm that the figure, 0.5, is a pure number with no associated units. If you do not confirm, please show the derivation of the proper units.
- e. Please confirm that the second figure, 0.5, is a pure number with no associated units. If you do not confirm, please show the derivation of the proper units.
- f. Please confirm that the figure, 0.15, is a pure number with no associated units. If you do not confirm, please show the derivation of the proper units.
- g. Please confirm that the figure, 1.15721E+15, is expressed in units of "(pieces/business day) \* (bytes/page (Postscript)) \* (sessions/business day) \* (bytes/page (Postscript))." Please confirm that the proper units are "bytes/business day." If you do not confirm, please show the derivation of the proper units.
- Please confirm that the figure, 8.67905E+14, is expressed in units of "(pieces/business day) \* (bytes/page (Postscript)) \* (sessions/business day) \* (bytes/page (Postscript)).\* Please confirm that the proper units are "bytes/business day." If you do not confirm, please show the derivation of the proper units.
- Please confirm that the figure, 6,027,115,280, is expressed in units of "(pieces/business day) \* (bytes/page (Postscript)) \* (sessions/business day) \* (bytes/page (Postscript))/(seconds/print site)." Please confirm that the proper units are "bytes/business day/sec./print site." If you do not confirm, please show the derivation of the proper units.

- a. Confirmed that the figure 10 represents print sites as indicated in Attachment 1: "Number of Printers".
- b. Confirmed that the figure 295,665,000 represent number of mail pieces per year as indicated in Attachment 1: "Number of Mail Pieces Per Business Day".
- c. Confirmed that the figure 947,644 represents the number of mail pieces per business day as indicated in Attachment 1: "Number of Mail Pieces per Business Day".

- d. Not confirmed. The figure 0.5 represents the portion of the total number of jobs submitted by users that require the merging with addressee specific information within each mail piece, as indicated in Attachment 1: "Percentage mail merge jobs".
- e. Not confirmed. The figure 0.5 represents the portion of the total number of jobs submitted by users that do not require the merging with addressee specific information within each mail piece, as indicated in Attachment 1: "Percentage non mail merge jobs".
- f. Confirmed.
- g. Not confirmed. Refer to my response to OCA/USPS-T3-35(c) for a full description of the calculation of "Number of Bytes per Business Day" and a corrected figure (6,988,549,205).
- h. Not confirmed. This figure is the product of "Number of Bytes Per Business Day" and "Percentage usage during daily peak period". Refer to my response to OCA/USPS-T3-35(c) for a corrected figure for "Number of bytes during peak period" (5,241,411,904).
- Not confirmed This figure represents the number of bytes per second during the peak usage period to each print site. To derive this, "Number of byte per during the period is divided by the total number of seconds during the peak period (14400), then divided again by the number of print sites (10). Refer to my response to OCA/USPS-T3-35(c) for a corrected figure for "Peak Usage Throughput per second to each Print Site" (36398.69377).

OCA/USPS-T3-46. Please provide the attachments to your response to OCA/USPS-T3-1 as Excel spreadsheets.

# RESPONSE

The Excel spreadsheet source document for the attachments to my response to OCA/USPS-T3-1 arebeing filed as USPS-LR-13/MC98-1.

OCA/USPS-T3-47. Please refer to the column "YR 1999 Estimate," section "PROCESSING CENTER-DATA STORAGE, Financial Transactions" at Tr. 3/722.

- Please confirm that the number, 230.04, is expressed in units of "sessions/business day." If you do not confirm, please show the derivation of the correct units. Please explain why this same number is variously identified as "Customer sessions per business day" at Tr. 3/720, "Total Transactions Per Day" at Tr. 3/722, and "Total Documents Per Day" at Tr. 3/722.
- Please confirm that the number, 1,150, is expressed in units of "sessions/week." If you do not confirm, please show the derivation of the correct units. Please confirm that the formula for computing this number is (230.04 sessions/business day) \* (5 business days/week). If you do not confirm, please provide the correct formula. Please confirm that when originally calculating the number 230.04 you assumed that there are 6 business days per week ("6 day work week assumed," Tr. 3/720). If you do not confirm, please explain. Please reconcile the 6-day week used at page 720 with the 5-day week used at page 722.
- c. Please confirm that the number, 59,810, is expressed in units of "sessions/year." If you do not confirm, please show the derivation of the correct units. Please confirm that in computing this number, you have assumed 260 business days per year. If you do not confirm, please explain. Please confirm that when originally calculating the number 230.04 you assumed that there are 312 business days per year ("Calculated (sessions per year / 312 business days in a year, ...)" Tr. 3/720). Please confirm that "sessions/year" can be calculated directly from page 720 as (5981 users) \* (12 sessions/user/year) = 71,772 sessions/year. See Tr. 4/858. If you do not confirm, please explain.
- d. Please confirm that the number, 221, is expressed in units of "bytes/session." If you do not confirm, please show the derivation of the correct units. The number, 221, is sourced to "Attachment 5: Sources." Please provide a copy of or citation to "Attachment 5: Sources."
- e. Please confirm that the number, 1, is expressed in units of "days." If you do not confirm, please show the derivation of the correct units.
- f. Please confirm that the number, 180, is expressed in units of "days." If you do not confirm, please show the derivation of the correct units. Please confirm that during the first half of 1999, there will not be 180 days' worth of accumulated data requiring backup storage. If you do not confirm, please explain.
- g. Please confirm that the number, 1460, is expressed in units of "days." If you do not confirm, please show the derivation of the correct units. Please confirm that there will be fewer than 1460 days in 1999. Please confirm that this number should be 365—i.e., there is no carryover of data from prior years into 1999. Please confirm that for 2000, 2001, 2002, and 2003, this number should be 731, 1096, 1460, and 1460, respectively. If you do not confirm, please explain.
- h. Please confirm that the number, 7625.78, is expressed in units of "bytes." If you do not confirm, please show the derivation of the correct units. Please confirm that this daily on-line storage requirement will actually vary widely in 1999 depending on the actual number of daily customer sessions. If you do not confirm, please explain.

- i. Please confirm that the number, 1,372,639.50, is expressed in units of "bytes." If you do not confirm, please show the derivation of the correct units. Please confirm that this backup storage requirement will not be needed until six months into 1999. If you do not confirm, please explain.
- j. Please confirm that the number, 11,133,631.50, is expressed in units of "bytes." If you do not confirm, please show the derivation of the correct units. Please confirm that the maximum archive storage requirement for 1999 is actually onefourth of this (or 2,783,407.88 bytes), and that this amount of storage will not be needed until the last day of 1999. If you do not confirm, please explain.

- a. Confirmed that the figure 230.04 represents total user transactions per day. During each user session a user is assumed to transact once with Mailing Online, i.e. submit one document, a corresponding mailing list, and pay for the mailing. There is therefore a one-to-one correspondence between the number of user sessions, transactions, and documents.
- b. Confirmed that the figure 1,150 represents the total number of transactions per week as indicated in Attachment 1: "Total Transactions Per Week". Confirmed that the formula for computing this number is (230.04 sessions/business day) \* (5 business days/week). The 6-day week used at page 720 conflicts with the 5-day week used at page 722 and can not be reconciled. For consistency, a six-day week should be used.
- c. Confirmed that the figure 59,810 represents the total number of transactions per year as indicated in Attachment 1; "Total Transactions Per Year". Confirmed that when originally calculating the number 230.04 I assumed that there are 312 business days per year. Confirmed that "sessions/year" can be calculated directly from page 720 as (5981 users) \* (12 sessions/user/year) = 71,772 sessions/year.
- d. Confirmed that 221 is the number of bytes for each financial transaction as indicated in Attachment 1: "Bytes Per Transaction". The reference to "Attachment 5: Sources" should be "Attachment 3: Sources" of my testimony.
- e. Confirmed that the figure 1 represents the on-line storage transaction duration requirements in days as indicated in Attachment 1: "Transaction On-line Storage Duration Requirement (days).

- f. Confirmed that the figure 180 represents the backup requirement in days as indicated in Attachment 1; "transaction On-line Storage Duration Requirement days). Confirmed that there will not be 180 days' worth of accumulated data requiring backup storage until such time as the accumulated transactions from the 1998 resulting from the operations and Market test, along with 1999 transactions during the experiment phase, together equal 180 days' worth of accumulated transactions.
- g. Confirmed that the figure 1460 equals the total transaction archive data requirement in days as indicated in Attachment 1: "Transaction Archive Data Requirement (bytes)". Confirmed that there are not 1460 days in 1999. Confirmed that the number should be 365 only if there is no carryover from 1998 for the 1998 operations test or the Market test during 1998. In practice, all transactions from 1998 are subject to the same archive requirement. Confirmed that for 2000, 2001, 2002, and 2003, this number should be 731, 1096, 1460, and 1460, respectively only if no carryover is assumed from the 1998 operations test or the Market test during 1998. In practice, all transaction from 1998 are subject to the same archive requirement. The actual numbers for the years 1999, 2000, 2001, 2002, and 2003 would be greater than 365, 731, 1096, 1460, and 1460, respectively.
- h. Confirmed that the number 7625.78 represents the total number of bytes required to store financial transactions on-line, as indicated in Attachment 1: "Transaction Online Data Requirement (bytes). Confirmed that the on-line storage requirements could vary if the actual number of user customer varies correspondingly. There was no data available at the time I performed my analysis to lead me to quantify any such variance in usage.
- i. Confirmed that the number 1,372,639.50 represents the total number of bytes required to store backup copies of financial transactions, as indicated in Attachment 1: "Transaction Backup Data Requirement (bytes)". Confirmed that 1,372,639.50 bytes will not be required until six months into 1999 only if no carryover is assumed from the 1998 operations test or Market test during 1998. In practice, all transactions from 1998 are subject to the same archive requirement. Given the additional 1998

operations and market test transactions, the 1,372,639.50 bytes in storage capacity would actually be required some time before the end of the first six months of 1999.

j. Confirmed that the figure 11,133,631.50 represents the transaction archive requirement in bytes as indicated in Attachment 1: "Transaction Archive Data Requirement (bytes)". Confirmed that the maximum archive storage requirement for 1999 would be one-fourth of this (or 2,783,407.88 bytes), and that this amount of storage will not be needed until the last day of 1999 only if no carryover is assumed from the 1998 operations test or Market test during 1998. In practice, all transactions from 1998 are subject to the same archive requirement. The actual requirement would therefore be greater than 2,783,407.88. Stated another way, 2,783,407.88 bytes would be required some time before the end of 1999.

OCA/USPS-T3-48. Please refer to USPS-LR-1/MC98-1, Attachment 1, at page 8 and 9, in the column "YR 1999 Estimate."

- a. Please confirm that the figure, 5,196,568.85, is expressed in units of "(bytes/page (PDF))" sessions." Please confirm that the correct units should be "bytes (PDF)." If you do not confirm, please show the derivation of the proper units.
- b. Please confirm that the formula used to calculate the figure 5,196,568.85 should contain the multiplicative terms 3.2 pages per piece, 4,120 pieces per session, and 0.5 mail merge factor yielding 34,251,653,077 "bytes (PDF)." If you do not confirm, please explain.
- Please confirm that the figure, 15,589,706.54, is expressed in units of "(bytes/page (PDF)) \* sessions." Please confirm that the correct units should be "bytes (PDF)." If you do not confirm, please show the derivation of the proper units.
- d. Please confirm that the formula used to calculate the figure 15,589,706.54 should contain the multiplicative terms 3.2 pages per piece, 4,120 pieces per session, and 0.5 mail merge factor yielding 102,754,959,230.77 "bytes (PDF)." If you do not confirm, please explain.
- e. Please confirm that the figure, 20,786,275.38, is expressed in units of "(bytes/page (PDF)) \* sessions." Please confirm that the correct units should be "bytes (PDF)." If you do not confirm, please show the derivation of the proper units.
- f. Please confirm that the formula used to calculate the figure 20,786,275.38 should contain the multiplicative terms 3.2 pages per piece, 4,120 pieces per session, and 0.5 mail merge factor yielding 137,006,612,307.69 "bytes (PDF)." If you do not confirm, please explain.

- a. Confirmed that the figure 5,196,568.85 represents the requirements in bytes for storing PDF formatted data as indicated in Attachment 1: "PDF On-line Data Requirement (bytes)".
- b. Confirmed that the figure 5,196,568.85 should contain the multiplicative term 3.2 pages per document. Not confirmed that the figure should contain the multiplicative term 4,120 pieces per session. Not confirmed that the figure should contain the multiplicative term 0.5 mail merge factor. This figure represent all documents submitted to Mailing Online, mail merge and non-mail merge, without breakout into electronic individual mail pieces. Applying the multiplicative term 3.2 pages per document yields 16,629,020.31 in PDF format.

- c. Confirmed that the figure 15,589,706.54 represents the total backup storage requirement in bytes in PDF format as indicated in Attachment 1: "PDF File Backup Data Requirement (bytes).
- d. Confirmed that the figure 15,589,706.54 should contain the multiplicative term 3.2 pages per document. Not confirmed that the figure should contain the multiplicative term 4,120 pieces per session. Not confirmed that the figure should contain the multiplicative term 0.5 mail merge factor. Applying the multiplicative term 3.2 pages per document yields 49,887,060.92 in PDF format.
- e. Confirmed that the figure 20,786,275.38 represents the total backup storage requirement in bytes in PDF format as indicated in Attachment 1: "PDF File Archive Data Requirement (bytes).
- f. Confirmed that the figure 20,786,275.38 should contain the multiplicative term 3.2 pages per document. Not confirmed that the figure should contain the multiplicative term 4,120 pieces per session. Not confirmed that the figure should contain the multiplicative term 0.5 mail merge factor. Applying the multiplicative term 3.2 pages per document yields 66,516,081.23 in PDF format.

OCA/USPS-T3-49. Please refer to USPS-LR-1/MC98-1, Attachment 1, at page 9, in the column "YR 1999 Estimate."

- a. Please confirm that the figure, 126,551,145, is expressed in units of "bytes/page (Postscript) \* pieces/session." Please confirm that the correct units should be "bytes (Postscript)/session." If you do not confirm, please show the derivation of the proper units.
- b. Please confirm that the formula used to calculate the figure 126,551,145 should contain the multiplicative term 3.2 pages per piece yielding 404,963,664.9 "bytes (Postscript)/session." If you do not confirm, please explain.
- c. Please confirm that the figure, 65,501,169,231, is expressed in units of "((bytes/page (Postscript)) \* pieces." Please confirm that the correct units should be "bytes (Postscript)." If you do not confirm, please show the derivation of the proper units.
- d. Please confirm that the formula used to calculate the figure 65,501,169,231 should contain the multiplicative term 3.2 pages per piece yielding 2.09604E+11 "bytes (Postscript)." If you do not confirm, please explain.
- e. Please confirm that the figure, 1.96504E+11, is expressed in units of "((bytes/page (Postscript)) \* pieces." Please confirm that the correct units should be "bytes (Postscript)." If you do not confirm, please show the derivation of the proper units.
- f. Please confirm that the formula used to calculate the figure 1.96504E+11 should contain the multiplicative term 3.2 pages per piece yielding 6.28811E+11 "bytes (Postscript)." If you do not confirm, please explain.
- g. Please confirm that the figure, 2.62005E+11, is expressed in units of "((bytes/page (Postscript)) \* pieces." Please confirm that the correct units should be "bytes (Postscript)." If you do not confirm, please show the derivation of the proper units.
- h. Please confirm that the formula used to calculate the figure 2.62005E+11 should contain the multiplicative term 3.2 pages per piece yielding 8.38415E+11 "bytes (Postscript)." If you do not confirm, please explain.

# RESPONSE

a. - h. Refer to my response to OCA/USPS-T3-35(a). I have verified with the Mailing

Online developers that there is no requirement to store files in Postscript format. The two Postscript file sections from pages 9 and 10 of Attachment 1 to USPS-LR-1/MC98-1 no longer apply.

OCA/USPS-T3-50. Please refer to the column "YR 1999 Estimate," section "PROCESSING CENTER-DATA STORAGE, Mail Lists" at Tr. 3/723-24.

- Please confirm that the number, 230.04, is expressed in units of "sessions/business day." If you do not confirm, please show the derivation of the correct units. Please explain why this same number is variously identified as "Customer sessions per business day" at Tr. 3/720, "Total Transactions Per Day" -at Tr. 3/722, and "Total Documents Per Day" at Tr. 3/722.
- Please confirm that the number, 1,150, is expressed in units of "sessions/week." If you do not confirm, please show the derivation of the correct units. Please confirm that the formula for computing this number is (230.04 sessions/business day) \* (5 business days/week). If you do not confirm, please provide the correct formula. Please confirm that when originally calculating the number 230.04 you assumed that there are 6 business days per week ("6 day work week assumed," Tr. 3/720). If you do not confirm, please explain. Please reconcile the 6-day week used at page 720 with the 5-day week used at page 723.
- c. Please confirm that the number, 59,810, is expressed in units of "sessions/year." If you do not confirm, please show the derivation of the correct units. Please confirm that in computing this number, you have assumed 260 business days per year. If you do not confirm, please explain. Please confirm that when originally calculating the number 230.04 you assumed that there are 312 business days per year ("Calculated (sessions per year / 312 business days in a year, ...)" Tr. 3/720). Please confirm that "sessions/year" can be calculated directly from page 720 as (5981 users) \* (12 sessions/user/year) = 71,772 sessions/year. See Tr. 4/858. If you do not confirm, please explain.
- d. Please confirm that the number, 4,120, is expressed in units of "pieces/session." If you do not confirm, please show the derivation of the correct units. Please explain why this same number is variously identified as "Number of Addresses Per Mailing List" at Tr. 3/720, "Average mailing pieces per document" at Tr. 3/721, and "Number of Addresses Per Mailing List" at Tr. 3/723.
- e. Please confirm that the number, 200, is expressed in units of "bytes/piece." If you do not confirm, please show the derivation of the correct units. Please state the file format for addresses—e.g., PDF, Postscript, other (specify). Is this format independent of whether the address is associated with a mail merge or non-mail merge job?
- f. Please confirm that the number, 823,901, is expressed in units of "bytes/session." If you do not confirm, please show the derivation of the correct units. Please state the file format for mailing lists—e.g., PDF, Postscript, other (specify). Is this format independent of whether the list is associated with a mail merge or non-mail merge job? What is current practice?
- g. Please confirm that the number, 30, is expressed in units of "days." If you do not confirm, please show the derivation of the correct units. Please explain why this number differs from the on-line storage duration (1 day) for financial transactions at Tr. 3/722. What is current practice?
- h. Please confirm that the number, 90, is expressed in units of "days." If you do not confirm, please show the derivation of the correct units. Please explain why this

number differs from the backup storage duration (180 days) for financial transactions at Tr. 3/722. What is current practice?

- i. Please confirm that the number, 120, is expressed in units of "days." If you do not confirm, please show the derivation of the correct units. Please explain why the duration for *archival* storage of addresses should be shorter than the duration for both *backup* storage (180 days) and archival storage (1460 days) of -financial transactions at Tr. 3/722. What is current practice?
- j. Please confirm that the number, 0.15, is a pure number with no units associated with it. If you do not confirm, please show the derivation of the correct units. What compression ratios are actually being obtained at present?
- k. Please confirm that the number, 852,879,807.7, is expressed in units of "bytes." If you do not confirm, please show the derivation of the correct units. Please confirm that this storage requirement will be much smaller at the beginning of 1999 and much larger at the end of 1999 if volume grows during the year. If you do not confirm, please explain.
- I. Please confirm that the number, 2,558,639,423, is expressed in units of "bytes." If you do not confirm, please show the derivation of the correct units. Please confirm that this storage requirement will be much smaller at the beginning of 1999 and much larger at the end of 1999 if volume grows during the year. If you do not confirm, please explain.
- m. Please confirm that the number, 3,411,519,231, is expressed in units of "bytes." If you do not confirm, please show the derivation of the correct units. Please confirm that this storage requirement will be much smaller at the beginning of 1999 and much larger at the end of 1999 if volume grows during the year. If you do not confirm, please explain.

- a. Confirmed that the figure 230.04 represents total user transactions per day. During each user session a user is assumed to transact once with Mailing Online, i.e. submit one document, a corresponding mailing list, and pay for the mailing. There is therefore a one-to-one correspondence between the number of user sessions, transactions, and documents.
- b. Confirmed that the figure 1,150 represents the total number of transactions per week as indicated in Attachment 1: "Total Transactions Per Week". Confirmed that the formula for computing this number is (230.04 sessions/business day) \* (5 business days/week). The 6-day week used at page 720 conflicts with the 5-day week used at page 722 and can not be reconciled. The six day work week should be used.

- c. Confirmed that the figure 59,810 represents the total number of transactions per year as indicated in Attachment 1; "Total Transactions Per Year". Confirmed that when originally calculating the number 230.04 I assumed that there are 312 business days per year. Confirmed that "sessions/year" can be calculated directly from page 720 as (5981 users) \* (12 sessions/user/year) = 71,772 sessions/year.
- d. Confirmed that the figure 4,120 represents the number of addressees per mailing list as indicated in Attachment 1: "Number of bytes per address". Each mail piece is assumed to have one unique addressee. For any given mailing, there is a one-toone correspondence between mail pieces and addressees. The total number of mail pieces and addresses in a mailing list the user submits for the same mailing are therefore the same.
- e. Confirmed that the figure 200 represents the number of bytes per address as indicated in Attachment 1: "Number of bytes per address". Mailing Online accepts mailing lists in one of several formats, including Excel. For estimating purposes, each character of data represents one byte. There is no distinction between mail merge and non-mail-merge jobs with respect to the data format of mailing lists sent customers send to Mailing Online
- f. Confirmed that the figure 823,901 represents the number of bytes per mailing list as indicated in Attachment 1: "Number of bytes Per mailing list". Mailing Online accepts mailing lists in one of several formats, including Excel. For estimating purposes, each character of data represents one byte. This format is independent of whether the job is a mail merge or non-mail-merge job. The current Mailing Online software formats the mailing list into a Microsoft Access Database.
- g. Confirmed that the figure 30 represents the number of days transactions must be stored on-line as indicated in Attachment 1: "Transaction On-line Storage Duration Requirement (days). As elaborated in the "Source" column, there is no identified on-line storage requirement beyond what may be required to re-transmit a users job to a print site. Thirty days is assumed here and for "PDF File On-line Storage Duration Requirement" given that a retransmission or reconstruction of a user mailing would require both the source document and associated mailing list to be available. For

Financial transactions, on-line storage is required to satisfy the need to perform payment settlement daily, back up requirements stem from agreements made by the Postal Service and financial institutions, and archive requirements stem from agreements the Postal Service has made with credit card processors. There is no established requirement that mailing lists be retained for the same duration as financial transactions. Currently, Mailing Lists are available from a period of between 30 and 60 days

- h. Confirmed that the figure 90 represents the number of days transactions must be retained as backup as indicated in Attachment 1: "Transaction Backup Duration Requirement (days). As elaborated in the "Source" column, there is no identified backup storage requirement. Ninety days is assumed here and for "PDF File Backup Duration Requirement" given that a retransmission or reconstruction of a user mailing would require both the source document and associated mailing list to be available. For Financial transactions, on-line storage is required to satisfy the need to perform payment settlement daily, back up requirements stem from agreements made by the Postal Service and financial institutions, and archive requirements stem from agreements the Postal Service has made with credit card processors. There is no established requirement that mailing lists be retained for the same duration as financial transactions. Currently, weekly backups of mailing lists are performed. No duration period has been established for mailing list data backups. Until a duration period is established, backup data is being stored for an indefinite period.
- i. Confirmed that the figure 120 represents the number of days transactions must be archived as indicated in Attachment 1: "Transaction Archive Duration Requirement (days). As elaborated in the "Source" column, there is no identified on-line storage requirement beyond what may be required to re-transmit a users job to a print site. 120 days is assumed here and for "PDF File Archive Duration Requirement" given that a retransmission or reconstruction of a user mailing would require both the source document and associated mailing list to be available. For Financial transactions, on-line storage is required to satisfy the need to perform payment settlement daily, back up requirements stem from agreements made by the Postal

Service and financial institutions, and archive requirements stem from agreements the Postal Service has made with credit card processors. There is no established requirement that mailing lists be retained for the same duration as financial transactions. At present, no actual archiving of mailing data has been performed.

- j. Confirmed. At present, Mailing Online back up data is not being compressed.
- k. Confirmed that the figure 852,879,807.7 represents the total number of on-line data requirements in bytes as indicated in Attachment 1: "Transaction On-line Data requirement (bytes). Confirmed that the requirement will be smaller at the beginning of 1999 and will be larger at the end of 1999, but only if the number of Mailing Online users, or transactions differ from the estimates provided in Attachment 1.
- Confirmed that the figure 2,558,639,423 represents the total number of backup data requirements in bytes as indicated in Attachment 1: "Transaction Backup Data requirement (bytes). Confirmed that the requirement will be smaller at the beginning of 1999 and will be larger at the end of 1999, but only if the number of Mailing Online users, or transactions, differ from the estimates provided in Attachment 1.
- m. Confirmed that the figure 3,411,519,231 represents the total number of archive data requirements in bytes as indicated in Attachment 1: "Transaction Archive Data requirement (bytes)." Confirmed that the requirement will be smaller at the beginning of 1999 and will be larger at the end of 1999, but only if the number of Mailing Online users, or transactions differ from the estimates provided in Attachment 1.

OCA/USPS-T3-51. Please refer to the column "YR 1999 Estimate," section "PROCESSING CENTER—APPLICATION SERVER, Backup Financial Transactions (Night Only)" at Tr. 3/724.

- a. The number, 221, is sourced to "ATTACHMENT E." Please provide a copy of or citation to "ATTACHMENT E."
- b. The number, 30, is sourced as "Four hour estimated nightly maintenance -period/8." Please explain the rationale for (1) choosing a four-hour period and (2) allocating one-eighth of that period to financial transactions backup.

#### RESPONSE

a. "Attachment E" should read "Attachment 3: Sources".

b. For purposes of this estimate, a period of time when system maintenance can be performed without impacting users is assumed. That period of time is further assumed to be the hours of the night when user submission of jobs, batching of jobs, and transmission of data to print sites would not take place, or least be unlikely to occur. Based on this, this four hour time period is assumed to be between the hours of 09:00PM and 3:00AM Pacific Time. Given that multiple functions would have to be performed during this time period, including four backup jobs ( one each for Financial Transactions, PDF Files, Postscript Files, and Mailing Lists) plus any other required systems maintenance, it seems reasonable to allocate only one eighth of the four hour period to the backup of financial transactions.

OCA/USPS-T3-52. Please refer to USPS-LR-1/MC98-1, Attachment 1, at page 10, section "PROCESSING CENTER—APPLICATION SERVER, Backup PDF Files (Night Only)," in the column "YR 1999 Estimate."

- a. Please confirm that the figure, 230.04, is expressed in units of sessions/business day." If you do not confirm, please show the derivation of the proper units.
- Please confirm that the figure, 320.78, is expressed in units of "(sessions/business day \* (bytes/page (PDF)))/sec." Please confirm that the correct units should be "(bytes (PDF)/business day)/sec." If you do not confirm, please show the derivation of the proper units.
- c. Please confirm that the formula used to calculate the figure 320.78 should contain the multiplicative terms 3.2 pages per piece, 4,120 pieces per session, and 0.5 mail merge factor yielding 2,114,299.573 "(bytes (PDF)/business day)/sec." If you do not confirm, please explain.

- a. Confirmed that the figure 230.04 represents the total number of transactions (sessions) per day as indicated in Attachment 1: "Total Transactions Per Day".
- b. Confirmed that the figure represents the number of bytes per second of PDF data that would need to backed up during the period designated for running the backup job at night during a four hour nightly maintenance period.
- c. Confirmed that the formula used to calculate the figure 320.78 should contain the multiplicative term 3.2 pages per document. Not confirmed that the figure 320.78 should contain the multiplicative terms 4,120 pieces per session or 0.5 mail merge factor. The resulting figure when using the multiplicative factor 3.2 is 1026.48.

OCA/USPS-T3-53. Please refer to USPS-LR-1/MC98-1, Attachment 1, at page 10, section "PROCESSING CENTER-APPLICATION SERVER, Backup Postscript Files For Non-Mail Merge Jobs (Night Only)," in the "SOURCE" column. With respect to the "Number of pages per Document," please provide, in hardcopy and electronic form, a copy of or citation to the "Feasibility Study."

### RESPONSE

The words "Feasibility Study" in Attachment 1, page 10, "Number of pages per Document" in the "SOURCE column" should read "Library Reference USPS-LR-2/MC98-1, Section E, Table 12.

OCA/USPS-T3-54. Please refer to USPS-LR-1/MC98-1, Attachment 1, at page 10, section "PROCESSING CENTER—APPLICATION SERVER, Backup Postscript Files For Non-Mail Merge Jobs (Night Only)," in the column "YR 1999 Estimate."

- a. Please confirm that the figure, 3, is expressed in units of "pages/piece." If you do not confirm, please show the derivation of the proper units.
- Please confirm that the figure referred to in part (a) of this interrogatory should
  "be 3.2 "pages/piece." If you do not confirm, please show the derivation of the number 3.
- Please confirm that the figure, 5888.98, is expressed in units of "((sessions/business day) \* (bytes (Postscript)/pieces)))/sec." Please confirm that the correct units should be "(bytes (Postscript)/business day)/sec." If you do not confirm, please show the derivation of the proper units.
- d. Please confirm that the formula used to calculate the figure 5888.98 should contain the multiplicative terms 3.2 pages per piece, 4,120 pieces per session, and 0.5 mail merge factor yielding 12,938,502.56 "(bytes (Postscript)/business day)/sec." If you do not confirm, please explain.

#### RESPONSE

a. - d. The requirement for backup of Postscript files has been deleted. Refer to my response to OCA/USPS-T3-35(a) for details.

OCA/USPS-T3-55. Please refer to USPS-LR-1/MC98-1, Attachment 1, at pages 10 and 11, section "PROCESSING CENTER—APPLICATION SERVER, Backup Mail Lists," in the column "YR 1999 Estimate." Please confirm that the figure, 26323.45, is expressed in units of "(bytes/business day)/sec." If you do not confirm, please show the derivation of the proper units.

## RESPONSE

Confirmed that the calculation for the figure is the number of transactions per day (230.04) multiplied by number of bytes per mailing list (823,858), divided by the total number of seconds within the back up period (7200 seconds).
OCA/USPS-T3-56. Please refer to USPS-LR-1/MC98-1, Attachment 1, at pages 10 and 11.

- a. Please confirm that the "Bytes Per Second" for Backup Financial Transactions (Night Only), Backup PDF Files (Night Only), Backup Postscript Files for Non-Mail Merge Jobs (Night Only) and Backup Mail Lists, is 28.24, 320.78, 5888.98, and 26323.45, respectively. If you do not confirm, please explain.
- b. Please explain why the bytes per second referred to in part (a) of this interrogatory are not equal.
- c. Please confirm that the bytes per second referred to in part (a) of this interrogatory should be the same; that is, expressed in the same rate per second. If you do not confirm, please explain.
- d. Please confirm that the correct calculation for Backup Financial Transactions (Night Only), Backup PDF Files (Night Only), Backup Postscript Files for Non-Mail Merge Jobs (Night Only) and Backup Mail Lists, is the sum of the "(bytes/business day)" for Backup Financial Transactions (Night Only), Backup PDF Files (Night Only), Backup Postscript Files for Non-Mail Merge Jobs (Night Only) and Backup Mail Lists divided by the 14,400-second backup period. If you do not confirm, please explain.

- a. Confirmed, with exception of "bytes Per Second" for PDF Files, which should be 1026.48 as per my response to OCA/USPS-T3-52(c).
- b. Financial Transactions, PDF Files, and Mailing Lists each would be backed up as a separate process. As shown on pages 10 and 11, the number of transactions for Financial Transactions, PDF Files, and Mailing Lists are the same, but the size in bytes of each is different, therefore the total number of bytes for each is different and it therefore follows that the average numbers of bytes per second that must be backed up for any given period are different. The requirement for backup of Postscript files has been deleted. Refer to my response to OCA/USPS-T3-35(a) for more detail.
- c. Not confirmed. Refer to part (b) above.
- d. Not confirmed. The calculation for each file type is: Number of transactions per day multiplied by number of bytes per transaction, divided by the total number of seconds within the back up period.

OCA/USPS-T3-57. Please refer to USPS-LR-1/MC98-1, Attachment 1, at page 11, section TECHNICAL HELP DESK RESOURCE YEARS, Help Desk Volumes/Durations, in the column YR 1999 Estimate.

- a. Please confirm that the figure, 2,991, is expressed in units of "hours." If you do not confirm, please show the derivation of the proper units.
- b. Please confirm that the figure, 1,794, is expressed in units of "hours." If you do not confirm, please show the derivation of the proper units.
- c. Please confirm that the figure, 4,785, is expressed in units of "hours." If you do not confirm, please show the derivation of the proper units.
- d. Please confirm that the figure, 2.66, is expressed in units of "resource year." If you do not confirm, please show the derivation of the correct units.
- e. Please confirm that the figure, 0.5, is a pure number with no associated units. If you do not confirm, please show the derivation of the proper units.
- f. Please confirm that the figure, 2,392, is expressed in units of "hours." If you do not confirm, please show the derivation of the proper units.
- g. Please confirm that the figure, 1.33, is expressed in units of "resource years." If you do not confirm, please show the derivation of the correct units.
- h. Please confirm that the figure referred to in part (f) of this interrogatory is not used in the calculation of the figure, 1.33, "resource years" or for any other purpose. If you do not confirm, please explain.

- a. Confirmed that the figure, 2,991, represents the total first time call hours as indicated in Attachment 1: "Total First Time Call Hours."
- Confirmed that the figure, 1,794, represents the total number of hours
   representing on-going calls as indicated in Attachment 1: "Total On-going call hours.
- c. Confirmed that the figure, 4,785, represents the total number of call hours as indicated in Attachment 1: "Total call hours".
- d. Confirmed that the figure, 2.66, represents the number of help desk resource years as indicated in Attachment 1: "Total Help Desk Resource Years".
- e. Confirmed that the figure, 0.5, is a pure number with no associated units. This figure represents the percentage of customer calls requiring technical help as indicated in Attachment 1: "Percentage of customer calls requiring technical help".

- f. Confirmed that the figure, 2,392, represents the total number of hours taken by customer calls requiring technical assistance as indicated in Attachment 1:
   "Technical Help Desk Calls"
- g. Confirmed that the figure, 1.33, represents the total of resources, expressed in
   \*resource years, required to support customer calls requiring technical support as indicated in Attachment 1: "Technical Help Desk resource Years"
- h. Confirmed that the figure referred to in part (f) of this interrogatory is not used in the calculation of the figure, 1.33, "resource years". The figure was included to show the number of hours attributable to customer calls requiring technical support.

OCA/USPS-T3-58. Please refer to page 1 of your Cost Component Sources/ Derivations Worksheet, Tr. 3/733. The spreadsheet at the bottom of that page summarizes On-line Storage Requirements.

- a. Please confirm that the entries in that spreadsheet for rows labeled "Item #8 PDF files" and "Item #11 Postscript files" are incorrect. (See OCA/USPS-T3-48(b), 49(d).) If you do not confirm, please explain.
- b. "Please confirm that when the entries in that spreadsheet for rows labeled "Item #8 PDF files" and "Item #11 Postscript files" are corrected, the Total On-line Storage Requirement exceeds capacity for all years except 1999. If you do not confirm, please explain.

### RESPONSE

a. - b. Refer to my response to OCA/USPS-T3-35(a) regarding the deletion of the requirement to store Postscript files and my response to OCA/USPS-T3-48(b) confirming that the figures for on-line file storage in PDF format should contain the multiplicative term 3.2 pages per document. Shown below is the spreadsheet at the bottom of page 1 of Cost Component Derivations Worksheet, adjusted to eliminate the Postscript file storage requirement and adjusting the PDF file storage requirement.

On-line Storage Requirements	1995	2000	2001	2002	2003
ttem # 5 Financial Transactions	24402 48	42591.12	66402.00	93085 20	106732 00
ttem # 8 PDF files	16629020.31	29023632.00	45249507.69	63432720.00	74095250.00
liem #14 Mailing Lists	2 72922E +09	4 76322E+09	7.42644E+09	1.04107E+10	1.21607E+10
Total On-line Storage Requirement (items # 4 + # 8 + # 14)	2.74587E+09	4.792285+09	7.47176E+09	1.04742E+10	1.22349E+10
Attachment #2 (PC 1, PC 5) Capacity (Primary & Secondary)	3.36000E+11	3.39000E+11	3.39000E+11	3.39000E+11	3.39000E+11

Based on the above, I can not confirm that total on-line storage requirements will be exceeded in any of the years 1999 - 2003.

OCA/USPS-T3-59. Please refer to page 2 of your Cost Component Sources/ Derivations Worksheet, Tr. 3/734. The spreadsheet at the top of that page summarizes Backup Data Storage Requirements.

- a. Please confirm that the entries in that spreadsheet for rows labeled "Item #9 PDF files" and "Item #12 Postscript files" are incorrect. (See OCA/USPS-T3-48(d), 49(f).) If you do not confirm, please explain.
- b. Please confirm that when the entries in that spreadsheet for rows labeled "Item #9 PDF files" and "Item #12 Postscript files" are corrected, the Total On-line Storage Requirement exceeds capacity in 2003. If you do not confirm, please explain.

### RESPONSE

a. - b. Refer to my response to OCA/USPS-T3-35(a) regarding the deletion of the requirement to store Postscript files and my response to OCA/USPS-T3-48(d) confirming that the figures for backup file storage in PDF format should contain the multiplicative term 3.2 pages per document. Shown below is the spreadsheet at the top of page 2 of Cost Component Derivations Worksheet, adjusted to eliminate the Postscript file storage requirement and adjusting the PDF file storage requirement.

Backup Data Storage Requirements	1999	2000	2001	2002	2003
llem # 6 Financial Transactions	4392446 40	7665401 60	11952360.00	16755336 00	19571760.00
ten # 9 PDF faes	49867060.92	87070896 00	135748523 08	190298160 00	222285600 00
liem # 15 Mailing Lists	B 18765E+09	1 428965+10	2.22793E+10	3 12321E+10	3 64820E+10
Total Backup Data Storage Requirement (Items # 6 + # 9 + # 15)	8.24193E+09	1.43844E+10	2.24270E+10	3.14392E+10	3.67238E+10
Attachment #2 (PC2) Capacity (Primary & Secondary)	2.00000E+12	2.00000E+12	2.00000E+12	2.00000E+12	2.00000E+12

Based on the above, I can not confirm that total on-line storage requirement will be exceeded in 1999 or any of the years 2000 - 2003.

OCA/USPS-T3-60. Please refer to page 2 of your Cost Component Sources/ Derivations Worksheet, Tr. 3/734. The spreadsheet in the middle of that page summarizes Archive Data Storage Requirements.

- Please confirm that the entries in that spreadsheet for rows labeled "Item #7 Financial Transactions," "Item #10 PDF files," and "Item #13 Postscript files" are incorrect. (Compare Tr. 3/722, Item #7 with Tr. 3/734, Item #7; see OCA/USPS-T3-48(f), 49(h).) If you do not confirm, please explain.
- Please confirm that when the entries in that spreadsheet for rows labeled "Item #7 Financial Transactions," "Item #10 PDF files," and "Item #13 Postscript files" are corrected, the Total On-line Storage Requirement exceeds capacity in all years except 1999 and 2000. If you do not confirm, please explain.

### RESPONSE

a. - b. Refer to my response to OCA/USPS-T3-35(a) regarding the deletion of the requirement to store Postscript files and my response to OCA/USPS-T3-48(f) confirming that the figures for archive file storage in PDF format should contain the multiplicative term 3.2 pages per document. Shown below is the spreadsheet at the middle of page 2 of Cost Component Derivations Worksheet, adjusted to eliminate the Postscript file storage requirement and adjusting the PDF file storage requirement.

Archive Data Storage Requirements	1999	2000	2001	2002	2003
Rem # 7 Financial Transactions	1150 19	2007.50	3129.81	4387 50	5125 00
item # 10 PDF files	66516081.23	116094528.00	180998030 77	253730880.00	296380800 00
Item # 16 Mailing Lists	10916861538 46	19052861538 46	29705760000.00	41642806153.85	48642609230 77
Total Archive Data Storage Requirement (Items # 7 + # 10 + # 16)	1.09834E+10	1.91690E+10	2.98868E+10	4.18965E+10	4.89390E+10
FTK 9710 Storage Capacity (Primary and Secondary)	2.00000E+12	2.00000E+12	2.00000E+12	2.00000E+12	2.00000E+12

Based on the above, I can not confirm that total on-line storage requirement will be exceeded in any of the years 1999 - 2003.

OCA/USPS-T3-61. Please refer to your response to OCA/USPS-T3-34(b). Please explain the rationale for choosing 1800 workhours as the number of hours in a "resource year."

### **RESPONSE:**

The number of work hours in a year's period is used to develop an estimated staffing requirement for Mailing Online questions directed to the Technical Help Desk. I arrived at an estimated number of workhours per year by first determining the number of weeks that Technical Help Desk personnel would be on the job. Given 52 weeks in a year, minus 3 weeks for vacation, sick leave, or personal leave, 2 weeks (10 days) for legal holidays (New Year's Day, Martin Luther King Day, President's Day, Memorial Day, July 4, Labor Day, Columbus Day, Veterans' Day, Thanksgiving Day, and Christmas Day), and an additional two weeks for training and other activities not related to the Technical Help Desk function as described in my response to MASA/USPS-T3-6(b), I arrived at 45 weeks. I multiplied 40 work hours per week by 45 weeks per year. Full Time Equivalents as defined in Office of Management and Budget Circular 11 (1998), Section 13.3(c) are not used internally within the Postal Service for determining budgets or any other estimates of work hours. I have consulted with our Finance department regarding this, and I was informed my estimate of 1800 hours per year is a reasonable figure to use for estimation purposes.

OCA/USPS-T3-62. Please refer to USPS-LR-1/MC98-1, Attachment 1, at page 11, the "TECHNICAL HELP DESK RESOURCE YEARS, Help Desk Volumes/Durations."

- a. For 1999, please confirm that the number 2,991, "Total First Time Call Hours," is calculated by multiplying the "Total Number of Users" (5,981) by one-half hour (0.50). If you do not confirm, please explain.
- b. For 1999, please confirm that the number 1,794, "Total On-going call hours," is calculated by multiplying the "Total Number of Users" (5,981) by one-tenth hour (0.10) and the number of on-going calls per year (3). If you do not confirm, please explain.

- a. Confirmed.
- b. Confirmed.

OCA/USPS-T3-63. Please refer to USPS-LR-1/MC98-1, Attachment 1, at page 11, the "TECHNICAL HELP DESK RESOURCE YEARS, Help Desk Volumes/Durations."

- a. Please confirm that the Mailing Online Technical Help Desk or the PostOffice Online Help Desk will receive four calls (1 initial call plus 3 "on-going" calls) from each Mailing Online customer. If you do not confirm, please explain.
- Please confirm that the duration of the calls referred to in part (a) of this interrogatory is 48 minutes (30 minutes for one initial call + (6 minutes \* 3 "ongoing" calls)). If you do not confirm, please explain.
- c. Please confirm that 50 percent of "Total call hours" will consist of customer inquiries responded to by the Mailing Online Technical Help Desk, and 50 percent will consist of inquiries responded to by the Post Office Online Help Desk. If you do not confirm, please explain.
- Please confirm that the duration of the calls referred to in part (a) of this interrogatory responded to by the Mailing Online Technical Help Desk is 24 minutes ((30 minutes for initial calls + 6 minutes for each "on-going" call) \* 0.50). If you do not confirm, please explain.
- e. Please confirm that the average duration of each call referred to in part (a) of this interrogatory responded to by the Mailing Online Technical Help Desk is 6 minutes (24 minutes / 4 calls). If you do not confirm, please explain.

- a. Confirmed that I estimated that each customer would initiate four calls to the PostOffice Online Help Desk per year.
- b. Confirmed.
- c. Not confirmed. I estimated that fifty percent of customer calls would generate an inquiry or problem report to the Technical Help Desk. Customers would not be in direct contact with Technical Help Desk staff. Since all customer calls would be to the PostOffice Online Help Desk, the PostOffice Online Help Desk would spend some amount of time for each customer call. First, total customer call hours was estimated. I used half of that amount as a reasonable estimate of Technical Help Desk work hours.
- d. Not confirmed. See my response to part (c) above. Customers do not make calls directly to the Technical Help Desk, and I did not estimate the average length of calls from the PostOffice Online Help Desk to the Technical Help Desk.
- e. Not confirmed. See my response to part (c) above. Customers do not make calls directly to the Technical Help Desk. I did not estimate the average duration of calls to the Technical Help Desk.

OCA/USPS-T3-64. Please refer to USPS-LR-1/MC98-1, Attachment 1, at page 6.

- a. Please confirm that, of the 12 "Average customer sessions per user per year," 4 will involve telephone inquiries concerning Mailing Online. If you do not confirm, please explain.
- b. Please confirm that one-third (4 / 12) of the "Average customer sessions per user "per year" will involve telephone inquiries concerning Mailing Online. If you do not confirm, please explain.
- c. Please confirm that 23,924 (71,772 \* 0.3333) of the total annual number of Mailing Online transactions in 1999 will involve telephone inquiries concerning Mailing Online. If you do not confirm, please explain.

- a. Not confirmed. Refer to my response to OCA/USPS-T3-31(c) regarding calls to the Technical Help Desk. I did not associate customer calls directly with the number of customer sessions, but rather to the number of customers. The four calls could be associated with one or more customer sessions.
- b. Not confirmed. Refer to my response to part (a) above.
- c. Not confirmed. Refer to my response to part (a) above.

OCA/USPS-T3-65. Please refer to your response to OCA/USPS-T3-31. Please confirm that the "cost driver" for the costs of the Mailing Online Technical Help Desk and the PostOffice Online Help Desk associated with Mailing Online is the estimated number and duration of calls. If you do not confirm, please explain.

### **RESPONSE:**

The words "cost driver" do not appear in my response to OCA/USPS-T3-31. Confirmed that the estimated number and duration of customer calls to the PostOffice Online Help Desk are used in developing my cost estimates for human resources for the Technical Help Desk. See my response to OCA/USPS-T3-63(c).

OCA/USPS-T3-66. Please refer to USPS-LR-1/MC98-1, Attachment 2, at pages 12-13,

concerning the "Technical Help Desk."

- a. For the "YR 1999," please confirm that the total variable costs of the technical help desk are \$282,000. If you do not confirm, please explain.
- b. For the "YR 1999," please confirm that the total variable costs of \$282,000 are incurred to respond to calls generating 2,392 "Technical Help Desk Call Hours." If you do not confirm, please explain.
- c. For the "YR 1999," please confirm that the variable cost per hour of the technical help desk is \$117.89 (\$282,000 / 2,392 hours). If you do not confirm, please explain.
- d. For the "YR 1999," please confirm that the variable cost per call of the technical help desk is \$11.79 (\$117.89 / (60 minutes / 6 minutes per call)). If you do not confirm, please explain.

- a. Confirmed.
- b. Confirmed.
- c. Not confirmed. The \$282,000 are required to provide additional staffing to a preexisting postal Technical Help Desk to handle calls from the PostOffice Online Help Desk. A calculation of variable cost per hour of the Technical Help Desk cannot be determined by using figures from Mailing Online.
- d. Not confirmed. I did not determine an average call time for the Technical Help Desk.
  Even for the PostOffice Online Help Desk, as indicated in USPS-LR-1, Attachment
  2, pages 12-13, I designate a duration of 30 minutes for the initial call from each customer, and 6 minutes for each of three follow-on calls. There is no average of six minutes per customer call.

OCA/USPS-T3-67. Please refer to your response to OCA/USPS-T3-17, which refers to the PostOffice Online Help Desk as being "run by a contractor." Please provide a copy of the contract for the PostOffice Online Help Desk.

### **RESPONSE:**

There is no contract specific to the PostOffice Online Help Desk. Help desk support is part of the overall contract for integration of PostOffice Online. A pertinent section of and attachment to the contract (describing the Help Desk activities), plus the contract modification, delivery order, and delivery order modifications (indicating authorized payment amounts) for the PostOffice Online Help Desk are being filed in USPS-LR-14/MC98-1.

OCA/USPS-T3-68. Witness Garvey testifies in USPS-T-1 at 3 that the Postal Service will accept Portable Document Format (PDF) from customers (n. 3) and will use PDF to transmit electronic document files from the mail processing center to digital printers (lines 4-5).

Please review the document properties of a PDF file entitled "Flier", included on a diskette filed by OCA as OCA-LR-1, MC98-1. (A copy of the OCA-LR-1 diskette was submitted to the Postal Service for your review.) The file is a simulation of a flier that a veterinarian might send to a customer, by means of Mailing Online (MOL), to remind the customer that a pet is due for an appointment. A hard copy of the simulated notice generated by the PDF file in Acrobat Reader has been attached as Attachment 1.

- a. Please confirm that this type of file would be acceptable for MOL (or redirect this interrogatory to a witness who is able to confirm or deny).
- b. If you are able to confirm that the file is acceptable for MOL, then review the number of bytes required to create the image and text of the submitted notice. Isn't it correct that this file is approximately 358 kilobytes (KB) in size?
- c. If you are not able to confirm that the file is acceptable for MOL, then explain why it is not acceptable (or redirect this question to a witness who is able to provide the explanation).
- d. Isn't it correct that you have assumed that customers accessing MOL would typically submit word processing/desk top publishing documents whose electronic pages would be 5.02KB per page in size (USPS-LR-1/MC98-1 at 6)?
- If part b. was answered in the affirmative, i.e., that the 358 KB PDF file is acceptable for MOL, then explain how you have taken into account the very large number of bytes consumed by a file such as the "Flier" file in estimating the capacity requirements for the "Telecommunications Internet Connection, Customers Accessing Mailing Online."
- f. Isn't it correct that, in the note explaining your choice of 5.02 KB as the average number of bytes per electronic page, you have limited your discussion to an observation concerning a Microsoft Word file containing several paragraphs of plain text and noted that such a file consisting of several paragraphs could require up to 10 KB?
- g. What were your specific assumptions about desktop publishing file size?
- h. Haven't you seriously underestimated the capacity required for a range of graphics-intensive and desktop publishing documents? Explain your answer.

- a. Not confirmed. I have confirmed with the Mailing Online software developers that the Mailing Online software does not accept files in PDF format. I understand from witness Garvey, however, that acceptance in PDF format is planned for the future.
- b. Not applicable.
- c. Refer to my response to part (a) above. PDF format files are not among those accepted by the Mailing Online software.

- d. The 5020 bytes per page is a reasonable assumption for estimating the size of an electronic page, given the specific assumptions I describe in my response to part (g) below.
- e. Not applicable.
- f. Yes.
- g. Given that Mailing Online accepts files in a number of formats, I assumed, specifically, that: 1) the characteristics of each file format would differ, including the electronic page size or physical file size, in bytes, required to represent any given information set; 2) the content of user-submitted jobs to Mailing Online service will vary greatly from one document to the next in terms of text font, styles, and graphics;
  3) of the set of word processing and desktop publishing formats that users would submit, a significant number, even a majority, would be submitted in the format of the most popular word processing software, Microsoft Word; and 4) most, although not all of the content of Mailing Online documents, would be in text.
- h. Refer to my response to parts (a) through (g) above. The existence of a PDF format file approximately 358 kilobytes (KB) in size does not indicate that I seriously underestimated capacity required for documents submitted to Mailing Online.

OCA/USPS-T3-69. Please review a second file, entitled "One\_Word\_File," which consists of the single word "Postal" and which has been copied onto the OCA-LR-1 diskette. (Hard copy has been attached as Attachment 2).

- a. Isn't it correct that this Microsoft Word document is 11KB in size?
- b. Isn't it correct that this 11KB size is more than twice the amount per page you assumed at page 6 of Attachment 1?
- c. How have you taken such a one-word, one-page document of 11KB explicitly into account? Please explain your answer.

- a. Yes.
- b. Yes, but the comparison is misleading because it is being made between a physical file size and an electronic page size. The physical file size is equivalent to the entire document. To arrive at a comparable figure using my Attachment 1, for average number of bytes per document, the average number of bytes per page (5020) is multiplied by the average number of pages per document (3.2), yielding 16064 bytes per document.
- c. I did not take a one-word, one-page document into account. I did not expect that a Mailing Online customer would send such a document. The number of words in an electronic page does not directly correspond to the physical file size. In the file "LR14fil1" of USPS-LR-14, a one page document with a full page of text is approximately 14K bytes in size. In the file "LR14fil2" of USPS-LR-14, a Microsoft Word document with slightly more than three pages of text (four electronic pages) has a physical file size of 15K bytes in size. The size of a Microsoft Word document thus does not increase incrementally by 11K bytes in size for each electronic page.

OCA/USPS-T3-70. Please define an electronic "page" as you have used that term in USPS-LR-1/MC98-1 at 6. Did you assume that the bytes of information contained on such a page would result in

- a. 1
- b. 2
- c. 3
- d. or 4 impressions? Please explain.

### RESPONSE

As I suggested in response to OCA/USPS-T3-69, electronic pages represent the number of breaks between logical pages in an electronic word processing document. For example, the file "LR14fil2" of USPS-LR-14 crosses three page breaks. Each time a page break is crossed, an additional electronic page is counted.

Refer to witness Seckar's response to OCA/USPS-T3-26. I made no assumptions as to how many impressions would be contained in an electronic page. I did not use a number of impressions to develop my information systems cost estimates.

OCA/USPS-T3-71. Please refer to USPS-LR-1/MC98-1, Attachment 1 at 6, at the line that reads "Number of Bytes Per Page Word Processing/Desk Top Publishing."

- a. Please confirm that the number 5,020, "Number of Bytes Per Page Word Processing/Desk Top Publishing," is based upon the assumption that files consist only of plain text, and do not include the presence of graphics. If you do not confirm, please explain.
- b. Please confirm that there is no limitation on the size (in bytes) of files accepted from customers by Mailing Online (as long as the page limitation is not exceeded). If you are unable to confirm, then provide an explanation or redirect the question to a witness who can provide the explanation.

- a. Not confirmed. While no specific number of bytes or percentage of bytes reserved for graphics is taken into account in the number 5020, I did not assume that files contain only plain text.
- b. Confirmed.

OCA/USPS-T3-72. Please refer to USPS-LR-1/MC98-1, Attachment 1 at 7.

- a. Please confirm that Mailing Online will accept files from customers in PDF and Postscript format. If you do not confirm, please explain.
- b. Please confirm that the San Mateo processing center processes files received from customers in PDF format. If you do not confirm, please explain.
- c. Please confirm that the San Mateo processing center transmits all print jobs to the print site in Postscript format. If you do not confirm, please explain.
- d. Please identify at what point in processing by the San Mateo processing center customer files will be converted from PDF format to Postscript.
- e. Please confirm that the print sites will receive and process the print jobs received from the San Mateo processing center in Postscript format. If you do not confirm, please explain.

- a. Refer to my response to OCA/USPS-T3-67(a).
- b. Not confirmed. Refer to my response to OCA/USPS-T3-6X(a).
- c. Not confirmed. The San Mateo processing center forwards all print jobs to the print site in PDF format.
- d. There are no customer files in PDF format. Refer to my response to OCA/USPS-T3-67(a).
- e. Not confirmed. The print sites will receive and process the print jobs sent from the San Mateo processing center in PDF format.

OCA/USPS-T3-73. Please refer to USPS-LR-1/MC98-1, Attachment 1 at 7.

- a. Please identify at what point in processing by the San Mateo processing center print jobs will be compressed for transmission to the print sites.
- b. Please confirm that the San Mateo processing center only compresses files for the purpose of transmitting print jobs to print sites. If you do not confirm, please explain.

- a. Compression of print jobs takes place prior to placement on the FTP server housed at the San Mateo processing center. The compressed jobs are then transmitted to the print sites.
- b. Confirmed.

OCA/USPS-T3-74. Please refer to USPS-LR-1/MC98-1, Attachment 1 at 7, at the line reading "Average Bytes Per Page in Postscript format." In the "SOURCE" column it states, "Estimate based on observation of the file sizes generated by the Mailing Online software during the pilot."

- a. How many observations of file sizes were made during the pilot?
- b. Please describe the process of observation and identify the Postal employees or other personnel who made the observations.
- c. Please confirm that the observation of files did not constitute a random sample. If you do not confirm, please explain.
- d. Please confirm that the figure 30,720, "Average Bytes Per Page in Postscript format," does not constitute a sample mean ( $\bar{x}$ ) or population mean ( $\mu$ ). If you do not confirm, please explain.
- e. Please provide a tabulation showing the total number of files processed during the pilot by the number of pages and byte size in Postscript format.

- a. None, since my observations took place during the final testing of the software before the commencement of the Operations Test. I observed several files at that time.
- b. I personally inspected several files created during the testing of the Mailing Online system prior to commencement of the Operations Test.
- c. Confirmed.
- d. Confirmed.
- e. Postscript format files are not retained in the Mailing Online system. A tabulation showing the total number of files processed during the pilot by the number of pages and byte size in Postscript format cannot be developed.

OCA/USPS-T3-75. Please refer to your response to OCA/USPS-T3-61. Please confirm that the 1800 workhours per "resource year" represent the *equivalent* of one Technical Help Desk personnel. If you do not confirm, please explain.

### RESPONSE

Confirmed, although the 1800 workhours would in fact be spread among many personnel.

OCA/USPS-T3-77. Please refer to USPS-LR-1/MC98-1, Attachments 1 and 2.

- a. Please provide, in hardcopy and in electronic format, a new version of USPS-LR-1/MC98-1, Attachments 1 and 2, that is up-to-date in that it reflects the current procedures for operating Mailing Online and corrects all known errors.
- b. To the extent that the procedures for operating Mailing Online (e.g. Telecommunications Internet Connection, Processing Center - Application Server, Processing Center - Netpost Command Center Server, etc.) reflected in the hardcopy and electronic material provided in response to part (a) of this interrogatory are expected to change, please identify those procedures.

- a. The current procedures for MOL are of relatively little use in updating Attachments 1 and 2 to reflect the experiment, because the experiment is expected to have different procedures. Nonetheless, while I have not completely compared my analysis with current procedures, I am attaching revised versions of Attachments 1 and 2 with corrections for known errors and modifications based on new information. An electronic spreadsheet copy, in the format of my response to OCA/USPS-T3-1, is being provided in USPS-LR-20/MC98-1. I also am attaching a description of the revisions, which increase my costs by \$100,000 for "fixed", \$70,000 for year 2000 and \$80,000 for year 2001, with no changes in the other years. Moreover, 1 understand that an updated information systems cost analysis reflecting expected procedures during the Mailing Online experiment is being developed for presentation to the Commission.
- b. Since the procedures for the Mailing Online experiment have not yet been determined, I cannot identify those procedures which are expected to change<sup>-</sup>

### Summary of change to Attachments 1 and 2 in response to OCA/USPS-T3-77

Interrogatory Raferance	Change Requirement	Revision Made	Notes
OCAUSPS-T3-35(c)	Confirmed that in calculating "number of Bytes Per Business Day", the "" following the first "COMP FACT" should be "+". A calculation for total number of bytes associated with mailing lists sent with non- mail-merge jobs was not included. In addition, BYTES/PAGE should be multiplied by the average number of pages per document.	Corrected the calculation of "number of Bytes Per Business Day in the "Telecommunications - FTP Servers" Section of Attachment 1	Error Correction
OCA/USPS-T3-35(d)	Consulted with the Mailing Online software developers and learned that mail marge documents are not stored in Postacript format in the current Mailing Online system	Deleted the Attachment 1 Sections stilled "PROCESSING CENTER - DATA STORAGE Postacript Files For Non- Mall Merge Jobs" and "PROCESSING CENTER - APPLICATION SERVER Backup Postscript Files For Non-Mail Merge Jobs (Night Only)", Modified Attachment 2 to blight Only)", Modified Attachment 2 to blight Only)", Modified Attachment 2 to blight Only)", Modified Attachment 2 to blight Only) attachment 2 to blight Only) attachment 2 to blight Only (PC 3), and Modified Attachment 2 (PC 2) to reflect revised requirement.	Modification based on new information
OCAUSPS-T3-41, OCAUSPS-T3-42 OCAUSPS-T3-44(d)	Confirmed that the "Number of Bytes Per Mailing Piece Transaction" should be 96,304 (30,720 * 3.2 Number of pages per Document), and that the figure, 1,516,231, "Bytes Processed Per Second During Peak Hours," should be 4,851,938.	Modified Attachment 1 Section Wed TPROCESSING CENTER - NETPOST COMMAND CENTER SERVER Source File Conversion of Mail Merge Transactions	Error Correction
OCAUSPS-T3-37	Confirmed a "hot backup" server will be installed at each print site during the experimental service	Modified Attachment 2 Section titled "Printer Sites" to account for two FTP Servers per Print Site	Modification based on new information
OCAUSPS-T3-47(b) OCAUSPS-T3-50(b)	Confirmed that "Total Transactions Per Week" should be calculated based on a six day work week	Modified calculation of "Total Transaction Per Week" in Attachment 1 Sections "PROCESSING CENTER - DATA STORAGE" for Financial Transactions, PDF Files, and Mailing Lists.	Modification for consistency
OCAUSPS-T3-47(g)	Confirmed that the number 1460 in 1999 for Transaction Archive Data Requirement (bytes) should be 365. Confirmed that for 2000, 2001, 2002, and 2003, this number should be 731, 1096, 1460, and 1480, respectively.	Modified Attachment 1 Section Tilled "PROCESSING CENTER - DATA STORAGE Financial Transactions"	Modification as suggested in OCA/USPS-T3- 47(g). However, additional factors will affect these numbers as indicated in my response to this interrogatory.
OCAUSPS-T3-48	Confirmed that the figures 5,196,568.85, 15,589,706.54, and 20,786,275.38 should contain the multiplicative terms 3.2 pages per piece.	Modified Attachment 1 Section Tilled TPROCESSING CENTER - DATA STORAGE PDF Files"	Error Correction
OCA/USPS-T3-51(a)	"Attachment E" should read "Attachment 3: Sources"	Modified Attachment 1 Section Titled "PROCESSING CENTER - APPLICATION SERVER	Error Correction

		Backup Financial Transactions (Night Only)*	
OCAUSPS-T3-72(c)	The San Mateo processing center forwards all print jobs to the print site in PDF format.	Changed 30270 to 5020 in Attachment 1 Section titled "Telecommunications - FTP Servers"	Modification based on new information
OCAUSPS-T3-52(c)	Confirmed that the formula used to calculate the figure 320.78 should contain the multiplicative terms 3.2 pages per piece	Modified Attachment 1 Section Titled "PROCESSING CENTER - APPLICATION SERVER Backup PDF Files (Night Only)"	Error Correction

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### Attachment 1, modified in response to OCA/USPS-T3-77

CATEGORY / COMPONENT	YR 1999	YR 2000	YR 2001	YR 2002	YR 2003	SOURCE
Description, Item #	' Estimate	Estimate	Estimate	Estimate	Estimate	
TELECOMMUNICATIONS INTERNET CONNECTION						
Customers Accessing Mailing Online						
CCE85 - CUSTOWERDUSPS olei Humber of Users	5,961	10,439	18,275	. 22,815	26,660	  Library Reference USPS-LR-2MC99-1, Section E - Survey Result  Table 19A. (If businesses = if years assumed)
verage duktomer eeselene per veer per yeer	12	12	12	12	12	Frequency is unknown at this time; One per month is seturned based on supercled mail content: Involces, ennouncements, eleterantis, forme (Library Reference USPB-LR-2MCDB-1, Sector C, Table 5)
Sustemer sessions per business day	230.04	401.50	625.98	877.50	1025.00	Calculated (essence per year / 312 business days in a year, 6 day work week assumed)
'erceninge usage during delly peak period	0.75	0.75	0.75	0.75	0.75	A Peak Period of Usage is required to plan for maximum capacity. of usars expected during such a period is unknown, 75% usage is therefore assumed.
Sustamer sessione during peak period Sverage session duration (no. hours)	172.63 0.5	301.13 0.5	4 <b>69,47</b> 0.5	656.13 0.5		Calculated (Oust. Beaclone Per day * Peak Percentege) .6 hour estimated based on observation during testing (registration/logon on, its uploade=10 minutes, document reviewig: submit = 20 minutes)
heek Usago Portod Hours	4	4	4	4	4	No peak usage period has been observed during the operation tee but must be considered to plan for maximum capacity: 1PM-SPM EBT to assumed here
MA Avg, No. Concurrent Beaclene During Peak Hours	21.67	37.64	\$8.66	82.27	96.00	Coloubited (Customer sessions during pack period/peak
coses Ports Required During Peak Hours HROUGHPUT - CUSTOMER/USPS	21.57	37.64	58.68	82.27	96.00	One for each seasion
conting Documenta/Mailing Lists Per Second During Peak Period	0.01	0.02	0.03	0.05	0.06	Calculated (Cust sessions during peak period / ( no, hours * 3000 seconds per hr)
umber of pages per Occument	3.2	3.2	3.2	3.2	3.2	00% 1-2 jages, 11% 3-4 jages, 9% 5-8 jages, 3% 7-10 jages,2 11-15 jages, 7% 18+ jages (Library Reference UBPS-UR-2MC9 1, Bection E, Table 12)
lumber of Byles Per Page Word Processing/DeskTop Publishing	8020	5020	5020	5020		The size in bytes of an alextronic "page" can vary widely, dependi of volume of seit and presence of graphics. A Microsoft Word Ne with several paragraphic plain text can require up to 10K bytes. Sk geaurned here.
tumber of Addresses For Malling List	4,120	4,119	4,118	4,119		Calculated (ennual mell volume estimate /(total customer estimate/svg mellings per sustomer per annum)
lumber of bytes per address	200	200	200	200	200	Although address fields are defined, number of characters, other characteristics of address affect the size, 200 bytes is assumed he
verage Bytes Per Incoming Customer Transmission It incoming bytes Per Becand During Peak Hours	639964.60 10963.76	639921.65 17563.09	630956.47 27364.40	639956.18 36396.62		Calculated (Average no. of pages * no. bytes per page) Calculated (Average Bytes Per Transmission * Incoming document per second)
PROCESSING CENTER - APPLICATION SERVER Source File to PDF Conversion						
2 Sylas Per Second During Peak Hours	10063.76	17983.99	27384.40	30300.02		Catoulated (Average Bytes Per Transmission * Incoming document per accord)
PROCESSING CENTER - NETPOST COMMAND CENTER SERVER Source						
File Conversion of Melf Merge Transactions coming bytes Per Second During Peek Hours	1 10063.76	17583.99	27364.40	38366.02		Celculated (Average Bytes Per Transmission * Incoming document per excond)

### Attachment 1, modified in response to OCA/USPS-T3-77 (continued)

CATEGORY / COMPONENT	YR 1999	YR 2000	YR 2001	YR 2002	YR 2003	SOURCE
Description, item #	Estimate	Estimate	Estimate	Estimate	Estimate	
rerage melling places per document unber of Bytes Per Page in Poelecript Format	4,120 30720	4,119 30720	4,119 30720	4,119 30720		Calculated (total mail volume estimate / total outlomer estimate) Actual Number Is unknown; estimate based on observation of Re sizes generated during Mailing Ordine software testing activity
leit Marge Transactions Per Becond During Peak Heurs	49	80	134	168	220	Calculated (average places per document * incoming documents ; second)
3 Byles Presessed Par Second During Pack Hours	4,861,838	8,407,938	13,202,900	18,807,814	21,818,837	Calculated (Mell Merge Transsolione Per Second * Number of Byl per plece)
TELECOMMUNICATIONS - FTP SERVERS Data Sent from USPS to Print Sites						
turrber of Printers	10	17	25	25	25	PRICE WATERHOUSE LIBRARY REFERENCE Exhibit A, Table Nom 20, page 18
lumber of Mell Places Per Year fumber of Mell Places Per Business Day	295,665,000 947,844	516,016,000 1,953,894	604,531,000 2,578,625	1,127,829,000 3,614,827		Library Reference UOPS-LR-2MC08-1, Section E, Table 12 Calculated (pieces per year / 312 business days in a year, 6 day work week secured as per marketing plan)
verage Byles Per Page in Peelecript format	5020	5020	5020	5020	6020	Estimate based on observation of the sizes generated by the Mall Online collivers during the citot.
Percentinge mell merge joke	0.5	0.5	0.5	0.5	0.8	Both mail-manys and no mail-manys are available with Mailing Online. There is no deals to indicate what percentage of customer orders require mail manys and since the size vortes greatly betwee the two captions, they both must be considered.
Persentagia nan mali manga jaba Compression faster using 21P	0.5 0.15	0.5 0.15	0.5 0.15	0.6 0.15		In this analysis. A 80%-80% split is assumed here. Files are compressed using a data compression utility15 is an estimate of the overage compression factor using env of evenal a compression utilities used by the Peakel Service and Industry.
Number of Bytes For Business Day	1142090712	1993157288	3107543360	4356262481	5088502827	Calculated (places/pages air day * bytes per posteoriot page * ma marge testor * compression tector)*(documents per day * bytes p posteoriot page - non-mail marge tector)*(documents per day * by ser mailine text non-mail marge tector)*(documents per day * by ser mailine text non-mail marge tector)
Percentege wage during daily peak period	0.75	0.75	0.75	0.75	0.76	A Peak Period of Usage is required to stan for maximum capacity of usars supected during such a period is unknown, 75% usage is therefore assumed.
Number of bytes during daily peak ported Peak Usage Parted Houre	656545634.1	1494867964	2330657513	3207190061	38163771 <b>96</b> 4	Calculated (Total byles per day * peak usage percentage) 1766-4741 EBT seminari
Pask Usine Parled Becande	14400	14400	14400	14400	14400	Celevisied (hours / 3000)
A Past Vege Throughput For Becand to each Print Bits	8946.232675	6186,486782	\$474,\$49\$47	9075.840935	10001.04777	Calculated (bytes during peak period / total ecconds in period/ no. printers)
PROCESSING CENTER - DATA STORAGE Fineficial Transactions						
Total Transactions Per Day	230.04	401.50	625.96	877.50		One Payment Per Seeson
Tatal Transactions Per Wesk	1,360	2,400	3,750	5,265		Calculated (Financial trans. per day * 6) weekend amount minimal
Total Transactions Per Year	71,772	125,268	195,300	273,780		Calculated (Financial trans. per week * 62)
HA Bytes Per Transation Transation On-line Storage Duration Requirement (days)	221	221 1	221) 1	221	1	Colouisted, See Attachment 8: Bources for Dotalle Online ratrioval of payment transaction date would be required for estilement purposes only. Financial transactions are settled daily.
Transaction Backup Duration Regularment (days)	180	180	180	180	180	Per Postal Service Finance and agreement with financial institution
T	385	731	1096	1460	1480	Duration required by Vise and MasterCard
Transaction Archive Duration Requirement (days) Compression factor using ZIP	0.15	0.15	0.15	0.15		Files are compressed using a data compression utility15 is an ostimate of the average compression factor using any of several o compression utilities used by the Postal Service and industry.
#5 Transaction On-line Data Requirement (bytes)	1 7828.70	13309.73	20780.03	29089.13		Calculated (bytes per transaction * trans per day * reg. no. of day comp. factor)
#5 Transaction Backup Data Requirement (bytes)	1372639.50	2395750.90	3738112.90	5230042.80	6118175.00	Colculated (bytes per transaction " trans per day " reg. no. of days comp. Sector)

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### Attachment 1, modified in response to OCA/USPS-T3-77 (continued)

CATEGORY / COMPONENT	, YR 1999	YR 2000	YR 2001	YR 2002	YR 2003	SOURCE
Description, Item #	Estimate	Estimate	Estimate	Estimete	Estimate	
Transaction Archive Data Requirement (hytes)	2783407.80	9729408.99	22742065.00	42470122.80	49909978,00	Calculated (byles per transaction <sup>3</sup> trans per day <sup>4</sup> req. no. of days (corre). factor)
PROCESSING CENTER - DATA STORAGE PDF Files						
otel Documents Per Dey	230.04	401.50	625.96	877.50	1025.00	Calculated (transaction per year * average pieces per transaction)
del Documente Per Week	1.360	2,409	3,756	5.265 273.760	6,150	Calculated (Trans. per day * 5) weekend amount minimal
tel Documente Per Year	5.020	5,020	5.020	5.020		Calculated (Trans. per weak * 52) Actual size is unknown at this time; Estimate based on observatio
verage Bytes Per Page In PDF format	5,020	5,020	3,010		5.020	five tiges created during the Meling Online software testing
DF File On-line Biorage Duration Requirement (days)	30	30	30	30]	30	Mailing Online software design leaves document in Wir95 Directo
DF File Backup Duration Requirement (days)	90	90	90	90	. 80	No backup duration has been spreed upon. 90 days is assumed -
DF File Archive Duration Requirement (days)	120	120	120	120	120	No archive duration has been agreed upon. 120 days is assumed here.
compression factor using 21P	0.18	0.15	0.15	0.15	0.15	Assumes all beckup and archives files will be compressed (.15 compression factor assumed)
E PDF File On-line Data Requirement (bytes)	10020020.31	29023632.00	45249907.99	\$3432720.00	74099205.80	Celculated (bytes per mailing "mailings per day " req. no. of days " mail mange % " comp factor)
9 PDP File Backup Date Regularment (bytes)	49687960.92	87070895.00	139748523.04	190298190.90	222295000.90	Calculated (bytes per mailing *mailings per day * req. no. of days * mail manue % * come factor)
18 PDF File Arabive Data Requirement (byles)	00510001.23	110094528.00	10090030.77	253730680.00	295380605.80	Celoulated (bytes per mailing "mailings per day " req. no. of days " mail manys "5 " comp factor)
PROCESSING CENTER - DATA STORAGE Mail Lists						
atel Transactions Per Day	230.04	401.50	625.96	877.50		One Malling List Per Beeston
otal Transactions Per Wesh	1,380	2,409	3,750	8,205		Calculated (Mailing fats per day * 5) weakend emount minimal
otal Transactions Per Year	71.772	125,268	195,300	273,760		Celouluted (Melling late per week * 62)
Number of Addresses Per Mailing List	4,120	4,119	4,119	4,119	4,118	Calculated = avg. number of places per Mailing On-line mailing (Although address fields are defined, number of characters, other
lumber of bytes per eddress	200	200	200	200	200	characteristics of address effect the size, 200 bytes is securied h
lumber of bytes Per mailing list	823,901	823,856	823,692	823,692	823,892	Calculated = avg. number of bytes per address X avg. no. of
rensection On-line Storage Duration Requirement (days)	30	30	90	30	30	Ho online storage requirement has yet been Identified. It is season here for purposes of determining musimum possible storage requirement.
ransection Beckup Duration Requirement (days)	90	90	90	90	90	No beckup storage requirement has yet been identified. It is assumed here for purposes of determining medimum possible storage requirement.
reneation Archive Duration Requirement (days)	120	120	120	120	120	No evolve storage requirement has yet been identified. It is seasoned have for purposes of determining medimum possible storage requirement.
Compression factor using ZIP	0.15	0.15	0.15	0.15	0.18	Assumes all backup and archives files will be compressed (.15 compression factor essumed)
114 Transaction Con-line Data Regularement (byten)	852879897.7	1488504809	2329762900	3253344231	3009203840	Calculated (bytes per transaction * trans per day * req. no. of days comp. factor)
15 Transaction Backup Data Requirement (bytes)	2550839423	4465514423	0012267600	9760032692	11400011530	Calculated (bytes per transaction * trans per day * reg. no. of days comp. factor)
His Transaction Archive Data Requirement (bytes)	3411519231	8954018231	9253099000	13013376923	15200615385	Calculated (bytes per transaction * trans per day * req. no. of days (come, factor)

# RESPONSE OF UNITED STATES Public Internogatory of the office of the consumer advocate

### Attachment 1, modified in response to OCA/USPS-T3-77 (continued)

CATEGORY / COMPONENT	YR 1999 Estimate	YR 2000 Estimate	YR 2001 Estimate	YR 2002 Estimate	YR 2003 Estimate	SOURCE
· · · ·						
PROCESSING CENTER - APPLICATION SERVER Beckup Financial Transactions (Night Only)						
Total Transactions Per Day	230.04	401.50	625.90	877.50	1025.00	One Payment Per Beselon
Byles Per Trensection	221	221	221	221		Refer to Atlactment 3 for details
Backup Time (Minutee)	30	30	30	30	30	Four hour estimated nightly maintenance particl / 8
117 Bytes Per Besond	29.24	49.30	70.05	107,74	126.86	Humber of trans. per day * no. of bytes * total seco
PROCESSING CENTER - APPLICATION SERVER Backup PDF Files (Night Only)						
Total Transactions Per Day	230.04	401.50	625.96	877.60		Calculated (transaction per year * average places per transaction)
Avelaga Bylee Per Page in PDF format	5,020	5,020	5,020	5.020		The size in bytes of an electronic "page" can vary which, depending of volume of lent and presence of graphics. A Microsoft Word Ne with several paragraphs plain text can require up to 10K bytes. BK is securised here.
Beckup Time (Minutes)	eo]	80	60	60	80	Four hour estimated nightly maintenance period / 4
PID Bytes Par Becond	1020.40	1791.58	2783.18	3815.00		Humber of Irone, per day " no. of bytes per desument" total asso
PROCESSING CENTER - APPLICATION SERVER Beckup Mell Liete						
Total Transadore Per Day	230.04	401.50	625.96	877.50	1028.00	
Number of Bytes Per mailing list	823,901	823,858	623,992	823,892	823,882	Calculated = avg. number of bytes per address X avg. no. of
Bachue Time (Minutee)	120	120	120	120	120	addresses Two hours selimete rightly maintenence period / 2
150 Bytes Per Gesend	26323.48	48941.81	71628.47	100411.88	117290.24	Number of trans. per day * no. of bytes * total pees
TECHNICAL HELP DESK RESOURCE YEARS Help Desk Volumes/Durations						
Total Fini Time Call Hours	2,001	3,344	4,377	4,905		No, of new customers (increase ever providue year X 1.8 to excount for queterner turn over) X .6 hour estimate for initial call X 1 initial ca per year - evenage cell timus estimated from experience during operational test
Total On-going calls hours	1,794	3,132	4,803	6,845	7,895	Total no. of customens X.1 hour estimate for on-going calls X.3 call evenage per year - evenage call times estimated from experiences during operational test
Total call hours	4,786	6,475	9,260	11,750		Total Initial call hours + total on-going call hours
Tolal Help Deak Resource Years	2.06	3.60	5.14	8.53		Total hours / 1800 everage workhours per resource year
Percentage of customer calls requiring technical help	0.50	0.90	0.50	0.60	0.50	Experience during the plicit indicates that this percentage is low, but 50% assumed for capacity planning.
#21 Technical Help Deak Call Hours	2302	3236	4430	5975		Tutal On-Going Call hours X % of calls req. technical help
	1,33	1.80	2.87	3.20		Total Hele Deak hours X % of calls row, technical help

### Attachment 2, modified in response to OCA/USPS-T3-77

CATEGORY	FIXED	COST8	YR	1999 ,		ANNUAL	COSTS		YR	1999	YR	2000	YŔ	2001	YR	2002	YR	2003
	Certeonent (Compenent %)	Unit	Unit Cost	Ho. of Unite	Amount (Unit Cost X No. of Units)	Component (Component ID)	Unit	Unit Coel	No. of Units	Amount	No. of Units	Aniount (Unit Cest X No. of Unite)	No. of Unite	Amount (Unit Cost X (No. of Unite)	No. of Unita	Amburil (Unit Casi X Ne of Units)	No. of Unite	Ampuni (Uni Cuel X No. of Units)
Technical Help Desk						Technical Help Dest Manager (HD 13)	Resource Yr	100,000	1	100,000	1	100,000	1	100,000	1	100,000	1	100,00
(Refer Allachment 3, Page 13, for Capacity Analysis)						Technical Help Desk Staff (HD 14)	Resource Yr	60,000	3	160,000	3	180,000	5	300,000	6	300,000	6	300,00
	Werkeletione (HD 1)	Digital PCB100 wfLawhark Printer and 3 Yr Winty	2000	3	6,000	Workstations (HD 15)	Digital PC5100 wfLexmerk Printer and 3 Yr Wmty	2000		0		0	2	4,000	0	0		
	Color Printer (nD 2)	HP Calor Laser B	4050	1	4,090	Color Printer (HD 18)	HP Color Laser 5	4050		0		0	1	4,050		0		(
	Print Driver Software (+D 3)	Adobe Postacript Laval 2 Situat		1	498	Pilet Driver Software (HD 17)	Adobe Poetscript Level 2 BIMM	498		0		0	t	498		0		I
	Printer Warranty (HD-4)	Three Year Warranty	3645	1	3,845	Printer Werrer	1 Ny (HD 18)	3845		0		0	۱	3,645		0		
	Training for How Hiros/ Hoptassments (HO B)	1 week course in MOL	1000	3	3,000	Training for New Hiree/ Replacements (HD 19)	1 week course in MOL	1000	2	2,000	2	2,000	2	2,900	3	3,000	3	3,00
	Word Propassing/ Dech Top Publishing Software for Help Deck staff (+D 4)	7.0	962	3	2,048	Word Processing/ Deek Top Publishing Software for Help Deek staff (HD 20)	Venture Publishing 7.0	682	C	O	0	0	2	1,364	¢	0	0	
	() () () () () () () () () () () () () (	Querk Exerces	732	3	2,195	(MD 21)	Quark Express	732	0	o	o	0	2	1,484	· 0	0	Ð	
	<b>90 0</b>	Word Portest Buile 8.0	344	3	1,038	(MD 22)	Word Perfect Suite 8.0	346	O	0	o	0	2	692	•	0	0	
	(*C \$*)	Adaba Acrobal 3.0	212	3	630	(MD 23)	Adobe Acrobet 3.0	212	0	0	2	0	2	424	0	O	0	
	(HD 18)	Access 97	381	3	1,083	(HD 24)	Access 97	301	0	0	0	0	2	722	0	0	0	
	(HD 11)	Phiel Version 1.0	58	3	174	(HD 28)	Plusi Version 1.0	58	C	0	0	0	2	118	0	0	0	

### Attachment 2, modified in response to OCA/USPS-T3-77

CATEGORY	FIXED	COSTS	YR	1999 ,		ANNUAL	COSTS		YR	1999	YR	2000	YR	2001	YR	2002	YR	2003
	Component (Component ID)	Unit	Unit Coal	No. of Units	Amount (Unit Cost X No. of Units)	Component (Component ID)	Unit	Unit Cost	No. of Units	Amount	No. of Unita	Amount (Unit Cast X No. of Units)	No. of Unite	Antount (Unit Court X No. of Unite)	No. of Units	Amount (Unit Cast X No. of Units)	No. of Unite	Amount (Unit Cest X No. of Units)
	(40 12)	Microsoft Office	400	3	1,200	(40 %)	Microsoft	400	Ó	0	0	0	2	008	0	0	O	
TÓTAL TECHINICAL HELP DESK	L				25,506			••		282,000		282,000		419,775		403,000		403,00
Management/ Administration	Workstallon (44), 13	Olytei PC5100 wil.sumerk Printer and 3 Yr Winty	2000	1	2,000	Program Menager (Primary and Secondary Proceeding) (MA 2)	Resource Yr	120,000	1	120,000	4	120,000	1	120,000	1	120,000	1	120,00
Total					2,000		i	<u> </u>		120,000	,L	120,000	L	120,000	l	120,000		120,00
Management Administration Proceesing	1	1	T	F	T	System Manager	Resource	120,000	1	120,000		120,000	1	120,000	<u> </u>	120,000		120,00
Center						(Primary and Secondary Proceeding) (PC 27)	¥7											
(Refer Allechment 3, Pages 5-13, for Capacity Analysis)						Data Base Administrator (Primary and Becondery Processing) (PC 28)	Resource Yr	100,000	1.5	150,000	) 1.5	150,000	1.6	150,000	1.6	150,000	1.5	190,00
	Dete Storage (On-Line) (PC 1)	CD ROM 7 Bey Tever wf4 Toshibi 12X Drives			11,708	Systeme Administration (Primary and Secondary Processing) (PC 29)	Resource Yr	100000	1.5	159,000	D 1.5	150,000	1.5	150,000	1.8	150,000	1.6	190,00
•	Dete Blorege (Bechup) (PC 2)	FTK \$710	50000		100,000	Application Software Support (Primary and Secondary Proceeding) (PC 30)	Resource Yr	100000	2	200,000	0 2	200,000	2	200,000		200,000	2	200,00
	Date Storage (Archive) (PC 3)	FTK 9710	80000		2 100,000							].						

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# Attachment 2, modified in response to OCA/USPS-T3-77 (continued)

FIXED	Consonent ID)	Anthrow Primary and Bannary Proceeding						(PC 10)	Heffbert Crief Co Bernen (Teatho and Berlin) (PC 11)
COSTS	15	Life Ban Boog ba	Dues Press		Halle		4		3
¥	Unit Cost No. of	110,000	41,500	000'6	<b>8</b> 1.7	2.000	20,000	000) C	20.000
YR 1999,		~	4	~	~ ~ ~	~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~		• •	- <u>-</u>
		220,000	178,000	9,000 9	14,280	5,700	20,000	900'ë	20,000
ANNUAL COSTS	Component (Component ID)	Application Servers (Prod. (PC 31) (PC 31)	<u>_</u>	<del></del>					
COSTS	¥	Unit Burn Additional Processors Cument				<u> </u>			
	Unit Cost	00009							
YR 1009	10 <b>1</b> 17 17 17	¢			<u> </u>	<b></b>			
666	Amount	0		<del></del>			<del></del>		
YR 2000	19 19 19 19 19 19 19 19 19 19 19 19 19 1	o			. <u></u>	<u></u>			
000	Amony RM Own X	0		<u>-</u>	<u> </u>				· - · · · · · · · · · · · · · · · · · ·
YR 2001	22 24 24	~				<u></u>	- <u>`</u>		
01	Anona Anona	00 00 00 00		<u> </u>	<u>, , , , , , , , , , , , , , , , , , , </u>				<u> </u>
YR 2002	721 71 25	~	· · · ·					- <u></u>	
02	Arrown Arrown Are Cont X	000'001			<u>.</u>	 			
YR 2003	16 # # 5	~	•		<u></u>			<u> </u>	
2003	Amount Dun Cont X	100.000							

CATEGORY	FIXED COSTS		YR 199		-	ANNUAL COSTS			YR 1999			2000	YR 2001		YR 2002		YR 2003	
	Component (Component ID)	Unit	Unit Coal	No. of Units	Amount (Unit Cast X No. of Units)	Component (Component ID)	Unit	Unit Cost	No. of Units	Amount	No. of Units	Amount (Unit Cent X No. of Units)	No. of Units	Amount (Unit Ceal X No. of Unite)	No. of Unite	Amount (Unit Cent X No. of Units)	No. of Unite	Arricumt (Unit Cast 7 No. of Units
<u></u>	(PC 12)	Enhance Bervice 7X24, lour hour response from vendor	3,000	1	3,000													
	FTP Servers (Teeling and Staging) (PC 13)	Digital Prioria 2X6200 One Processor (Windows NT)	7,125	1	7,125										-			
	(PC 14)	Enhence Bervice 73(24, four hour response from vendor	2,860	1	2,850													
	Payment Servers (Teeting and Staging) (PC 18)	Digital Prioria 208200 One Processor (Windows NT)	7,126	1	7,125													
	(PC 16)	Enhance Bervice 7324, Ibur hour response from vendor	2,850	1	2,850													
	Payment Processing Bofimere (Becondery and Teeling/Beging Servers) (PC 17)	Tellen PC*Author- tzed Heb (Two Pack)	-150	1	469													

# Attachment 2, modified in response to OCA/USPS-T3-77 (continued)

Attachment 2, modified in response to OCA/USPS-T3-77 (continued)

YR 2003	Amont	10,010	120	4,000							061.461
*	2 No. 2 No. 2 No.		e	~							
YR 2002	Amount Cum Can X	10,010	97.	4,000							067,467
Ϋ́	25	-	<u> </u>	N	- <u></u>				<u> </u>		-
YR 2001	Anoun En Out	10,010	<u>8</u>	4,000				-			061,141
¥	8 g 2 5	-	n	~~~~							
	Amore Con X	10,010	8	4.000							034,730
ΗX	No. 01	-	÷	~							
14 1999	Amount	010.01	071	4,000							634,730
	10 al 20 al 20 al	*	Ф	N							
		10010	240	2000							
	L	Prediction	POP Annual Maintenanc	Postallich Annuel Fast Jacondary, Taelling						<u> </u>	
Component Leve	(Component PD)	Menagement Menagement Usage Fase (PC 32)	Encryption Bonnere: Primery, Becondary, Teethroffsaging	Address Lin Manugament Software Annue (PC 34)							
			7.200	8	267	ž	212	190 191	8	1.5.1	909,621
Zont Mo. of	<b>a</b> 5	· · · · · · · · · · · · · · · · · · ·	en		-	-	*				
Unit Cost			2,400		æ	2	212	Ē	2	1.68,1	1
ł	Partice 1		PCP Barver Literee		THE R	H	Active 3.0	Access by	Vention 1.0		1
Component	(Component ID) Address Link		Eroppen Production Production Production Production		(12 34)	(LC 22)	(BC 23)	(PC 24)	(PC 29)	(PC 26)	
							<u> </u>				TOTAL PROCESSING CENTER

CATEGORY	FIXED COSTS		YR	1999,		ANNUAL	COSTS		YR	1999	YR	2000	YŔ	2001	YR 2002		YP	2003
	Component (Component ID)	Unit	Unit Cost	No. of Units	Amount (Unit Cost X Ne, of Units)	Component (Component ID)	Unit	Unit Cost	No. of Units	Amount	No. of Units	Amount {Unit Cest X No of Unite}	No. of Unite	Amount (Unit Cest X Ne. of Units)	No. of Units	Amount (Unit Cest X No. of Unite)	No. of Unite	Amount (Unit Ceel 3
Telecommunication	Solup Network Line to Initial Print Silee (TEL 1)	Dedicated Network Line (T1)	3500	10	35,000	Setup Network Line to Addt1 Printers (TEL 4)	Dedicated Network Line (T1)	3500	0	0		24,500	0	28,000	0	0	Ū	
(Refer Attschment 3, Pages 8-8, for Capacity Analysia)	Set Up Internet Connection (TEL 2)	Dedicated Naturat Line (T1)	3500	1	3,500	Annuel Cherge Network Line from USPS to all Print Bilee (TEL 5)	T1 Annual Charge (Monthly X 12)	42000	10	420,000	17	714,000	25	1,050,000	25	1,050,000	25	1,090,00
	Solup Notwork Une to FOMS (TEL 3)	Dedicated Network Line (T1)	3500	1	3,500	Annual Charge Network Line from USPS to FOMS (TEL 6)	Tt Annual Charge (Monthly X 12)	42000	1	42,000	1	42,000	۱	42,000	1	42,000	1	42,00
						Help Deek 1-800 line (TEL 7)	Charge per hour use	3.3	2392	7,894	3236	10,665	4630	15,279	5875	19,366	5436	17,93
TOTAL TELE			·		42,000	f				469,894		791,185		1,135,279		1,111,300		1,109.03
Printer Sites	initial Print Siles - FTP Barvare (PR 1)	Olgitel Priorie 200200 Bingle One Processor (Windows NT)	10,000	20	200,000	Addi Siles - FTP Servers (PR 5)	Digital Prioris 2X8200 Bingle One Processor (Windows NT)	10,000	0	0	14	140,000	16	180,000	0	0	0	
(Refer Atlachmant 3, Pages 9, Ior Capacity Analysis)	Rovier (PR 2)	1 Router	1900	10	15,000	Add1 Siles - Routers (PR 6)	Estimate	1500	0	O	,	10,500	8	12,000	0	0	o	(
	Install Equipment al Initial Print Siles - Labor (PR 3)	Hrs (6) @ 905.00 per hour	40	10	26,000	Install Equipment at add(1 Print Biles - Labor (PR 7)	Resource Hrs @ \$65.00 per hour	40	0	o	7	18,200	8	20.800	0	o	D	C
	Install Equipment	Coel Per	2500	10		Install Equipment	Cost Per	2500	0	'n	_[	17,500	a i	20.000	ام			

# Attachment 2, modified in response to OCA/USPS-T3-77 (continued)

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### Attachment 2, modified in response to OCA/USPS-T3-77 (continued)

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CATEGORY	FIXED COSTS		YR 1999			ANNUAL COSTS		·	YR 1999		YR 2000		YR 2001		YR 2002		YR 2003	
	Component (Component ID)	Unit	Unit Cost	No. <i>of</i> Unite	Amount (Unit Cost X No. of Units)	Component (Component ID)	UnN	Unit Cost	No. of Unite	Amount	No. of Unite	Amount (Unit Cost X No of Units)	No. of Units	Amount (Unit Cost X No. of Units)	No. of Units	Amount (UHI Ceel X No. of Units)	No. of Units	Amount (Unit Cast X No. of Units)
						USP9 Equipment Maintenance at all Print Sites (PR 9)	Resource	80	10	52,000	17	88,400	25	130,000	25	130,000	25	130,000
Total Print Sites	r				268,000			·······		52,000		274,600		342,800		130,000		130,000
GRAND TOTALS					1,245,387			<u></u>	<u> </u>	1,558,824		2,102,515		2,752,564		2,499,118		2.487,889
# RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS STIREWALT TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T3-79. Please refer to your response to OCA/USPS-T3-71. Since you did not assume that files contain only plain text, please identify, and provide the number of bytes associated with, files other than plain text files.

## RESPONSE

Although I did not assume that all Mailing Online files submitted by customers contain plain text only, I did not calculate or otherwise quantify a number of bytes associated with graphics that may be embedded in plain text files.

#### RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS STIREWALT TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T3-80. In your response to OCA/USPS-T3-35(e), you state, "The current Mailing Online system transmits all jobs to the print site in Postscript format." Please reconcile the statement quoted above with your response to OCA/USPS-T3-72(c), which states, "The San Mateo processing center forwards all print jobs to the print site in PDF format."

#### RESPONSE

My response to OCA/USPS-T3-72(c) resulted from discussion with the Mailing Online developer who at that time told me that the current Mailing Online forwards all print jobs to the print site in PDF format. My prior knowledge of the format of files forwarded to the print site was based on information available at an earlier period of time, and 1 reported this knowledge in my response to OCA/USPS-T3-35(e). My response to OCA/USPS-T3-72(c) supersedes my response to OCA/USPS-T3-35(e) with respect to the format of print jobs forwarded from the San Mateo processing center to the print site. All print jobs forwarded to the print site are in PDF format. A revised response to OCA/USPS-T3-35 is being filed separately today.

### RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS STIREWALT TO INTERROGATORY OF PITNEY BOWES REDIRECTED FROM WITNESS SECKAR

PB/USPS-T3-1 Is any or all of the software to be employed during the experimental period at the San Mateo facility proprietary to the Postal Service (written by or for the Postal Service) as opposed to off-the-shelf software?

a. If your answer was in the affirmative, identify where in Attachment 1 to Library Reference USPS-LR-1/MC98-1, the costs of developing that proprietary software are reflected.

b. If any of the San Mateo MOL-related software is off-the-shelf and not identified in the Stirewalt Library Reference-1, please identify that software by brand name and disclose where in Attachment to the Library Reference the costs of it are reflected.

## RESPONSE

Yes. Proprietary software is being developed for the Mailing Online experiment.

- An estimated cost for software development is included in witness Seckar's testimony in Exhibit A, page 26, as "System Developer" costs, rather than in Attachment 1 of USPS-LR-1/MC98-1.
- b. I understand that the MOL system for the experiment is now being determined; thus,
   I am unable to identify any software or provide its costs at this time.

## RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS STIREWALT TO INTERROGATORY OF PITNEY BOWES REDIRECTED FROM WITNESS SECKAR

PB/USPS-T3-2 Please answer the questions posed in Interrogatory 1 above with respect to any software that the Postal Service will make available to its contract printers at the sites of their facilities.

### RESPONSE

Please see my response to PB/USPS-T3-1(b) above.

1 COMMISSIONER LeBLANC: Does any participant have 2 additional written cross examination for Witness Stirewalt? MS. DREIFUSS: Yes, Mr. Presiding Officer. 3 COMMISSIONER LeBLANC: Ms. Dreifuss. 4 MS. DREIFUSS: Mr. Stirewalt answered 5 6 Interrogatory OCA/USPS-T3-84 after we had designated written 7 responses. I would like to show this response to him, please. 8 9 COMMISSIONER LeBLANC: Please do. BY MS. DREIFUSS: Mr. Stirewalt, did you prepare 10 this response or was it prepared under your direction? 11 12 THE WITNESS: Yes, it was. 13 MS. DREIFUSS: If that question was asked of you 14 today, would your answer be the same? THE WITNESS: Yes, it would. 15 16 MS. DREIFUSS: I would like this admitted into evidence, please, and made part of the record. 17 I will hand the copies to the Reporter, if that is 18 all right. 19 20 COMMISSIONER LeBLANC: Please, and I direct that 21 these be accepted into evidence and transcribed in the 22 record at this point, Mr. Reporter. 23 [Additional Designation of Written 24 Cross-Examination of Daniel 25 Stirewalt, OCA/USPS-T3-84, was



1	received	int	o evi	denc	e and	
2	transcrib	ed	into	the	record	.]
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### RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS STIREWALT TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

**OCA/USPS-T3-84.** In response to interrogatory OCA/USPS-T3-68.a., you state that the Mailing Online (MOL) software does not accept files in PDF format. As a consequence of that response, OCA has created a simulated flier in Microsoft Word that is very similar to the flier printed from the PDF file discussed in OCA/USPS-T3-68. OCA has filed a second library reference, OCA-LR-2, containing a 731 KB Word file that was used to print the Attachment to this set of interrogatories.

- a. Please review the document properties of the file contained in OCA-LR-2, entitled "WORDflier." Please confirm that this type of file would be acceptable for MOL (or redirect this interrogatory to a witness who is able to confirm or deny).
- b. Please review the number of bytes required to create the image and text of the simulated flier. Isn't it correct that this file is approximately 731 kilobytes (KB) in size?
- c. If you are not able to confirm that the file is acceptable for MOL, then explain why it is not acceptable (or redirect this question to a witness who is able to provide the explanation).
- d. In your response to part g. of OCA interrogatory OCA/USPS-T3-68, you stress that "a significant number, even a majority, [of jobs] would be submitted in the format of the most popular word processing software, Microsoft Word." Isn't it correct that the format used to generate the simulated flier is Microsoft Word? (If you do not answer affirmatively, provide an explanation.)
- e. At the end of your response to part g. of OCA interrogatory OCA/USPS-T3-68, you state that, "most, although not all of the content of Mailing Online documents, would be in text." What is the basis of that statement? Furnish all source documents supporting the stated assumption.
- f. Isn't it correct that the simulated flier created as a Microsoft Word document is approximately 145 times larger than the typical file size you assumed—5.02KB; i.e., 731/5.02 = 145.6? (If you do not answer affirmatively, provide an explanation.)
- g. Isn't it correct that the Postal Service projects that approximately 69 percent of MOL jobs will be Standard A? (Refer to USPS-T-2, Exhibit A, Table 4, page 8, line 9). (If you do not answer affirmatively, provide an explanation.)
- h. Isn't it reasonable to assume that the majority of Standard A volume will be advertising material? (If you do not answer affirmatively, provide an explanation.)
- i. Isn't it also reasonable to assume that a majority of advertising material will make extensive use of graphics since graphics give an advertising piece greater visual impact? (If you do not answer affirmatively, provide an explanation.)

#### **RESPONSE:**

- a. Confirmed that the file WORDflier would be acceptable to Mailing Online.
- b. Correct.
- c. Not applicable.
- d. WORDflier is a Microsoft Word document containing an embedded graphic created,
   I believe, by another software product.

## RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS STIREWALT TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE

- e. The statement made in the context of the response and my testimony in general is a restatement of my assumption when I originally developed my testimony. Since that time, I have not seen any data that demonstrate that this assumption is incorrect, i.e. that a majority of Mailing Online documents would not be in text.
- f. Correct.
- g. Correct.
- h. No. It is my understanding that USPS-LR-2/MC98-1, Table 5, projects that only 11 percent of Mailing Online pieces would be advertising mail.
- i. I have no basis to assume that any definite portion of an electronic Mailing Online document will be composed of graphics.

1	COMMISSIONER LeBLANC: Does anybody else have any		
2	matters at this particular point?		
3	[No response.]		
4	COMMISSIONER LeBLANC: Two participants have		
5	requested oral cross examination of Witness Stirewalt, the		
6	Office of the Consumer Advocate and Pitney-Bowes.		
7	Does any other participant have oral cross		
8	examination for Witness Stirewalt at this point?		
9	[No response.]		
10	COMMISSIONER LeBLANC: Ms. Dreifuss, we will begin		
11	with you.		
12	MS. DREIFUSS: Thank you.		
13	CROSS EXAMINATION		
14	BY MS. DREIFUSS:		
15	Q Mr. Stirewalt, have you had occasion to read Mr.		
16	Garvey's testimony?		
17	COMMISSIONER LeBLANC: Ms. Dreifuss, excuse me,		
18	can you either pull the mike in or speak up a little bit?		
19	Thank you.		
20	BY MS. DREIFUSS:		
21	Q Sure. Mr. Stirewalt, have you read Mr. Garvey's		
22	testimony, USPS-T-1?		
23	A I have not read the entire body of Mr. Garvey's		
24	testimony, no.		
25	Q Are you familiar with the section of his testimony		

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.....

1	in which he lists the user applications that will be
2	acceptable for Mailing Online?
3	A I don't recall specifically seeing that in his
4	testimony nor am I sure that I actually read it.
5	Q At page 3 of USPS-T-1, he lists applications that
6	Mailing Online customers should be able to use for MOL.
7	He lists Microsoft Word. Is it your understanding
8	that Microsoft Word is acceptable for MOL at the present
9	time?
10	A Yes.
11	Q He also lists WordPerfect. Do you know if that is
12	acceptable for MOL?
13	A To the best of my understanding it is.
14	Q He lists Pagemaker. Is that acceptable for MOL?
15	A I believe so.
16	Q He also lists Ventura. Is that acceptable for
17	MOL?
18	A I believe so also.
19	Q He also lists Quark. Is that acceptable for MOL?
20	A Yes.
21	Q He also states that at some future time well,
22	let me read his exact sentences.
23	He says, after the listing that I just gave you,
24	he says, "Future development will include additional
25	applications identified by user demand studies. In

addition, a universal portable document format, PDF, input
capability will be included to allow document creation using
many unsupported applications."

4 Do you know if PDF is currently available to MOL 5 users?

6 A My understanding is PDF is not acceptable as an 7 input to Mailing Online.

8 Q Do you know whether it will be at some future 9 time?

10 A Other than the testimony of Mr. Garvey, I have no 11 information about that.

12 Q I would like you to turn to your response to OCA 13 Interrogatory 77 to you, specifically OCA/USPS-T-3-77, and 14 this would be page 3 -- I'm sorry -- page 4 of the response.

At the top of the page it says Attachment 1, modified in response to OCA USPS-3-77. Do you have that page in front of you? On the left -- to help you find it, on the left hand column, at the very top, it says category, component, description, and item number.

20 A All right. I have it.

Q And I would like you to look now to the right hand column, it is labeled "Source", and I am going to go down to the row in which the number of bytes per page, word processing, desktop publishing is listed. And under the Source column, you state here, "The size and bytes of an

1 electronic page can vary widely depending" -- it says 2 "depending of volume." Do you think that should be "on volume, " "depending on volume"? 3 4 Α Yes, it should. 5 0 "Depending on volume of text and presence of graphics. A Microsoft Word file with several paragraphs 6 7 plain text can require up to 10K bytes, 5K is assumed here." Do you see that? 8 9 Α Yes, I do. 10 0 Now, you discuss a Word application at this point. Did you have occasion to look at any Word applications to 11 12 see what size those files would be? 13 Α I did look at a few, yes. You looked at some Word documents? 14 0 15 Α Yes, I did. Did you look at any WordPerfect documents? 16 0 17 Α No, I did not. 18 Did you look at any Pagemaker documents? 0 19 Α No, I did not. 20 Q Did you look at any Ventura documents? 21 No, I did not. Α 22 0 Did you look at any Quark documents? 23 А NO. In response to another interrogatory, I mentioned that one of my assumptions was the fact that 24 25 Microsoft Word being the most popular word processing

product on the market led me to assume that the majority of documents that would be submitted to Mailing Online would be Microsoft Word, and whatever assumption I made about Microsoft Word documents would prevail with respect<sup>10</sup> the attributes of the documents submitted to Mailing Online.

6 Q You really don't know, though, what a common 7 WordPerfect file size might be, since you didn't have 8 occasion to research that, do you?

9 A It would be very difficult to determine even if I 10 had a number of files to work with. I think it would 11 require me to have a large body of documents to deal with 12 and more specific information about the type of documents 13 being submitted by customers.

14 Q You don't have any idea, either, what a common 15 Pagemaker file size would be, do you?

16 A I don't know if there is a number that represents 17 a common page size for a Pagemaker file, or Word file, or a 18 Quark file, or WordPerfect file. I am not aware of any such 19 numbers.

20 Q So you are not aware of any common number? 21 A None that would be universally accepted. I am not 22 aware of one at this time.

Q So your decision to estimate the file size at 5K isn't necessarily typical or representative of the type of files you will receive in MOL, is it?

At the time I made by estimates, it was the best 1 Α assumption I could make at the time. 2 3 0 Why was it the best assumption? I didn't have any specific information regarding 4 Α actual documents that had been submitted by customers, nor a 5 large population of documents that might be like documents 6 7 submitted by customers for Mailing Online, by any definition that I was aware of. 8 9 0 A typical file submitted by MOL customers, then, might be quite a bit larger than your estimate of 5K, isn't 10 11 that correct? 12 I don't have any reason to assume that they will Α be larger or smaller. 13 14 You don't really have any reason to assume any Q 15 particular number, do you? 16 Α It would be difficult to come up with one number for a different -- for a set of different software products 17 18 and different content. Depending upon the information available, one would have to come up with an assumption as 19 20 reasonable as could be expected based on that information. 21 You did look at a few Word documents, is that 0 22 correct? 23 Α That is correct. Did you look at any Word documents that had 24 Q graphics embedded in them? 25

1 A No, I did not.

2	Q Do you recall an interrogatory OCA posed to you,
3	number 84 you just looked at it a moment ago in which
4	we filed as a Library Reference a Word file? It was a
5	single page when printed. It was a picture of a dog, a
6	graphic of a dog. Do you recall that Library Reference?
7	A Yes, I do.
8	Q Do you recall that that Word file was 731K in
9	size?
10	A Yes.
11	Q So when you were preparing your estimate, you only
12	looked at text files in Word and you didn't look at any Word
13	files that contain graphics, is that correct?
14	A I assumed that some portion of some unknown number
15	of documents may contain some graphics, but I did not
16	examine any particular document to see how one particular
17	graphic, which may or may not represent what a Mailing
18	Online customer might embed into a document, might be in
19	terms of size and bytes. No, I did not do that.
20	Q Now, the Word file that OCA submitted as Library
21	Reference OCA LR 2, this dog graphic, that is acceptable for
22	MOI, is it not?
23	A Yes, it is.
24	Q So an MOL customer could submit that and it could
25	be processed and mailed under MOL, could it not?

1 A My understanding is that the software, the current 2 Mailing Online software can accept a document that is very 3 similar, exactly like the one in the Library Reference, from 4 a customer.

5 Q The document we submitted to you as OCA LR 2, the 6 dog graphic, that file was 145 times larger than your 7 estimate of 5K, wasn't it?

8

A Approximately, yes.

I would like to turn to another matter now. 9 0 There has been a little confusion, at least in my mind, about the 10 11 format in which the Postal Service will be processing 12 documents after they are received by MOL customers. Once a 13 document -- once a non-mail merge document is received at San Mateo, will it then be converted into PDF for further 14 processing? 15

16 A At the point of time that a document is forwarded 17 to a print site, it is in PDF format, yes.

18 Q If it is a mail merge document, it will not be 19 converted into PDF, instead, it will be converted into 20 Postscript, is that correct?

A No, it is not. My understanding at this time is that all documents exiting the San Mateo processing center will be in PDF format.

Q I can't lay my hands too rapidly on this answer, but I believe it is inconsistent with an interrogatory

response you gave to OCA. Do you recall the one in which you said that the mail merge documents would be processed as Postscript files? There are number of interrogatories where we have dealt with this matter. It would have been a recent interrogatory response. Yes. I don't know whether to use the laser fiche option that I have right here. I could do a word search, but I don't think -- I don't know if that is going to be any quicker. MR. RUBIN: Could it be 72, OCA-72? MS. DREIFUSS: Well, interrogatory 72, which I will get to, it is a later stage in the process. It is talking about the transmission of the files to the print site. But the one that I recall is that the processing of

18 the documents in San Mateo will be in Postscript format, and I believe that was a recent answer. 19

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COMMISSIONER LeBLANC: Ms. Dreifuss, if I can back 20 you up minute, so what is the particular question that we 21 22 are looking for here?

There have been several 23 MS. DREIFUSS: contradictory statements made over the course of discovery 24 and hearings about when PDF files will be used and when 25

Postscript files will be used, and I am trying to establish, 1 2 in fact, what will be the format used. 3 COMMISSIONER LeBLANC: Thank you. 4 MR. RUBIN: Now, I am looking at OCA-35, E&F as revised November 6th. 5 6 MS. DREIFUSS: I think that might be it. Right. 7 Thank you. 8 BY MS. DREIFUSS: 9 0 It was your revised answer to OCA interrogatory 10 35. That answer was revised on November 6th. Now, does 11 this answer indicate that mail merge jobs will be processed 12 as Postscript? I want to make sure we are looking at the same 13 Α 14 interrogatory -- 35, part (e)? MS. DREIFUSS: No, it would be (f). No, I am 15 16 sorry, this -- they are talking about storage. Well, I 17 can't lay my hands on it easily. With the Presiding Officer's indulgence, if I have 18 time following the hearing to find it, I may submit it as a 19 20 question -- as an interrogatory, if that is all right, 21 rather than take up any more hearing time. I thought I 22 recalled that the processing of the files in San Mateo would 23 be different for mail merge documents than for non-mail 24 merge documents. COMMISSIONER LeBLANC: Can you ask the question to 25

1 try to elicit the answer today, so that we don't have to get 2 into writings, Ms. Dreifuss? If necessary, we can, but if 3 you could possibly word it so we could move on, it would be 4 of help.

MS. DREIFUSS: All right.

BY MS. DREIFUSS:

5

6

Q Well, your testimony at this time is that mail merge documents will be processed in San Mateo as PDF files, is that correct?

I am not totally familiar with what happens 10 Α internally in San Mateo. I know that all the documents that 11 emerge from the processing at San Mateo come out in PDF 12 13 format. I knew in the past that there was some conversion of some documents to Postscript. I do not know, in fact, 14 whether that takes place. But that would be internal to San 15 16 Mateo, it would not be reflective of the format of any of the files that emerge from the processing center, or that 17 are stored at the processing center. 18

19 Q Could you turn to --

20 COMMISSIONER LeBLANC: Excuse me, Ms. Dreifuss, do 21 we need to follow up with that in writing, or will that 22 satisfy you at this particular point?

23 MS. DREIFUSS: There is one more statement I want 24 to call to his attention before I leave this.

25 COMMISSIONER LeBLANC: Thank you.



the table titled, "Summary of Change to Attachments 1 and 7 2." 8

Okay. In the second column of page 2, which would 9 Q be year 1999 estimates, or year 1999 estimate, I should say, 10 11 the second line lists the number of bytes per page in 12 Postscript format, is that correct?

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That is correct.

14 Q I'm sorry, that would be in the left hand column 15 and the number itself, 30K, appears in the column just to 16 the right of that, is that correct?

Α That is correct.

So does that mean you are going to be converting 18 0 19 the mail merge files that you receive from customers into Postscript format? 20

This section of the analysis reflects my 21 Α understanding of the workings of the Mailing Online software 22 at the time that I did it. At that time it was -- or I 23 understood or made known to me that some conversion to 24 25 Postscript format would take place. The assumptions I made

further concerning the Postscript format, and its use of mail merge batching of jobs that go down to print sites, were modified based on information I received and are reflected in the interrogatory response that I have. 35, I think is the best example of that.

For the purposes of this section of the analysis, where I talked about the processing, I kept the assumption that there would be conversion to Postscript in because I had no knowledge about whether that had been modified also.

10 Q So you are not clear whether they are processed, 11 the mail merge jobs are processed in San Mateo as PDF files 12 or Postscript files, is that correct?

13 A I don't have definite knowledge of that, no.
14 Q But you are assuming that they are processed as
15 Postscript files?

A I felt, for purposes of analyzing the capacity of the computers that might be planned to be purchased, it would be better to remain with that assumption because it would be more conservative to do that. If, for some unknown reason, internally, it would be converted to Postscript format, that would be accounted for, rather than myself making an assumption, that that should be deleted.

23 Q If a file is in Postscript format, you assumed 24 that its size would be about 30K, didn't you?

25 A That's correct.

And if a file was in PDF format, you assumed its 1 0 2 size would be about 5K, is that correct? Per electronic page, not a document, but a page. 3 Α Per page. And that correction is true also of the Q 4 Postscript file, that is, it was 30K per page per file? 5 6 Α That is correct. 7 0 Now, on that same page 2 of Attachment 1 that we 8 were just talking about, if you go down just a little bit further, we see a heading, "Telecommunications FTP Servers, 9 Data Sent From USPS to Print Sites," do you see that? 10 А Yes, I do. 11 12 The fourth line down from that heading, I see a Q 13 line that says average bytes per page in Postscript format. 14 Do you see that? 15 Α Yes, I do. 16 And for the file size, per page, you say 5K. 0 Is 17 that correct? 18 Α That's correct. What is your assumption, is it that it will be a 19 0 5K per page size of Postscript format, or is it not in 20 21 Postscript format, rather it is in PDF format? The word Postscript on this line is an error I did 22 Α 23 not catch in formulating my response to OCA/USPS-T3-77. 24 0 What should it read? It should read PDF. 25 Α

You stated in response to, I believe it was OCA Q 1 2 interrogatory 35, that --COMMISSIONER LeBLANC: Ms. Dreifuss, I am sorry to 3 4 bother you, but does that -- I want to clarify the record. Is that okay as far as the answer there? 5 MS. DREIFUSS: 6 Yes. 7 COMMISSIONER LeBLANC: So we do not need to get 8 back in writing this particular point, though? 9 MS. DREIFUSS: No. No -- well, no, I don't think you will need to. I am satisfied with the answers I just 10 11 qot. 12 COMMISSIONER LeBLANC: Fine. Thank you. Thank 13 you, Mr. Stirewalt. BY MS. DREIFUSS: 14 15 I believe in response to OCA Interrogatory 35 you 0 16 have stated that whether a job is a mail merge job or a 17 non-mail merge job, the file will be transmitted to the print sites in PDF, in the PDF format. Is that correct? 18 19 Α I did say that, yes. 20 Once the files are received at the print sites, do 0 21 you know whether the FTP servers will prepare them for 22 printing as PDF files or Postscript files or still some other format? 23 I am not aware of any preparation that happens on 24 Α the FTP servers in the print sites other than those servers 25

1 being a receptacle for those files.

I am not aware of any further processing that takes place there.

Q So it's your impression that the MOL documents that will be sent through the mail will be printed from PDF format files, is that correct?

7 A No, I said I don't have any awareness of what 8 processing takes place there. I do not have any knowledge 9 of what happens beyond its transmittal from the San Mateo 10 Processing Center.

11 Q So you know that it will be transmitted to the 12 print site as a PDF format file, but you are not sure what 13 happens to it once it gets to the print site, is that 14 correct?

15 A I have no definite knowledge of each individual 16 step or each individual process that is performed upon the 17 electronic document once it is received by the print site.

No, I do not know that.

18

MS. DREIFUSS: Commissioner LeBlanc, I wonder if we could get the Postal Service to give us an answer in writing since Mr. Stirewalt isn't certain as he sits here today about this whether files will be prepared for printing at the print sites in their PDF format, the one that was used to transmit them, or whether they will need to be converted into some other format.

COMMISSIONER LeBLANC: Mr. Hollies, do you have
 any objection to that?

3 MR. HOLLIES: Yes, we do. That is beyond the 4 scope of this witness's testimony and we have a procedural 5 schedule regarding when questions may be posed.

6 On the other hand, counsel might be advised that 7 she could ask Witness Garvey where she may get a little 8 further with this.

9 MS. DREIFUSS: I would be happy to ask Witness 10 Garvey.

11 COMMISSIONER LEBLANC: But Mr. Hollies, if she 12 does not get the answer there, it's my understanding from 13 your colloquy with the witness, Ms. Dreifuss, that that is 14 different than what actually is on the paper, and that is 15 your concern, is that correct?

MS. DREIFUSS: I think the answers we have gotten 16 17 have been vague, and as you can see from even our 18 conversation today, there have been errors, errors made in the representation whether something would be in Postscript 19 20 or PDF -- early statements made that they would be in Postscript and then later changed to PDF, so we are really 21 22 up in the air about what is going to be used, and I think it would be fair in this case to have the Postal Service give 23 us a definite answer about what format will be used at the 24 25 print sites.

1 COMMISSIONER LEBLANC: As a point of 2 clarification, can you specifically ask then what it is that 3 you are trying to do here, so that we can either try to 4 handle it here or, if we have to, put it in writing, but I 5 would rather handle it here so that we can get a 6 clarification, get it on the record, and get the response as 7 soon as possible.

MS. DREIFUSS: Certainly.

8

9 I would like to know when files, after files are 10 received at the print site, and I believe that they are received in PDF format -- I believe I just established that 11 12 with Mr. Stirewalt since he said that they would be transmitted in PDF format and I presume that they would be 13 received in PDF format -- I would like to know whether they 14 then need to be converted from PDF format to another 15 format -- Postscript is one example -- for preparation for 16 17 printing, and if the PDF files are converted at the print site I would like to know into what format they are 18 converted. 19

20 COMMISSIONER LEBLANC: Mr. Stirewalt, that is a 21 little bit different than what your answer was, it's my 22 understanding.

23 Given that scenario, how much longer would it take 24 you to respond to that?

25 MR. HOLLIES: Mr. Presiding Officer, we would like

1 to interject an objection at this point.

That question is beyond the scope of this witness's testimony. Moreover, we have a contract under which services by the printer are provided and that contract covers all of those printers' costs. They are technically irrelevant to what we are discussing here.

7 It may be perhaps of interest in a technical sense 8 to find out how things happen, but when things -- when we 9 are talking about matters occurring at the print site, those 10 costs are all embodied in the contract and covered by the 11 fact that we are using that contract cost as a basis for 12 setting Mailing Online fees.

MS. DREIFUSS: Mr. Commissioner, I disagree with
Mr. Hollies' statement just now.

These files, as I understand it, are received at the print sites on Postal Service computers. The Postal Service, as I understand it, has bought these computers, installed these computers and maintains these computers, and I would like to know the size of the files that these computers are using, and the format of those files.

21 COMMISSIONER LeBLANC: Mr. Hollies, before I rule 22 do you have any other objections?

23 [Discussion off the record.]

24 MR. HOLLIES: Well, we believe that Ms. Dreifuss 25 does have a point. It is a Postal computer. It is still

beyond the scope of this witness's testimony, but if she 1 2 wishes to put that in writing we will respond. 3 COMMISSIONER LeBLANC: Well, you have stopped me from overruling your objection. 4 5 Ms. Dreifuss, if you would, please put that in 6 writing. MS. DREIFUSS: I would be happy to put it in 7 8 writing. Would it be all right just to ask the Postal Service to read these lines of transcript and respond to the 9 questions I posed orally? 10 11 I wouldn't do any more than simply probably cut and paste from the transcript into my own word document. 12 COMMISSIONER LeBLANC: That is a definite fair 13 14 point. Mr. Hollies, can you respond by close of the week 15 16 here? MR. HOLLIES: I -- well, if we can't, I'll let you 17 I would think so. 18 know. 19 COMMISSIONER LeBLANC: If you cannot, please let Ms. Dreifuss, will that meet your timetable? 20 us know. MS. DREIFUSS: That would be very satisfactory, 21 22 Mr. Presiding Officer. COMMISSIONER LeBLANC: Thank you -- moving right 23 24 along. MS. DREIFUSS: I don't have any other questions 25

for this witness, Commissioner LeBlanc. 1 2 COMMISSIONER LeBLANC: Mr. Wiggins. CROSS EXAMINATION 3 BY MR. WIGGINS: 4 5 Q Mr. Stirewalt, I'm Frank Wiggins, here representing --6 7 COMMISSIONER LEBLANC: Mr. Wiggins, you're going to have to speak up. I'm going to have to get these mikes 8 turned up this afternoon, but if you'll pull it closer or 9 bring it down. 10 11 Thank you. 12 BY MR. WIGGINS: 13 0 Representing Pitney Bowes. The last sentence of your response to part (a) of 14 OCA question 77 to you, if you'd like to have that in front 15 16 of you, says: Moreover, I understand that an updated information systems cost analysis reflecting expected 17 procedures during the Mailing Online experiment is being 18 19 developed for presentation to the Commission. Do you have any information about that expected 20 presentation than what is presented here? 21 Not beyond what I've put into my response, no, at 22 Α this time. 23 You have no notion of when we might all expect 24 Q this presentation? 25

Α You're asking me when this presentation to the 1 2 Commission might take place? That's fair. Yes. 3 0 I do not know that. А 4 Is it going to be part of this case? 5 0 MR. HOLLIES: If I may interject here, I rather 6 expected this to be a question posed directly to counsel, 7 and inasmuch as it was not, I do have information I can 8 9 share on this point. I don't believe that the witness knows 10 anything about it, as he's just stated. MR. WIGGINS: I'll have Mr. Hollies' testimony. 11 12 You needn't swear him. COMMISSIONER LeBLANC: Thank you, Mr. Wiggins. 13 I'm not an attorney, but I've got Jack covered so far. 14 MR. WIGGINS: If there's a representation from the 15 Postal Service on this score, I'd love to hear it. 16 17 COMMISSIONER LEBLANC: If you want to, we can go off the record here for a moment, and you can clarify your 18 19 issue here, because we need to move this along. 20 Mr. Hollies, is there any reason that the witness cannot answer this at this particular time or --21 MR. HOLLIES: I believe he's just stated he can't 22 answer it. That's correct. 23 COMMISSIONER LeBLANC: After getting together with 24 25 you and/or --

1 MR. HOLLIES: I guess I would submit that this is 2 not the subject of his testimony. It's technically 3 irrelevant. However, he has put in play an indication that 4 the Postal Service itself, not Mr. Stirewalt, the Postal 5 Service has plans to do something in this respect.

In fact, what's going on is that there's a meeting taking place today in San Mateo in which some new resources that we have brought to bear on this question are looking at it, and we -- I think the only thing we can say about the timing of it is that we're quite confident it won't be in by December 4, but we are aware that this is something that needs to be addressed.

In essence what Witness Stirewalt did was make projections based on the state of knowledge that existed last spring, and there have been some stuggles as things have changed, and he's been asked to update his information. And he has certainly done that to the extent of his ability.

But we're bringing in new resources to address 18 some of the questions that really can't be -- that Mr. 19 Stirewalt is really unable to shed light upon. 20 So we have this under way. We have, as I say, new resources, and we 21 are trying to address that problem. We have impressed upon 22 23 the contractors that this is something that needs to happen 24 soon, very soon, like yesterday or before, but we don't have any specific information on the timing. I hope to have more 25

information on that tomorrow morning or I guess tomorrow
 afternoon.

COMMISSIONER LeBLANC: Mr. Wiggins. 3 MR. WIGGINS: Mr. Presiding Officer, I appreciate 4 5 the testimony of both the witnesses, and would request that the Commission direct the Postal Service to inform all of us 6 as to when we might have this further expected presentation 7 8 at -- you know, I understand, they can't tell us until they know -- but at the earliest opportunity after they've 9 10 arrived at a schedule for that, in the anticipation, I'll be 11 candid with you, that unless it happens really quickly, I think it's going to scuttle the schedule that the Commission 12 has set for this proceeding. And I'm, you know, I'm not 13 trying to hide the ball here. 14

15 COMMISSIONER LeBLANC: With all due respect, let 16 me be the judge of that one.

MR. WIGGINS: Well, no, absolutely. I'm notmaking a motion.

19 COMMISSIONER LEBLANC: And, Mr. Hollies, did I 20 misunderstand you, or did you say that you would have 21 something more definitive by tomorrow afternoon? Is that 22 what I understood?

23 MR. HOLLIES: Yes, as there's a meeting from --24 there's a meeting in San Mateo yesterday and today, and I 25 hope to hear further information on that.

The essence of the problem here is that the 1 2 testimony offered by Witness Stirewalt reflected our best 3 understanding of the system that would be in place in fact for the market test, and since that time we've come to 4 understand that the system that is to be used for the 5 6 experiment differs in the same order of magnitude from the market test system as the market test system differed from 7 8 the operations test system. We didn't know that up front, and we are trying to provide the best and most accurate 9 information we can to the Commission as I have described. 10 11 COMMISSIONER LeBLANC: What information could you 12 get us specifically by the end of the week? 13 MR. HOLLIES: We can get you a schedule on which we hope to provide that information with the understanding 14 that we will be doing it as quickly as we can. 15 COMMISSIONER LeBLANC: I will need as definitive a 16 17 schedule as you can possibly get by the end of the week, 18 Friday, two days from now. 19 Mr. Wiggins, if you will take a look at that, if you have to, you file an objection. We will take it under 20 21 advisement and do what is necessary at that time. MR. WIGGINS: I appreciate that, Mr. Presiding 22 23 Officer. BY MR. WIGGINS: 24 Mr. Stirewalt, your answer to Pitney Bowes' 25 Q

1 Interrogatory number 1 to you at part (b) -- let me know when you have that. 2 Α I have it. 3 4 0 Thanks. You say there: I understand that the MOL system for the experiment -- we're talking about the 5 6 proprietary software here -- is now being determined. 7 Is that the same process that Mr. Hollies just described to us, a determination that is now in progress? 8 Part (b) is referring to software off the shelf, 9 Α if I recall the question correctly. 10 11 Q I believe if you look at the first part of your 12 answer, yes, proprietary software is being developed. That's right, the first part of my answer does say 13 Α 14 that; yes. 15 Q And is part (b) -- you were referring only to 16 off-the-shelf software? Part (b) I was responding to part (b) of the 17 Α interrogatory, which states if any of the San Mateo 18 MOL-related software is off the shelf, not identified. 19 20 So --So you don't know -- part (a) says that only 21 0 another witness knows about proprietary software. Is that 22 23 right? My question might have been a little ambiguous. 24 Let's cut through it here. Is there proprietary software to 25

be used in the Mailing Online experimental phase? 1 2 А I believe so; yes. 3 0 And do you know the cost of that software? No, I do not. 4 Α Is there another Postal Service witness to whom I 5 0 6 might inquire on that subject? 7 Does anybody in the Postal Service know what it's going to cost? 8 I think that's part of the process that's going on 9 Α right now in San Mateo. I cannot be definite about that. 10 11 0 And are you alert to the cost of nonproprietary or off-the-shelf software that's going to be employed by the 12 13 Postal Service in the Mailing Online service during the experimental phase? 14 By using the term "alert" do you mean definite 15 А 16 knowledge? 17 Well, any knowledge that you have, and, you know, 0 if you know a little bit and there are some things you don't 18 19 know, just caution your answer. I'd like to know everything 20 that you know. The information I received during compilation of 21 А 22 the testimony I originally submitted included a number of off-the-shelf software products, Postal Soft I would cite as 23 24 an example. Sure, and your testimony talks about that. 25 Q

1 A Yes. And I'm not aware of any changes or 2 modifications or swaps that have been made between those 3 products and other products. I'm not aware of that. Again, 4 I don't have definite knowledge of the process going on in 5 San Mateo today, but I'm not aware of any differences.

Q Okay. So what -- help me translate these words.
You say in answer to part (b) of my interrogatory: I
understand that the MOL system for the experiment is now
being determined. Thus I am unable to identify any software
or provide its costs at this time.

What the heck were you trying to tell me there? A That is, the final design for the information technology for the Mailing Online system as it would exist during the experimental phase had not been totally determined, so I could not provide any answer that in its particulars or whole may not be reflective of that final determination.

18 That applies to software, hardware or any other19 part of information technology.

Q So if I understand the two parts of the answer that you have just given me, you don't know of any changes that are going to be made but you also don't know that there aren't going to be changes made, is that right?

A Well, I was unwilling to assume even if I had partial knowledge of the process that one change that was

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## ----
possibly being determined before the entire system was being
 developed might be correct, so --

3 Q That was good even for Washington. Say that again 4 for me?

A All right. I understand there is a process going -- taking place -- Mr. Hollies mentioned it -- in San Mateo, where they are determining the final design for the Mailing Online system as it would exist during the experimental case.

When that is completed we will have definiteknowledge of what the components would be.

MR. WIGGINS: Mr. Presiding Officer, would you inquire of the Postal Service whether information concerning this issue, that is the software, be it proprietary or off-the-shelf, could be made a part of whatever report we are going to receive from them on the changes in the contours of this experiment?

18 COMMISSIONER LeBLANC: Do you want the software 19 package? What in specific when you say "software" I want to 20 make sure we are all on the --

21MR. WIGGINS: Sure. I would like to know two22things.

I would like to know the extent to which there is going to be proprietary software -- that is software written by or for the Postal Service -- and if there is to be, the

1 cost of it, and I would like to know the extent to which
2 there is going to be off-the-shelf software other than that
3 identified by Mr. Stirewalt in his testimony, and if there
4 is going to be other, different, or additional proprietary
5 software, the cost of that.

6 COMMISSIONER LEBLANC: You are not necessarily 7 asking, as I thought I heard, in your colloquy there that 8 you would want to look at that under any protective 9 conditions? You are just asking for the software package?

10 MR. WIGGINS: Oh, no, no, I am not to plug it into 11 my machine or anything.

12 COMMISSIONER LeBLANC: Okay -- no. I just wanted 13 to make sure. Mr. Hollies?

MR. HOLLIES: Well, it appears that my statement of a few minutes ago lacked sufficient clarity. That is exactly what this process is about.

Mr. Stirewalt testified about the state of the systems as he was aware of them, as we all were aware of them when he put his testimony together, and he has worked very hard to provide updates as that system continues to evolve.

In essence, what the Postal Service has determined is that the system that we expect to be using for the experiment is so far distant from where we started that some sort of an update is appropriate, and I think that we are

talking here about, if you will, an update or a replacement to Mr. Stirewalt's testimony that reflects all of the information that we now have, and that will include hardware components and software components, and quite plainly costs is a key issue for consideration in Commission proceedings, so that is where we will be focusing.

COMMISSIONER LeBLANC: Mr. Wiggins, it was my
understanding that the total process here would be
presented.

10 If it is not adequate at that time, you know your 11 own resource at that time, what you can or cannot do after 12 you present it in writing to us and we will take it under 13 advisement.

MR. WIGGINS: I just wanted to be clear about theclarity of my question.

16 COMMISSIONER LeBLANC: I understand Clarification17 cannot hurt.

MR. WIGGINS: And Mr. Stirewalt, I am really not 18 criticizing you personally for the quality of your knowledge 19 20 I realize that this is a dynamic process. here. It's ongoing and it has maybe outrun you a little bit, and I do 21 appreciate your answers or your efforts to answer my 22 questions, and Mr. Presiding Officer, I have nothing 23 24 further.

25

COMMISSIONER LeBLANC: Given that scenario, are

there any questions from the bench? 1 2 [No response.] COMMISSIONER LEBLANC: No questions from the 3 4 bench. I think this might be a good time, real quick here, 5 to -- well, I guess not. Let's see. Let's go to redirect and then we will take a break 6 after that. Mr. Hollies, would you like an opportunity to 7 8 consult with your witness or I mean -- I'm sorry, Mr. Rubin, 9 I keep -- you all have messed me up, going back and forth. Mr. Rubin, would you like to consult with your 10 witness here for some redirect? 11 12 MR. RUBIN: Yes. We would like five minutes, 13 please. 14 COMMISSIONER LeBLANC: All right. Well, why don't 15 we -- why don't we go ahead and take a full ten here, and come back ten minutes to the hour. 16 17 [Recess.] COMMISSIONER LeBLANC: Okay, ladies and gentlemen, 18 19 we will pick back up. Mr. Reporter, we will be back on the 20 record. Mr. Hollies and Mr. Rubin, I am flipping a coin 21 22 Mr. Rubin, is there any redirect? aqain. MR. RUBIN: The Postal Service will have no 23 24 redirect for this witness. Thank you. 25 COMMISSIONER LeBLANC: No redirect, there can be

no recross. Okay. Mr. Stirewalt, I want to take this time 1 to thank you and the Commission appreciates your appearance 2 3 here today and your contributions to our record. You are excused. 4 5 [Witness excused.] COMMISSIONER LeBLANC: Mr. Rubin or Mr. Hollies, I 6 7 guess Mr. Rubin this time. Okay. Will you identify your next witness so we can swear him in? 8 9 MR. RUBIN: The Postal Service calls Paul G. Seckar as it next witness. 10 11 COMMISSIONER LeBLANC: I am sure glad that lady 12 left, because when she got up, I said he has changed a whole lot, I'll tell you. 13 14 Mr. Rubin, is he in the building? 15 MR. RUBIN: Yes. I'm sorry, he is coming in right 16 now. 17 Whereupon, 18 PAUL G. SECKAR, a witness, having been called for examination and, having 19 20 been first duly sworn, was examined and testified as 21 follows: 22 COMMISSIONER LeBLANC: Is it Seckar? I want to try to pronounce it right. I will probably blow it again. 23 24 THE WITNESS: Seckar. 25 COMMISSIONER LeBLANC: Your direct testimony has

1 already been received into evidence in this case. Have you 2 had an opportunity to examine the packet of Designated 3 Written Cross-Examination that was made available to you 4 this morning? THE WITNESS: Yes, I did. 5 6 COMMISSIONER LeBLANC: If these guestions were 7 asked of you today, would your answers be the same as those 8 previously provided in writing? I got it out. 9 THE WITNESS: Yes, they would. 10 COMMISSIONER LeBLANC: Are there any corrections 11 anywhere? 12 THE WITNESS: No. 13 COMMISSIONER LeBLANC: Okay. Then, Mr. Rubin, 14 could you provide two copies of the corrected Designated Written Cross-Examination of your witness to the reporter, 15 and I will designate -- I mean I will direct that these be 16 17 accepted into evidence and transcribed into the record at this point. 18 19 [Designation of Written Cross-Examination of Paul G. 20 21 Seckar, USPS-T-2, was received into 22 evidence and transcribed into the 23 record.] 24 25

#### BEFORE THE POSTAL RATE COMMISSION WASHINGTON, DC 20268-0001

#### Mailing Online Service

Docket No. MC98-1

#### DESIGNATION OF WRITTEN CROSS-EXAMINATION OF UNITED STATES POSTAL SERVICE WITNESS PAUL G. SECKAR (USPS-T2)

<u>Party</u>

Office of the Consumer Advocate

**Interrogatories** 

DBP/USPS-T6-1 redirected to T2 OCA/USPS-T2-11-13, 14d, 16d OCA/USPS-T4-39-40 redirected to T2 PB/USPS-T2-1-2

Respectfully submitted,

Maria huken

Margaret P. Crenshaw Secretary

### INTERROGATORY RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS PAUL G. SECKAR (T2) DESIGNATED AS WRITTEN CROSS-EXAMINATION

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Interrogatory:	Designating Parties:
DBP/USPS-T6-1 rd. to T2	OCA
OCA/USPS-T2-11	OCA
OCA/USPS-T2-12	OCA
OCA/USPS-T2-13	OCA
OCA/USPS-T2-14d	OCA
OCA/USPS-T2-16d	OCA
OCA/USPS-T4-39 rd. to T2	OCA
OCA/USPS-T4-40 rd. to T2	OCA
PB/USPS-T2-1	OCA
PB/USPS-T2-2	OCA

## RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO INTERROGATORY OF DAVID B. POPKIN REDIRECTED FROM WITNESS HAMM

DBP/USPS-T6-1 On page 1 – lines 15-17 – of your testimony, you indicate that the greater number of impressions, the lower the cost per impression. For the service being proposed by the Postal Service, provide the cost per impression for printing the following number of impressions: 1, 10, 50, 100, 500, 1000, 3000, 5000.

#### **RESPONSE:**

The analysis presented in Exhibit A of my testimony (USPS-T-2) directly follows from two inputs provided to me — the volume forecasts provided by witness Rothschild, and the definition of full national rollout provided by witness Garvey. Given these inputs, I have estimated a cost per impression associated with a customer's job that requires 1, 10, 50, 100, 500, 1000, 3000, 5000, or more impressions. However, if you are inquiring as to the cost per impression if the service prints a total of 1, 10, 50, 100, 500, 1000, 3000, or 5000 impressions, then the associated cost would be higher as a result of not obtaining the same economies of scale that are realized based on the volume projections provided by witness Rothschild. Additionally, the costs per impression for a service which prints a total of 1, 10, 50, 100, 500, 1000, 3000, or 5000 impressions can not be calculated using the analysis presented in Exhibit A of my testimony because the system that would support such volumes is not defined.

OCA/USPS-T2-11. Please refer to USPS-T-2, Exhibit A, Table 14.

a. Please explain the phrase "System Developer" on line (29).

b. Please provide a detailed breakdown of the system developer costs of \$1,138,310, found on line (29).

c. In what year(s) are the system developer costs incurred?

## **RESPONSE:**

a.-c. Please refer to Tr. 2/425, which discusses system developer costs.

OCA/USPS-T2-12. Please refer to USPS-T-2, Exhibit A, Table 14, and USPS-LR-1/MC98-1, Attachment 2 at 18.

a. For 1999, please confirm that the total information systems fixed costs are \$1,145,387. If you do not confirm, please explain.

b. Please confirm that the system developer cost is \$1,138,310. If you do not confirm, please explain.

c. Please confirm that the information systems fixed costs, including system developer costs, are \$2,283,697. If you do not confirm, please explain.

d. Please confirm that the information systems fixed costs, including system developer costs, to be recovered in 1999 are \$831,867. If you do not confirm, please explain.

e. Please confirm that the information systems fixed costs, including system developer costs, to be recovered in 2000 are \$1,451,830. If you do not confirm, please explain.

#### **RESPONSE:**

a. Not confirmed. The information systems fixed costs of \$1,145,387 will be

incurred in both 1998 and 1999. See Tr. 2/425.

- b. Confirmed.
- c. Confirmed.
- d. Confirmed that the information systems fixed costs to be recovered in
  - <sup>-</sup> 1999 are \$831,867. However, please note that a portion of those costs

will be incurred in 1998. See Tr. 2/425.

e. Confirmed.

OCA/USPS-T2-13. Please refer to USPS-T-2, Exhibit A, Tables 14 and 15, and USPS-LR-1/MC98-1, Attachment 2 at 18.

a. For 1999, please confirm that the total information systems variable costs are \$1,558,624. If you do not confirm, please explain.

b. For 2000, please confirm that the total information systems variable costs are \$2,032,515. If you do not confirm, please explain.

c. Please confirm that the total of information system fixed costs, including system developer costs, and information system variable costs, to be recovered in 1999, is \$2,390,491 (\$831,867 + \$1,558,624). If you do not confirm, please explain.

d. Please confirm that the total of information system fixed costs, including system developer costs, and information system variable costs, to be recovered in 2000, is \$3,484,345 (\$1,451,830 + \$2,032,515). If you do not confirm, please explain.

#### **RESPONSE:**

a. Confirmed.

b. Confirmed.

- c. Confirmed only under the assumption that all these variable costs will actually be incurred in 1999 and hence need to be recovered in 1999.
- d. Confirmed only under the assumption that all these variable costs will

actually be incurred in 2000 and hence need to be recovered in 2000.

OCA/USPS-T2-14. Please refer to USPS-T-2, Exhibit A, Tables 14 and 15.

a. For 1999, please confirm that the average information system fixed cost (including system developer costs), per transaction, is \$11.60 (\$831,867 / 71,722). If you do not confirm, please explain and provide the correct figure.

b. For 1999, please confirm that the average information system variable cost, per transaction, is \$21.73 (\$1,558,624 / 71,722). If you do not confirm, please explain and provide the correct figure.

c. For 1999, please confirm that the total average information system cost (fixed and variable), per transaction, is \$33.33 (\$2,390,491 / 71,722). If you do not confirm, please explain and provide the correct figure.

d. For 1999, please confirm that if the average number of pieces per transaction is less than the 4,120 assumed by witness Stirewalt, then the total average information system cost per piece would be higher than the \$0.0012 cents per impression calculated in USPS-T-2, Exhibit A, Table 1. If you do not confirm, please explain.

#### **RESPONSE:**

a.-c. Redirected to witness Stirewalt.

d. Not confirmed. Please see my response to OCA/USPS-T3-26, and note that the correct unit for associating information systems costs is impressions, and not transactions. If the average number of pieces per transaction changes, then the number of customer sessions, and therefore transactions, might also change. However, the number of pieces and hence impressions does not depend directly on the number of transactions, and therefore does not change. If the average number of pieces per transaction were less than 4,120, the total number of pieces would be spread across a greater number of transactions. Since volume does not change, information systems cost per impression would not change.

Response to OCA/USPS-T2-11-14, 16d

OCA/USPS-T2-16. Please refer to USPS-T-2, Exhibit A, Tables 14 and 15.

a. For 2000, please confirm that the average information system fixed cost (including system developer costs), per transaction, is \$11.59 (\$1,451,830 / 125,268). If you do not confirm, please explain and provide the correct figure.

b. For 2000, please confirm that the average information system variable cost, per transaction, is \$16.23 (\$2,032,515 / 125,268). If you do not confirm, please explain and provide the correct figure.

c. For 2000, please confirm that the total average information system cost (fixed and variable), per transaction, is \$27.82 (\$3,484,345 / 125,268). If you do not confirm, please explain and provide the correct figure.

d. For 2000, please confirm that if the average number of pieces per transaction is less than the 4,119 assumed by witness Stirewalt, then the total average information system cost per piece would be higher than the \$0.001 cents per impression calculated in USPS-T-2, Exhibit A, Table 1. If you do not confirm, please explain.

#### **RESPONSE:**

a.-c. Redirected to witness Stirewalt.

d. Please see my response to (14)d.

OCA/USPS-T4-39. Please refer to NetPost's Commercial Prices, at the 25 percent contribution margin, for "Next-Day Delivery" shown on the rate cards that appear at the end of Attachment E in USPS-LR-2/MC98-1.

- a. Please confirm that the total volume is 91,744,857 (295,665,025
   \*.3103). If you do not confirm, please explain and provide the correct figure.
- Please confirm that volume for Simplex pieces is 44,083,404 (91,744,857 \* .4805). If you do not confirm, please explain and provide the correct figure.
- Please confirm that volume for Duplex pieces is 47,661,453 (91,744,857 \* .5195). If you do not confirm, please explain and provide the correct figure.
- d. Please confirm that the volume for 1-2 page Simplex pieces is 29,895,946 (44,083,404 \* (200,490,454 / 295,635,459)). If you do not confirm, please explain and provide the correct figure.
- e. For 1-2 page Simplex pieces, please provide the volume associated with the price per piece of \$0.36 for 8.5x11 and 8.5x14, respectively, for Black & White, and \$0.46 for 8.5x11 and 8.5x14, respectively, for Spot color.
- f. Please confirm that the volume for "More than 15 pages," Simplex pieces is 3,108,191 ((44,083,404 \* (20,844,384 / 295,635,459)). If you do not confirm, please explain and provide the correct figure.
- g. For "More than 15 pages" Simplex pieces, please provide the volume for 8.5x11, 8.5x14 and 11x17 for Black & White, and for 8.5x11, 8.5x14 and 11x17 for Spot color.
- h. Please confirm that the volume for "More than 15 pages," Duplex pieces is 3,360,469 ((47,661,453 \* (20,844,384 / 295,635,459)). If you do not confirm, please explain and provide the correct figure.
- i. For "More than 15 pages" Duplex pieces, please provide the volume for 8.5x11, 8.5x14 and 11x17 for Black & White, and for 8.5x11, 8.5x14 and 11x17 for Spot color.

## **RESPONSE:**

- a. Confirmed. Please see LR-2/MC98-1, Section E, Table 15.
- b. Confirmed, for purposes of my cost analysis. This volume was derived

from the results presented in USPS-LR-2.

c. Confirmed, for purposes of my cost analysis. This volume was derived

from the results presented in USPS-LR-2.

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OCA-T4-39, Page 2 of 3 d. Not confirmed. The volume derived from the results presented in USPS-LR-2, for use in my cost analysis, for 1-2 page Simplex pieces is 29,892,956 (44,083,404\*(200,490,454/295,665,025)).

- e. I did not calculate these volumes for use in my testimony. However, they could be calculated using the volumes and distributional percentages found in Table 4 of Exhibit A of my testimony or USPS-LR-2/MC98-1, Section E, Table 15. For example, 1-2 page simplex pieces that are black and white on 8.5x11 paper could be calculated by applying the distributional percentages for simplex pieces, black and white pieces, and 8.5x11 pieces to the 1-2 page pieces volume. This method would similarly provide the calculation of 1-2 page simplex pieces that are black and white on 8.5x14 paper and 1-2 page simplex pieces that are spot color on 8.5x11/14 paper.
- f. Not confirmed. The volume derived from the results presented in USPS-LR-2, for use in my cost analysis, for "More than 15 pages," Simplex pieces is 3,107,880 (44,083,404\*(20,844,384/295,665,025)).
- g. The following volumes were derived from the results presented in USPS-LR-2, for use in my cost analysis.

8.5x11 Black & White	1,361,243	(3,107,880*55.52%*78.89%)
8.5x14 Black & White	152,016	(3,107,880*55.52%*8.81%)
11x17 Black & White	212,408	(3,107,880*55.52%*12.31%)
8.5x11 Spot Color	1,090,564	(3,107,880*44.48%*78.89%)

8.5x14 Spot Color	121,788	OCA-T4-39, Page 3 of 3 (3,107,880*44.48%*8.81%)
11x17 Spot Color	170,172	(3,107,880*44.48%*12.31%)

- h. Not confirmed. The volume derived from the results presented in USPS-LR-2, for use in my cost analysis, for "More than 15 pages,"
   Duplex pieces is 3,360,132 (47,661,453\*(20,844,384/295,665,025)).
- The following volumes were derived from the results presented in
   USPS-LR-2, for use in my cost analysis.

8.5x11 Black & White	1,471,729	(3,360,132*55.52%*78.89%)
8.5x14 Black & White	164,355	(3,360,132*55.52%*8.81%)
11x17 Black & White	229,649	(3,360,132*55.52%*12.31%)
8.5x11 Spot Color	1,179,080	(3,360,132*44.48%*78.89%)
8.5x14 Spot Color	131,673	(3,360,132*44.48%*8.81%)
11x17 Spot Color	183,984	(3,360,132*44.48%*12.31%)

OCA/USPS-T4-40. Please refer to NetPost's Commercial Prices, at the 25 percent contribution margin, for "Standard (Two-To-Five Day) Delivery" shown on the rate cards that appear at the end of Attachment E in USPS-LR-2/MC98-1.

- a. Please confirm that the total volume is 203,920,168 (295,665,025 \* .6897). If you do not confirm, please explain and provide the correct figure.
- Please confirm that volume for Simplex pieces is 97,983,641 (203,920,168 \* .4805). If you do not confirm, please explain and provide the correct figure.
- c. Please confirm that volume for Duplex pieces is 105,936,527 (203,920,168 \* .5195). If you do not confirm, please explain and provide the correct figure.
- d. Please confirm that the volume for "More than 15 pages," Simplex pieces is 6,908,538 ((97,983,641 \* (20,844,384 / 295,635,459)). If you do not confirm, please explain and provide the correct figure.
- e. For "More than 15 pages" Simplex pieces, please provide the volume for 8.5x11, 8.5x14 and 11x17 for Black & White, and for 8.5x11, 8.5x14 and 11x17 for Spot color.
- f. Please confirm that the volume for "More than 15 pages," Duplex pieces is 7,469,272 ((105,936,527 \* (20,844,384 / 295,635,459)). If you do not confirm, please explain and provide the correct figure.
- g. For "More than 15 pages" Duplex pieces, please provide the volume for 8.5x11, 8.5x14 and 11x17 for Black & White, and for 8.5x11, 8.5x14 and 11x17 for Spot color.

#### **RESPONSE:**

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- a. Confirmed. Please see LR-2/MC98-1, Section E, Table 15.
- b. Confirmed, for purposes of my cost analysis. This volume was derived from the results presented in USPS-LR-2..
- c. Confirmed, for purposes of my cost analysis. This volume was derived from the results presented in USPS-LR-2.
- d. Not confirmed. The volume derived from the results presented in

USPS-LR-2, for use in my cost analysis, for "More than 15 pages,"

Simplex pieces is 6,907,847 (97,983,641\*(20,844,384/295,665,025)).

OCA-T4-40, Page 2 of 2 e. The following volumes were derived from the results presented in USPS-LR-2, for use in my cost analysis.

8.5x11 Black & White 3,025,618 (6,907,847\*55.52%\*78.89%) 8.5x14 Black & White (6,907,847\*55.52%\*8.81%) 337.884 11x17 Black & White 472,118 (6,907,847\*55.52%\*12.31%) 8.5x11 Spot Color 2,423,982 (6,907,847\*44.48%\*78.89%) 8.5x14 Spot Color 270,697 (6,907,847\*44.48%\*8.81%) (6,907,847\*44.48%\*12.31%) 11x17 Spot Color 378,238

- f. Not confirmed. The volume derived from the results presented in USPS-LR-2, for use in my cost analysis, for "More than 15 pages," Duplex pieces is 7,468,525 (105,936,527\*(20,844,384/295,665,025)).
- g. The following volumes were derived from the results presented in .
   USPS-LR-2, for use in my cost analysis.

8.5x11 Black & White	3,271,1 <b>9</b> 4	(7,468,525*55.52%*78.89%)
8.5x14 Black & White	365,309	(7,468,525*55.52%*8.81%)
11x17 Black & White	510,437	(7,468,525*55.52%*12.31%)
8.5x11 Spot Color	2,620,726	(7,468,525*44.48%*78.89%)
8.5x14 Spot Color	292,668	(7,468,525*44.48%*8.81%)
11x17 Spot Color	408,938	(7,468,525*44.48%*12.31%)

## RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO INTERROGATORY OF PITNEY BOWES

**PB/USPS-T2-1.** You indicate in your response to OCA/USPS-T5-10(b) that some of the costs shown in Table 14 of Exhibit A to your testimony have not yet been incurred. Which costs are these?

#### **RESPONSE:**

I did not provide a response to OCA/USPS-T5-10(b). I did provide a response to OCA/USPS-T5-4(b), which I believe is what you are referring to. In my response to OCA/USPS-T5-4(b), I stated that a portion of the costs in row (29) of Table 14 would be incurred during FY98, and the remainder of the costs would be incurred during 1999. The exact proportion that will be incurred in each year is unknown, since these contractual costs represent total possible expenditures for continuing development of the Mailing Online system as well as printing costs incurred during the operations test.

### RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO INTERROGATORY OF PITNEY BOWES

**PB/USPS-T2-2.** Should you also have treated as fixed costs some of the costs reported in Table 15 to Exhibit A of your testimony because they do not vary with projected increases in volume over the five year period for which you report estimates, e.g., technical help desk manager, processing center system manager and the like? If not, why not?

#### **RESPONSE:**

No. Witness Stirewalt provided the costs in Table 15 of Exhibit A. He divided information systems costs into two categories: fixed costs are one-time start-up costs for the experimental period, and ongoing costs are incurred continually throughout the five years. Also included in ongoing costs are some one-time costs that are not required for start-up of the experiment. In Table 1 of Exhibit A, I termed the ongoing costs as variable. However, despite the terminology, the real distinguishing factor between fixed and ongoing (variable) information systems costs is whether or not they are start-up costs (therefore fixed) for the experiment. The Table 15 costs referenced in your question are not start-up costs, and therefore should not be included in the "fixed" category.

While these costs do not vary based on the volume changes forecasted for the five-year period, moreover, they would vary with more extreme volume fluctuations. For example, if the Mailing Online service were to end after the experiment concludes, technical help desk manager costs in years 2001 through 2003 would not be incurred as a result of the volumes in these years disappearing. As discussed in Docket No. R97-1, LR-H-1, Appendix H, such

Response to PB/USPS-T2-1-2

# RESPONSE OF POSTAL SERVICE WITNESS SECKAR TO INTERROGATORY OF PITNEY BOWES

PB/USPS-T2-2, Page 2 of 2

supervisory costs are classified as variable to the same extent as associated

direct labor costs and are piggybacked onto the direct labor costs.

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Response to PB/USPS-T2-1-2

1 MR. RUBIN: The response have been provided to the 2 reporter. 3 COMMISSIONER LeBLANC: Thank you. Does any 4 participant have any additional written cross-examination at this point? 5 6 [No response.] 7 COMMISSIONER LeBLANC: Good. Two participants 8 have requested oral cross-examination of Witness Seckar. 9 They are Ms. Dreifuss and Mr. Wiggins of the OCA and 10 Pitney-Bowes. Ms. Dreifuss, you can begin. 11 MS. DREIFUSS: Thank you, Commissioner LeBlanc. 12 CROSS-EXAMINATION BY MS. DREIFUSS: 13 14 Mr. Seckar, I would like you to turn your 0 15 attention to Pitney-Bowes' interrogatory to you. This is PB/USPS-T2-2. I would also like you to, if you don't mind, 16 17 put your finger on page 9 of your direct testimony, USPS-T-2. It is your position that -- well, let's turn to 18 19 page 9 first, please, lines 5 through 7. It is your position, I believe, that the startup costs of Mailing 20 Online are attributable, is that correct? 21 22 Α That is correct. 23 0 And you believe they are attributable whether they are fixed or variable, is that true? I quess actually they 24 won't be variable, will they, they will only be fixed, the 25

startup costs will only be fixed costs, is that correct?

A In that sense, yes.

Q In addition, there are ongoing fixed costs of providing Mailing Online and you allude to them at the bottom of page 1 of your response to Pitney-Bowes interrogatory 2. For example, the technical help desk manager, is that a fixed cost?

8 A Are you referring specifically to those costs in 9 years 2001 through 2003, as stated in the response, or more 10 generally?

11 Q Yes. Yes. The ones that you allude to in the 12 interrogatory response.

13 A Well, I think it really depends on what is mean by 14 the term "fixed." Insofar as I have used the term "fixed" 15 in the above paragraph to represent startup costs, then, no, 16 they would not be deemed as such.

17

2

Q What is your definition of fixed costs?

A Well, as I said, for the purposes of Mailing Online costs, it is those costs that are startup. I mean they are termed fixed, I believe, originally in Witness Stirewalt's testimony, and I simply carried over that term.

Q If a cost  $\frac{12}{14}$  volume variable, can it be a fixed 23 cost, as you understand it?

A Well, I am not sure what you mean by fixed costs as I understand it. If that is meant to imply fixed costs

as I have defined it here, then I believe the answer wouldbe no.

Q In other contexts, let's set MOL aside, companies may have fixed costs of operation and they may have volume variable costs of operation, is that correct?

A They may, yes.

6

11

12

13

Q Is it generally understood that those are mutually exclusive types of costs, that if a cost is volume variable it is not fixed, and if it is fixed it is not volume variable?

Are you familiar with that concept?

A The concept of volume variable relative to fixed?Q Being mutually exclusive from fixed costs.

A Yes. In fact, the library reference that I refer *specifically* to in the last line of this response, *specific* Docket Number R97-1 LRH-1 in Appendix H, I believe, defines specific fixed costs in the Postal Service context to be those attributable costs, those costs attributed specifically to a product or service which are not volume variable.

Q Is that the sense in which you determined or is that spirit in which you determined that the startup costs of MOL should be attributable? In other words, were they specific fixed costs of MOL?

A Well, again that determination was made in large part by Witness Stirewalt, and again I think the important

distinction here between these different types of costs are
 that one set are startup costs and the others are ongoing.

Where I choose or others choose to apply the terms "fixed" or "variable" and then begin to think about specific fixed costs relative to the volume variable costs is -- it's a bit of a different discussion than what I concerned myself and what I believe Witness Stirewalt concerned himself with.

Q You say at the bottom of the first page of your answer to Pitney-Bowes Interrogatory 2 that you thought it was appropriate for some costs, for example, the technical help desk manager costs in Years 2001 through 2003 to be viewed as -- you didn't use the word "attributable" -- well, let me ask you.

Do you think that those costs should be attributable costs, the technical help desk manager costs for Years 2001 through 2003?

17 A You are asking me if I believe those costs in 18 those years are attributable --

- 19 Q Yes.
- 20 A -- to Mailing Online?

21 Q Yes.

22 A Yes, I mean I think that is implicit from the 23 discussion we had about page 7.

Q And the reason for that is, you say that if the Mailing Online service were to end or were to be

terminated prior to those costs being incurred, then those 4 5 costs would go away. In terms of deeming them as attributable or 6 7 otherwise, I don't think the thought process you just conveyed is necessarily the exact one -- the exact type of 8 9 process one might wish to undertake when making such a decision. 10 11 You do agree though that these technical help desk 0 12 manager costs in Years 2001 through 2003 should be treated 13 as attributable costs? Is that correct? 14 Well, yes. I mean they are, as I termed them, Α variable, and more importantly ongoing costs to Mailing 15 16 Online, and as such could be viewed as attributable. 17 Q Are they variable only in the long-run or -- are 18 they variable only in the long-run and therefore 19 attributable, or are they attributable only because they 20 would disappear if the Mailing Online service were to end 21 after the experiment concludes? 22 In other words, you seem to be giving two different reasons in this part of your response for the 23 determination that they are attributable. 24 25 One is that if the Mailing Online service were to

discontinued, then those costs would no longer need to be

Well, what I say is that were the service

Is that the reason that they are attributable?

1

2

3

incurred.

Α

end after the experiment you would no longer incur those technical help desk manager costs. That is one reason, correct?

A Well, I think it is important to understand that my response was not necessarily meant to distinguish whether they were attributable or not. I was speaking to their designation as either being fixed or variable.

8 Insofar as they will -- should the service be 9 terminated, were they not to be incurred, they are then 10 deemed non-startup costs is the most, I think, correct way 11 to view them.

I mean we have got a case of terminology here probably causing more confusion than we may necessarily need. As I said, the real important distinction I think is that we have a set of costs which are startup and then we have another set of costs, and you can place whatever label you like on that second set, but whether or not they are startup is what you really need to keep in mind.

19 Q Would the technical help desk manager costs be 20 considered startup costs? That is, in Years 2001 through 21 2003?

A I'm sorry, could you ask that one more time? Q The technical help desk manager costs in Years 24 2001 through 2003, that you refer to in your response to 25 Interrogatory 2, are those startup costs?

Α No. They are not required to start the experiment 1 2 as they follow the period of time which is defined as the experiment. 3 Nevertheless, they should be treated as 4 0 attributable costs, is that correct? 5 Yes, I think that is, and that is what I have said Α 6 7 earlier. MS. DREIFUSS: I have no further questions. 8 9 COMMISSIONER LeBLANC: Mr. Wiggins. MR. WIGGINS: Thank you, Mr. Presiding Officer. 10 CROSS EXAMINATION 11 12 BY MR. WIGGINS: Mr. Seckar, I am Frank Wiggins, here for Q 13 Pitney-Bowes. 14 15 If I wanted to calculate from Table 4 of Exhibit -- whatever its name is -- Exhibit A to your 16 testimony, the number of 11 x 17 pages that we were going to 17 recognize in 1999 -- let me know when you have got it --18 19 А I have got Table 4. 20 0 Okay. Would I add the 1999 column from rows 53 and 79 together and that would give me the total 11 x 17 21 22 pages? I'm sorry, you're looking for the total number of 23 А 24 11 by 17 pages? Q That's correct. 25

Independent of other characteristics. 1 А 2 That's right, the number of 11 by 17 pages. Q Row 3 53, which is called 11 by 17 B&W pages --Α Right. 4 And row 79 --5 0 6 Α 79. 7 Which I believe is called 11 by 17 spot color 0 If I add those two numbers together for any of the 8 pages. years, 1999 in particular, would I have the total number of 9 11 by 17 pages? 10 11 Α I believe so. Well, you made this document, right? Is there any 12 0 other place I ought to look, Mr. Seckar? 13 14 Α Well, while I made the document, I have not made that calculation, and there are a lot of numbers on this 15 table, as you can see --16 17 0 I notice that. Those are certainly the ones that most immediately 18 Α 19 jump to mind in terms of 11 by 17. Take a moment to look at it, and tell me whether 0 20 there's some other place that I ought to look if I want to 21 make that calculation, because there's another witness 22 coming along whom I want to ask about this, and since this 23 is your table, I don't want to hold him responsible unless 24 25 you can tell me that that's the right way to calculate.

1 MR. WIGGINS: Pardon the bench for this delay, but 2 I don't know any other way to do this. 3 THE WITNESS: Yes, that seems to be the case. 4 BY MR. WIGGINS: 5 Q I appreciate that, and I appreciate your 6 indulgence. 7 Table 14 to that same Exhibit A on what's called 8 page 26 of 28, do you have that? 9 А You said page 26 of 28? 10 0 That's right. 11 А Yes. 12 Second page of Table 14, correct? 0 13 Ά Yes. Talks to me about the cost of something called 14 0 "system developer" and tells me that that cost is a 15 1,138,310; right? 16 17 Α Yes. 18 0 Was there some reason that you did not include in 19 that number the additional \$284,348 reflected in 20 modification number 8 to the contract that is Library Reference No. 7? Do you have that library reference? 21 22 Α No, I do not. 23 MR. WIGGINS: May I approach the witness and show him that modification, Mr. Presiding Officer? 24 COMMISSIONER LeBLANC: Please. 25

1 MR. WIGGINS: Thank you. And I'm -- sure, 2 absolutely, I apologize. 3 COMMISSIONER LeBLANC: You need to present some copies, or would you let Mr. Rubin take a look at that also 4 if you will, please, Mr. Wiggins. 5 6 MR. WIGGINS: Absolutely will, and I apologize. I 7 do not have a copy of it. THE WITNESS: Yes, I see the contract. 8 What was your question again, sir? 9 BY MR. WIGGINS: 10 11 0 Do you see a date on that modification order? I see a number of dates. 12 Α Do you see a thing that says date issued? 13 Q 14 Δ Yes. Tell me what that date is. 15 Q 16 Α April 7th of 1998. 17 And do you see, down by the signature block, Q another date where there is a change made? Do you see 18 another date there, initialled? 19 Down by the signature block? 20 Α COMMISSIONER LeBLANC: Mr. Wiggins, it may be of 21 22 help if you could go to the bench, please. THE WITNESS: I see a signature next to -- it 23 24 looks like the contractor's name. 25 BY MR. WIGGINS:

1 Q How about this one right here where the change is 2 made?

3 A Yes, 9/9/98, it looks like.

0 My question, now that we sort of have a timeframe 4 on this thing, is why wasn't this included in the cost for 5 6 system developer that you report on page 2 of Table 14 to 7 your testimony? It is not an accusatory question, Mr. 8 Seckar, I just want to understand whether there is some --9 you know, if it was a mistake, it is a mistake. If there is a reason that it wasn't in, I want to know what that reason 10 is. 11

12 A I understand. If my recollection serves correct, 13 and I must admit, it has been a while, I believe that this 14 -- this modification, rather, was not set forth specifically 15 in support of Mailing Online but, rather, supports Post 16 Office Online.

17 Q Does the modification recite what it does in terms 18 of an amendment to the contract?

19 A Well, there is a --

20 Q There is a block of text there that tells you. 21 A Yes, it says it enhances the general scope of a 22 couple of contract line item numbers.

23 Q Can you tell the bench what those line item 24 numbers are?

25

A 10-0-6 and 10-0-9, network control and access

1 services.

2 0 Do you know what those refer to? Α No, I don't. 3 MR. WIGGINS: May I approach the witness again, 4 5 Mr. Presiding Officer? 6 COMMISSIONER LeBLANC: A point of clarification, 7 What is the document you are presenting to the Mr. Wiggins. 8 witness? MR. WIGGINS: The document that I am presenting to 9 the witness, Mr. Presiding Officer, is called Part I 10 Schedule, Section A, Items and Prices and it is a page out 11 12 of Library Reference 1, and I believe to be the first page of the contract, as opposed to the modifications that 13 precede it, that the Postal Service provided as -- Library 14 15 Reference 7, did I say the wrong thing? Library Reference 7 that the Postal Service presented in answer to an 16 17 interrogatory requesting the contract document pertaining to the printing function during the pre-test test and the test. 18 COMMISSIONER LeBLANC: Any objection, Mr. Rubin? 19 20 MR. RUBIN: No. COMMISSIONER LeBLANC: Excuse me one moment. 21 Mr. 22 Reporter, did you pick up that conversation? 23 Thank you. Please move on. BY MR. WIGGINS: 24 25 0 Have you seen this document before, Mr. Witness?

1	A Yes, I believe I have.
2	Q And does this help you? This has the contract
3	line items that you referred to, does it not?
4	A Yes.
5	Q And does it talk about support for what was then
6	called Netpost?
7	A Well, on, for example, contract line item number
8	10-0-1, it does, but on the subject contract line item
9	numbers, 10-0-6 and 10-0-9, it does not.
10	Q What is your understanding of option second and
11	option third in which those two line items appear? Do you
12	have an understanding at all?
13	A Well, it appears that the option second month
14	pilot has three line item numbers that
15	Q Let me ask you to pause. I am sorry to interrupt
16	you. But do you have an understanding of what this option
17	second means?
18	A Well, as I was saying, it seems to imply that it
19	is for the second six-month pilot.
20	Q An extension of the original six-month pilot, is
21	that correct?
22	A Yes.
23	Q Okay. So the first six months refers to the
24	operation of Netpost, is that correct?
25	A Well, again

1 COMMISSIONER LeBLANC: Excuse me for interrupting. 2 Are you going to be there for any length of time, Mr. 3 Wiggins? If you are, we can move the mike. We will take a 4 minute off the record, move the mike over there so --5 MR. WIGGINS: Could we have a minute off the 6 record. I apologize for this. Let me make copies of these 7 couple of pages and get them around to everybody so that we can --8 9 COMMISSIONER LeBLANC: Mr. Reporter, we will be 10 off the record here. 11 [Recess.] 12 COMMISSIONER LeBLANC: Mr. Reporter, we'll go back on the record. Mr. Wiggins. 13 MR. WIGGINS: I appreciate the bench's indulgence 14 and I apologize for the delay. 15 BY MR. WIGGINS: 16 17 0 Is it your understanding -- you have reviewed this document previously, Mr. Seckar, is that correct? 18 А Yes. 19 20 0 And is it your understanding that the contractual undertaking represented here has to do with the Netpost, now 21 known as Mailing Online project? 22 23 Α For the original contract, that is correct. 24 Okay. For the those parts of the original Q contract that are renewed through Modification Number 7, you 25
have that page in front of you --1 2 Α No, I have Modification Number 8. З 0 Number 8, I'm sorry, which is contract line items 4 1007, 1008 and 1009. The first of those says software to operate Newpost. Does that have to do with the Mailing 5 Online service? 6 7 Δ It does. 8 0 And the next, 1008, says printing. Does that have to do with the Mailing Online service? 9 10 Α Yes, I believe it does. 11 0 How about network control and access services? Do 12 you have any notion of what that is about? That is 1009. 13 Α Yes, I realize that. That was for the record, Mr. Seckar, not for you. 14 0 15 Do you have any idea what that refers to? Is that a Netpost now known as Mailing Online function as well? 16 17 Which is that? Α 1009? 18 0 1009, correct. 19 Α I believe contract line item number 1009 is, yes. 20 0 Okay, so each of those items, which are the subject of the \$284,348 modification number 8 have to do 21 with Netpost, now known as Mailing Online, is that correct? 22 23 Α Well, I believe that the modification, if my 24 memory serves correct, is more so aligned with Post Office 25 Online than Mailing Online, which was my original reason at

the time for not including it as part of the system
 developer cost.

Are there documents that I have not showed to you 3 0 4 that would reflect the extent to which these matters pertain to Post Office Online? Did you look at other stuff? 5 I did not look at other documents -- there 6 No. Α 7 are no other documents, to the best of my knowledge. And is there something in modification number 8 8 0 9 that gave rise to the belief that those \$284,348 had to do with Post Office Online more than it did with Mailing 10 11 Online? 12 А I don't believe so. As I recall, I think it was 13 more so a product of conversations I had had with various folks at Postal Service Headquarters. 14 15 0 I asked your predecessor in the seat there, Mr. Stirewalt, an interrogatory question about proprietary 16 software to be used in the Mailing Online experiment, and he 17 said there is such stuff but it is all contained in 18 Witness -- don't you love it when they do this to you? -- in 19 20 Witness Seckar's testimony, the cost for development of proprietary software dealing with the experiment phase of 21 Mailing Online. 22 Can you tell me where in your testimony I ought to 23 24 look to find that?

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No, I cannot. The only type of costs that I have

1 for system developer activities is what we were referencing 2 a while ago now on line 29 of Table 14, the \$1.138 million 3 and some change dollars.

4 Q The system developer dollars, is that right? 5 A Yes.

Q Do you -- is there a place? I have Library
Reference 7 here, which has been portrayed as the
contractual document containing all of the relationships,
the legal obligations and rights between the Postal Service
and the developer, the system developer.

Is there a place here that I ought to look to see a price for writing software, proprietary software for the Mailing Online experiment? Is that included, do you know?

14 Α The system developer costs associated with writing software are contained in that contract. At this point I am 15 not sure where they are, if they are even explicit, quite 16 honestly, but I do understand them to be in there and the, I 17 believe the intended use for that software in that contract 18 for the system developer was centered on generating software 19 20 for versions prior to that which would be deployed for the experiment, although it may possibly be the case that there 21 may be some carryover from one version to another such that 2.2 23 it would end up in the experimental period as well as, for example, the market test period or their operations test 24 25 period.

1 Q The page that you have in front of you that is 2 called Part 1 schedule, section A, items and prices, has an 3 initial six-month term, a second six-month option term --4 correct? And a third --

5 A Yes.

Q Six-month option term. Is it correct in
accordance with your understanding that the Postal Service
is now in relationship with this contractor in the third
six-month option term?

10

A I have no idea.

11 Q That's what we were just talking about, is it not, 12 in conjunction with amendment number 8?

A Well, amendment -- while modification 8 references some of the contract line item numbers in the third option, I don't know, you know, what phase the system developer is in relative to these six-month pilots at this point. That would seem sensible, but, as I say, I'm not definitively aware of that.

19 Q Sure. I'm only asking for your understanding. Is 20 there anything in either the second-month pilot -- the 21 second six-month pilot or the third six-month pilot that 22 talks about writing software?

23 A Not in section A.

24 MR. WIGGINS: In a request for some efficiency,
25 Mr. Presiding Officer, instead of asking the witness to

review the residue of the contract, could I ask that the 1 2 Postal Service provide any reference in the contract that it believes to pertain to writing software -- proprietary 3 software -- for the experimental phase of the MOL project? 4 COMMISSIONER LeBLANC: Mr. Rubin? 5 MR. RUBIN: Yes, I think we could check to 6 7 identify anything in the contacts that would be responsive. COMMISSIONER LeBLANC: Can you do so by the end of 8 9 the week? MR. RUBIN: Well, it's --10 COMMISSIONER LeBLANC: Let me put it to you this 11 If you can't do it by the end of the week, please get 12 way. back with us and let us know. 13 MR. RUBIN: Right. I mean, it's -- my concern is 14 that the hearings are going through the end of the week, and 15 16 so there's not much time for us to work on this. COMMISSIONER LeBLANC: If you cannot do it by the 17 end of the week, please get back with us. We'll let you 18 know. 19 20 MR. RUBIN: Okay. 21 COMMISSIONER LeBLANC: In the meantime, we'll expect it by the end of the week. If there is a problem, 22 23 we'll rule on it at that particular time. 24 Mr. Wiggins, will that be sufficient under the circumstances? 25

MR. WIGGINS: Absolutely fine with me, Mr. 1 2 Presiding Officer. COMMISSIONER LeBLANC: Thank you. Moving right 3 4 along. MR. WIGGINS: Thank you, Mr. Seckar. I have no 5 further questions. 6 7 COMMISSIONER LeBLANC: Thank you, Mr. Wiggins. 8 Are there any questions from the bench? Mr. Chairman. 9 10 CHAIRMAN GLEIMAN: Mr. Seckar, on contract line 1009 on that piece of paper that was just distributed, is 11 12 that supposed to be a comma as opposed to a period?. I mean, it's not \$148 and 74.9 cents, is it? It's \$148,749? 13 THE WITNESS: That would seem to make sense. 14 CHAIRMAN GLEIMAN: Just wanted to make sure. And 15 in following up on a question Mr. Wiggins asked you about 16 the software to operate Netpost, do I understand correctly 17 that you felt that this was primarily for Post Office 18 Online, and that's why you did not include those costs? 19 THE WITNESS: Well, no. I'm a bit confused by 20 21 your question. I certainly felt that the modification was more so towards Post Office Online, but was not speaking to 22 23 the modification necessarily thinking about proprietary 24 software or software of any sort. So I'm not necessarily saying that, you know, software that is proprietary to be 25

generated is for Post Office or Mailing Online. My comments
 were made independent of thinking about software per se.

3 CHAIRMAN GLEIMAN: You just felt that the 4 adjustment that was being made related more to Post Office 5 Online, which is the gateway to getting to Mailing Online.

6 THE WITNESS: As I said, I believe I had a couple 7 of conversations with different people at the Postal Service 8 which led me to believe that the modification was in support 9 more so of Post Office Online than Mailing Online.

10 CHAIRMAN GLEIMAN: Did you have any conversations 11 with anybody at the Postal Service about advertising cost 12 for Post Office Online versus Mailing Online and whether 13 people over there have indicated that similar distinctions 14 could be made?

MR. HOLLIES: Excuse me, Mr. Chairman, if you'd be so kind as to use the microphone, we might all be able to hear you.

18 CHAIRMAN GLEIMAN: I thought I was using the19 microphone. I'll yell. How about that?

As I understand it, you had conversations with people who indicated that the delta in the contract related more to Post Office Online than Mailing Online. I'd be interested in some explanation of what it is actually that was changed, because we've been told that certain costs, for example, advertising costs, are so closely related for

1 Mailing Online and Post Office Online that they can't be 2 broken out. So I'm wondering what it is here that was so 3 unique to Post Office Online and so totally unrelated to 4 Mailing Online. Can you just explain to me what was 5 involved here?

6 THE WITNESS: Honestly, sir, I cannot remember. I 7 could take that upon myself to do some homework if so 8 desired.

CHAIRMAN GLEIMAN: Yes, I would be interested, 9 because one of the issues that we wrestle with from time to 10 11 time is whether we can allocate advertising costs, and apparently the assertion's been made that these two items, 12 Post Office Online and Mailing Online, are so interconnected 13 that you can't break things out, and I'm just kind of 14 curious as to what it is that you can break out versus what 15 it is we've been told that you can't break out. So, yes, I 16 would be very interested in knowing exactly what was at 17 stake here. Thank you. 18

19 THE WITNESS: Well, just for the purposes of full 20 communication here, as system developer I doubt that there 21 would be advertising in here, but we can --

CHAIRMAN GLEIMAN: No, I understand, but the systems as I understand it are not so separate and distinct. If you don't have Post Office Online, you can't have Mailing Online. That's an operational question. You don't have to

answer it. I'm just making an assertion, and somebody else can rebut it somewhere along the line in a brief or something like that. But my understanding is that if I were a small business person and I wanted to sign up for Mailing Online, that I would have to access it by going through Post office Online to get there. So there is a relationship in a systems sense.

A similar relationship has been asserted with 8 respect to advertising cost associated with Mailing Online 9 and Post Office Online, and that's the premise of my 10 question. What is it that was so unique and related only to 11 12 Post Office Online in this contract change that it was such that you felt that the cost should not be borne at least in 13 part by Mailing Online also. So if you can reconstruct some 14 15 of those discussion you had, it would be helpful for me to understand how the cost differentiations come to pass. 16

THE WITNESS: Well, just a comment on that. 17 Insofar as those costs might be shared, getting beyond the 18 practical exercise of breaking out a portion of those shared 19 costs to the different systems, there then lies the question 20 of how should those shared costs which are allocated to one 21 system or another then be treated with respect to, you know, 22 23 my body of work and the inclusion of such shared costs into the attributable costs of the Mailing Online print 24 operation. 25

1 CHAIRMAN GLEIMAN: Do you understand now that the 2 startup costs for Mailing Online are going to be 3 substantially difficult on an order of magnitude, to use a 4 phrase that I've heard here in the hearing room today, such 5 that perhaps your cost figures might not be as accurate as 6 earlier portrayed?

7 THE WITNESS: Well, I certainly understand that the configuration for the system that is going to support 8 the experiment is going to be orders of magnitude different 9 than the system that was used to support, you know, the 10 market test or the operations test. That's about where my 11 understanding ends, that is to say, a similar understanding 12 13 towards the costs varying to such a degree I do not have. CHAIRMAN GLEIMAN: 14 Thank you.

15 COMMISSIONER LEBLANC: Mr. Seckar, the Chairman 16 asked two questions that I had, but let me follow up with 17 what he said and your colloquy with Ms. Dreifuss. Is a sunk 18 cost in your mind then equal to an attributable cost? 19 THE WITNESS: It depends upon the activities 20 undertaken that led to those sunk costs.

21 COMMISSIONER LEBLANC: So none of your sunk costs 22 that you are calling -- well, let me back up. None of these 23 sunk costs that you talked about earlier, slash startup 24 costs, could be institutionalized? 25 THE WITNESS: Well, I am not sure exactly what you

are asking me. If you are asking me if, in general, sunk 1 2 costs can be treated as institutional costs, they guite likely might. For example, in the cost and revenue 3 4 analysis, I chose to treat startup costs as those which were specifically associated with Mailing Online, as attributable 5 to Mailing Online, and while there were some costs sunk in, 6 for example, 1998 relative to 1999, those sunk in 1998 are 7 included because of my inability to identify specifically 8 9 which were sunk in 1998.

10 COMMISSIONER LeBLANC: Well, let me pick up with 11 what the Chairman said. In that regard, what is considered 12 a startup/slunk cost in Postnet versus Mailing Online?

13 THE WITNESS: In Postnet? Do you mean Post Office14 Online, sir?

15COMMISSIONER LeBLANC: What did I say? Post16Office Online, yes. How do you differentiate then?

17 THE WITNESS: Let me make sure I understand, you 18 are asking me how to differentiate between startup costs for 19 Post Office Online relative to startup costs for Mailing 20 Online?

21 COMMISSIONER LeBLANC: Sure.

THE WITNESS: Well, for example, I think you again with
need to look at the activities associated<sup>V</sup> those two
different types of costs. If, for example, the startup
costs are associated with developing the Mailing Online

system, period ended, then I think you have a pretty good 1 2 understanding in the case for treating them as startup costs for Mailing Online. If, however, you have startup costs 3 associated with, you know, the Post Office Online system or 4 5 other activities related more generally to Post Office Online, as opposed to specifically Mailing Online, then you 6 7 would treat those as -- I would treat those as Post Office 8 Online startup costs.

9 COMMISSIONER LeBLANC: But did I misunderstand you 10 in your colloquy with the Chairman that there was some 11 problem in differentiating between -- you get into Post 12 Office Online to get into Mailing Online, whether it is 13 advertising or anything else, there is going to be some 14 overlap on either side, is there not?

15 THE WITNESS: Well, if you are talking about 16 advertising costs specifically, --

17 COMMISSIONER LEBLANC: No, I am not. I am not 18 talking about advertising specifically. I am just -- in 19 general. I am just trying to clarify it for me at this 20 point.

21 THE WITNESS: I'm sorry. Could you repeat that 22 one more time? I lost the thread.

23 COMMISSIONER LeBLANC: You get into Post Office24 Online to get to Mailing Online.

25 THE WITNESS: That's right.

COMMISSIONER LeBLANC: There is going to be some 1 2 overlapping cost somewhere in there, would there not? If it 3 is beyond your scope, I understand. Just says so and --4 THE WITNESS: Well, once in Post Office Online, you don't necessarily have to get into Mailing Online. I 5 6 don't know that there is a cost necessarily associated with 7 getting into Post Office Online relative to getting into 8 Mailing Online. However, once in the latter, and you choose to make use of the service, those costs associated with that 9 10 decision, you know, the Postal Service incurs, would be Mailing Online. 11 COMMISSIONER LeBLANC: Well, at the risk of not 12 13 prolonging it, let me think about it a little further, and if I have to, I'll present it in writing to your counsel and 14 15 we can get a response a little bit later. 16 THE WITNESS: Fair enough. 17 COMMISSIONER LeBLANC: Thank you very much. 18 Any other questions from the bench? Did the question from the bench draw out any re-cross? 19 Mr. Wiggins. 20 FURTHER CROSS-EXAMINATION 21 BY MR. WIGGINS: 22 I just want to make sure I understand your answers Q 23 to Chairman Gleiman. You said, I think, that the first 24 million-three of the contract that is contained in Library 25 Reference number 7 was appropriately associated with Mailing

Online, but the last \$248,000, the modification that you and were talking about, was not, is that right? There is some difference between the first million-three and the \$248,000 modification, is that correct?

5 A Yes, there is, and I think what I am saying is 6 that that modification dollar figure is intended to support 7 activities that are not specifically Mailing Online.

Q No, I understand, I just wanted to make sure of the differentiation between the initial million-three and the last two-hundred-forty-eight.

11

A Well, yes, that's pretty much what I just said.

12 MR. WIGGINS: Mr. Presiding Officer, having had the opportunity to think a little bit, as opposed to just 13 talking, it has occurred to me that the record might be 14 15 aided by putting these two pages that we have been referring to, having them transcribed into the record, because we have 16 talked rather a lot about them, and without their physical 17 presence in the record, it may get a little bit oblique. 18 So 19 I would move that they be transcribed into the record at 20 this point.

21 COMMISSIONER LEBLANC: Mr. Hollies -- I mean Mr. 22 Rubin. We can always mark them as a cross-examination if 23 you want to go that route.

24 MR. RUBIN: Yes, I think that would be the way to 25 go, and with that, we would have no objection.

1 COMMISSIONER LeBLANC: Mr. Wiggins, do you have 2 any objections to that? 3 MR. WIGGINS: None at all. COMMISSIONER LeBLANC: If you will grab -- let's 4 round up two copies here, mark them Cross-Examination PB --5 6 what would you like? PBX. 7 MR. WIGGINS: I like whatever you like. 8 COMMISSIONER LeBLANC: PBX-1, that makes it real 9 simple. 10 MR. WIGGINS: So I am going to call it CX -- I'm 11 sorry, PBX hyphen --12 COMMISSIONER LeBLANC: PBX-1. And if you would give two copies to the reporter, please, and I will direct 13 14 that they be transcribed into the record, Mr. Reporter. [Cross-Examination Exhibit No. 15 PBX-1 was marked for 16 17 identification, received into evidence and transcribed into the 18 19 record.] 20 21 22 23 24 25

APR-07-1998	10:07	' S POSTAL SERVICE	
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202 268 3677 P.02/02

POSTAL SERVICE

# U.S. POSTAL SERVICE: CONTRACT/ORDER MODIFICATION

1.a. CONTRACT NO. 102590-97-B 1380 b. Finance No. 66-0297

1.c. PR # 98-05282/98-05283

2. DATE ISSUED: 04/07/98

### **3. CONTRACTOR:**

CORDANT INC 11400 COMMERCE PARK RESTON, VA 22091-1506

ATTN: Dillian Lafferty (703) 758-7348

FAX (703) 758-7047

4. ISSUED BY:

MODIFICTION NO. 8

U.S.Postal Service Headquarters Purchasing 475 L'Enfant Plaza W-SW, Rm 4541 Washington, DC 20260-6238

CONTACT: Terry Downer 202 268-4895 FAX 202 268-3677

5. The above numbered contract/order is modified as set forth in Block 6, pursuant to the authority of Mutual Agreement. The contractor is required to return a signed copy of this modification.

### 6.

This modification exercises H.3 - Option to Extend The Term Of The Contract (Clause 2-20) (October 1987). CLINS 1007, 1008, and 1009

his modification enhances the general scope of CLIN 1005 and CLIN 1009 - Network Control and Access Services. Because of integration efforts for Post Office OnLine, it is necessary to include San Mateo, CA as a contractor site for travel, management and development work.

Network Control and Access Services must be managed at the San Mateo, CA ISSC to be positioned to support the overall affort for Post Office OnLine. This support includes Project Management and continued development work at San Mateo, CA and Tracor in Reston, VA.

Additional support within CLIN 1009 will be defined and approved by the COR for the third six months .

Except as provided herein, all terms and conditions of the document referenced in Block 1, as heretofore clarified, remain unchanged and in full force and effect.

7. Accounting and Fiscal Data is changed as follows: \$1.128,310.00 Previous Grand Total: 284.348.00 Added with this Modification No. 8 \$1,412,658.00 toky /4/19 New Grand Total CONTRACTOR U.S. POSTAL SERVICE with 05/2798 gnatura Theress A. Downer Date Dillian & Lassarty Contrads Contracting Officer msr. Name/Title of Person Authorized to Sign Information Technology Purchasing PBX-1

102590-97-B-1380

PART 1 - SCHEDULE

SECTION A - ITEMS AND PRICES

TOTAL

\$155,194.00

A.1 ITEMS AND PRICES (Clause OB-89) (June 1988)

For six month pilot

The contractor shall provide the following software and services:

CLIN 1001 SOFTWARE TO OPERATE NETPOST \$167,740.00 For six month pilot EST QTY PER IMPRESSION

CLIN 1002 PRINTING 5,000 Copies x 48 pages x 6 months \$ 0.0695 \$100,049.00 CLIN 1003 NETWORK CONTROL AND ACCESS SERVICES \$492,211.00

CONTRACTORS MAY PROVIDE A PROPOSAL ON ONE ONLY, ONE AND TWO, OR ALL THREE OF THE ABOVE CONTRACT LINE ITEMS.

OPTION - 2ND 6TH MONTH PILOT

CLIN 1004 SOFTWARE TO OPERATE NETPOST \$82,747.00

EST QTY.

CLIN 1005 PRINTING 5,000 Copies x 48 pages x 6 months \$ 0.0761 \$109,562.00

PER IMPRESSION

CLIN 1006 NETWORK CONTROL AND ACCESS SERVICES

OPTION - 3RD 6TH MONTH PILOT

CLIN 1007 SOFTWARE TO OPERATE NETPOST \$ 82,747.00 EST QTY PER IMPRESSION CLIN 1008 PRINTING 5,000 Copies x 48 pages x 6 months \$ 0.0771 \$ 111,002.00

CLIN 1009 NETWORK CONTROL AND ACCESS SERVICES \$ 148.749

CHAIRMAN GLEIMAN: And, Mr. Presiding Officer, I 1 2 think that Mr. Seckar and I have an understanding that he is 3 going to try and get back and explain, if we he can 4 reconstruct those conversations he had about those Netpost cost changes. But I just want to make sure that, perhaps in 5 6 seven to ten days or so, we can get something back from the Postal Service. 7 8 COMMISSIONER LeBLANC: That was my understanding, Mr. Rubin. Is that --9 10 MR. RUBIN: Yes. That would be fine. COMMISSIONER LeBLANC: We will make it seven days 11 12 from today, mid-week next week. 13 Mr. Rubin, how about some redirect? Would you 14 like some time with your witness? Yes, we would like 10 minutes to talk. 15 MR. RUBIN: COMMISSIONER LeBLANC: All right, let's call it 16 17 15. We will come back at noon straight up according to the clock on the wall. We will go off the record. Thank you. 18 19 [Recess.] COMMISSIONER LeBLANC: Okay, ladies and gentlemen. 20 We'll go back on the record. 21 22 Mr. Rubin, are you prepared to continue now? MR. RUBIN: Yes, I am, thank you. 23 COMMISSIONER LeBLANC: Please. 24 REDIRECT EXAMINATION 25

1 BY MR. RUBIN: 2 0 Mr. Seckar, in your cross examination by 3 Pitney-Bowes, you discussed how to use numbers in Table 4 of 4 your Exhibit A to determine the number of 11 x 17 inch 5 pages. 6 Do you have additional comments on those lines 53 7 and 79 and how they could be used? 8 Α Yes, just one additional comment, and that is that 9 11 x 17 spot color options are not to be made available, and 10 as noted in parentheses on line 79, for example, that volume 11 is -- I made the assumption that that volume would convert to 8 1/2 by 14, so, you know, from my perspective, if one 12 13 were to ask me what the total volume for 11 x 17 pages would 14 be, you would find that on line 53 alone. 15 MR. RUBIN: Thank you. That's all I have. 16 COMMISSIONER LeBLANC: Did the redirect generate 17 any recross? 18 MR. WIGGINS: Not from me. 19 COMMISSIONER LeBLANC: Are there any additional 20 questions from the bench? 21 [No response.] 22 COMMISSIONER LeBLANC: Well, Mr. Seckar, thank you 23 very much. We do appreciate your appearance here today, and 24 your contributions to our record. 25 If there is nothing further, you are excused.

THE WITNESS: Thank you. 1 2 [Witness excused.] COMMISSIONER LeBLANC: Let's see. Mr. Collins --3 4 oh, Mr. Rubin again. 5 Mr. Rubin, I think if it is all right with everybody concerned, we will move right on through lunch and 6 hopefully we can get out of here -- save the afternoon for 7 8 whatever. 9 Mr. Wiggins, is that okay with you? 10 MR. WIGGINS: Perfectly. COMMISSIONER LeBLANC: Okay. That being the case, 11 12 then if you could, Mr. Rubin, if you could introduce your next witness, please. 13 MR. RUBIN: The Postal Service calls Michael K. 14Plunkett as its next witness. 15 COMMISSIONER LeBLANC: Go ahead and have a seat, 16 17 Mr. Plunkett. You are already under oath. 18 THE WITNESS: Correct. 19 COMMISSIONER LeBLANC: Mr. Plunkett, since you are 20 under oath already, we don't have to go through that. 21 Whereupon, 22 MICHAEL K. PLUNKETT, a witness, was called for examination by counsel for the 23 USPS and, having been previously duly sworn, was further 24 examined and testified as follows: 25

1 COMMISSIONER LeBLANC: Have you had an opportunity 2 to examine the packet of designated written cross 3 examination that was made available to you earlier this 4 morning? THE WITNESS: Yes, I have. 5 COMMISSIONER LeBLANC: If these questions were 6 7 asked of you today, would your answers be the same as those you previously provided in writing? 8 9 THE WITNESS: Yes, they would. 10 COMMISSIONER LeBLANC: Counsel, do you have the 11 copies to present to the Reporter, please? Mr. Reporter, you now have two copies of the 12 13 corrected designated written cross examination of Witness 14 Plunkett, and I direct that they be accepted into evidence and transcribed into the record at this point. 15 [Designation of Written 16 Cross-Examination of Michael K. 17 Plunkett, USPS-T-5, was received 18 into evidence and transcribed into 19 20 the record.] 21 22 23 24 25

#### BEFORE THE POSTAL RATE COMMISSION WASHINGTON, DC 20268-0001

#### Mailing Online Service

Docket No. MC98-1

### DESIGNATION OF WRITTEN CROSS-EXAMINATION OF UNITED STATES POSTAL SERVICE WITNESS MICHAEL K. PLUNKETT (USPS-T5)

<u>Party</u>

Office of the Consumer Advocate

**Interrogatories** 

MASA/USPS-T5-11 OCA/USPS-T5-29-32, 35-38 OCA/USPS-T1-46 redirected to T5 OCA/USPS-T4-41-43 redirected to T5

Pitney Bowes Inc.

OCA/USPS-T5-37 USPS Response to NOI No. 1, Issue 4

Respectfully submitted,

anter Marrale

Margaret P. Crenshaw Secretary

#### INTERROGATORY RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MICHAEL K. PLUNKETT (T5) DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory: MASA/USPS-T5-11 OCA/USPS-T1-46 rd. to T5 OCA/USPS-T4-41 rd. to T5 OCA/USPS-T4-42 rd. to T5 OCA/USPS-T4-43 rd. to T5 OCA/USPS-T5-29 OCA/USPS-T5-30 OCA/USPS-T5-31 OCA/USPS-T5-32 OCA/USPS-T5-35 OCA/USPS-T5-36 OCA/USPS-T5-37 OCA/USPS-T5-37 

## RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO INTERROGATORIES OF THE MAIL ADVERTISING SERVICE ASSOCIATION

MASA/USPS-T5-11. Refer to your answer to MASA/USPS-T2-3(c), redirected from witness Seckar, in which you confirm that "as a result of batching of different mailings by the contract printers, MOL mailings presented to the Post Office by the contract printers will generally meet the qualifications established in the DMM and the DMCS for the postage rates charged to the customer." In your explanation of this answer, you indicate that it is based on the volume forecasts that "at full implementation," MOL will generate "tens of thousands of pieces per printer per day on average."

a. Confirm that your answer refers to the DMM and DMCS requirements for thepostage rates charged to the customer before modification to exempt MOL mail from certain of the normal mailing requirments.

b. How is "full implementation" defined, and when will MOL reach "full implementation"?

c. Is it the Postal Service's expectation that at "full implementation" all MOL mailcharged the Standard Basic Automation DBMC rate will be addressed for delivery within the service area of the BMC (or ASF or SCF) at which it is entered by the contract printer? If the answer is yes, describe in detail the basis for the answer. If it is no, describe what volume and percentage of MOL mail charged the Standard Basic Automation DBMC rate will not be entered at the DBMC, ASF or SCF?

d. Prior to "full implementation," what volume and percentage of MOL mail that is charged the Standard Basic Automation DBMC rate will not be addressed for delivery within the service area of the BMC (or ASF or SCF) at which it is entered by the contract printer? Answer this question for time points at the end of each month during the market test and experimental periods preferred by the Postal Service as reflected in the Request. If you are unable to provide numerical estimates, give your best narrative estimates in response to subparts c and d.

#### MASA/USPS-T5-11 Response.

a. Confirmed.

b. Full implementation refers to the third year after initiation of the experiment,

when 25 print sites are planned (USPS-T-1, p. 2). I would note that according to

USPS-LR-2/MC98-1, p. 35, Mailing Online is expected to handle 804 million

pieces in the third year of operation. Assuming 25 printers operating for 312



## RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO INTERROGATORIES OF THE MAIL ADVERTISING SERVICE ASSOCIATION

business days, one would estimate that printers will, on average process 103,145 pieces per day as follows.

> 804,531,000 / 25 = 32,181,240 annual pieces per printer 32,181,240 / 312 = 103,145 pieces per day

c-d. Substantially yes. While rollout plans for Mailing Online are not sufficiently detailed to allow a precise comparison of Zip Code areas between print sites and the facilities at which they enter mail, there should be considerable overlap. As stated in the testimony of witness Garvey, the plans for Mailing Online call for geographic dispersion of print sites based on demand (USPS-T-1, p. 2). Though imprecise, this is essentially the same criterion used to determine appropriate locations for Postal Service processing facilities. Moreover, the Postal Service will control batching and transmission of documents to print sites. Efficiency considerations would tend to dictate that, where possible, mail being entered at a given facility ought to be destined for that facility's service area. There is currently no way to develop reliable estimates of the percentage of Mailing Online volume that will not be addressed for delivery within the service area of the BMC (or ASF or SCF) at which it is entered by the contract printer, either before or after full implementation. Indeed, the Postal Service's experimental data collection plan (USPS-T-1, Appendix A) describes the need to collect such information during the experimental service. Thus, the appropriate postage rate to be charged for a permanent Mailing online service could be considered in a later Commission proceeding.

## RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE REDIRECTED FROM WITNESS GARVEY

OCA/USPS-T1-46. Please refer to page 2 of witness Plunkett's response to MASA/USPS-T5-11. Witness Plunkett states "that printers will, on average process 103,145 pieces per day . . . ." See also PRC Op. MC98-1, October 7, 1998, at 28: "The Postal Service argues that when Mailing Online is fully deployed in its third year of operation, there should be more than 100,000 pieces of Mailing Online submitted to each print site per day."

a. Please confirm that there is variation around the average of 103,145 pieces per print site per day-that is, on some days some print sites will receive fewer than 103,145 pieces and some will receive more. If you do not confirm, please explain.

b. Please provide an estimate of the standard deviation of the estimate 103,145 pieces per print site per day. If you cannot provide the requested estimate, please provide an estimate of the maximum and minimum pieces per print site per day for 2001.

c. Please confirm that, prior to presorting, the 103,145 pieces received at a given print site must be spread over more than 2000 possible batch types. If you do not confirm, please explain.

d. Please confirm that, if all possible batch types are equally likely to occur, the average size of a batch available for presorting would be approximately 50 pieces in 2001. If you do not confirm, please provide the correct average batch size and show its derivation.

e. Please confirm that even for 2003, if all possible batch types are equally likely to occur, the average size of a batch available for presorting would be less than 100 pieces. If you do not confirm, please provide the correct average batch size and show its derivation.

f. For each year 1999-2003, please provide an estimate of the distribution of presort batch sizes by subclass.

g. For each year 1999-2003, please provide an estimate of the volume of Mailing Online pieces that will qualify for each possible presort level. In other words, provide a realistic estimate of the depth of sort actually achievable and explain the basis for the estimate.

#### OCA/USPS-T1-46 Response.

a. Confirmed that 103,145 is the expected mean number of pieces per print site per

day based on the volume projections presented by witness Rothschild. As with any

mean, the presumption is that some observed values will be greater than the mean,

while some will be less than the mean.



## RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE REDIRECTED FROM WITNESS GARVEY

- b. As mentioned above, the number is an estimate derived from witness Rothschild's projections of total national volume. Without knowing the locations of print sites and concentration of customers around such sites, calculations of the sort proposed in this question are impossible. While it may be theoretically possible to produce estimates of this kind for an average print site, meaning presumably one that produces 1/25 of mailing online volume, such an estimate is unlikely to provide meaningful insight. I also cannot develop an estimate of the maximum and minimum number of pieces per print site with the available data.
- c. Not confirmed. The number of possible batch types will vary from day to day. While 2,000 may represent a theoretical upper limit, it is highly improbable that on any particular day such a vast array of documents would be sent to any one print site.
- d. Confirmed, though record evidence contradicts the supposition that all batch types are equally likely to occur. Witness Rothschild's volume projections provide numerical estimates of the relative frequency of different types of documents. Some batch types are simply more likely to be chosen than others. Moreover, if document length is a parameter used to define potential batch types, some are highly unlikely to be chosen at all.
- e. See my response to part d.
- f-g. The data necessary to produce these estimates do not exist.

### RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE, REDIRECTED FROM WITNESS ROTHSCHILD

OCA/USPS-T4-41. Please refer to NetPost's Commercial Prices, at the 25 percent contribution margin, shown on the rate cards that appear at the end of Attachment E in USPS-LR-2/MC98-1, and USPS-T-5, Exhibit D, at 1. In Exhibit D, Witness Plunkett calculates Mailing Online volume for 1-2 page pieces on 11x17 paper of 24,680,375.

- a. Please confirm that the figure, 24,680,375, assumes there is Next Day Mailing Online volume for 1-2 page, 11x17 Black & White, and 11x17 Spot color, Simplex pieces. If you do not confirm, please explain.
- b. Please confirm that the figure, 24,680,375, overstates the volume of 1-2 page pieces on 11x17 paper by the amount of Next Day volume assumed for 1-2 page, 11x17 Black & White, and 11x17 Spot color, Simplex pieces. If you do not confirm, please explain.
- c. Please provide the correct Mailing Online volume for 1-2 page pieces on 11x17 paper.

#### OCA/USPS-T4-41 Response:

a-b. Not confirmed. This figure is the result of simultaneously applying three separate factors: printing color, printing method, and paper size. This implicitly assumes that each of the factors can be uniformly applied to all documents irrespective of the values of the other factors. This method was used for illustrative purposes to demonstrate the variety of document types that Mailing Online allows, and to allow estimation of costs and revenues at a level of detail approximating that which is typically used in ratemaking. The existing research was not designed to provide data that would allow for precise estimates of volumes for very specific volume types. Moreover, it would be irresponsible to purport to present such estimates without a sound empirical basis. For example, the 24.68 million pieces is based on factors that are independent of printing method. The fact that 11X17 paper may not use simplex printing does not necessarily invalidate the volume estimate. It

## RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO Page 2 of 2 INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE, REDIRECTED FROM WITNESS ROTHSCHILD

OCAUSPS-T4-4

may instead mean that simplex pieces ought to be given greater weight

among 8.5X11 and 8.5X14 pieces.

c. The market research was not designed to allow precise estimation of

volumes at the proposed level of detail.

### RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE, REDIRECTED FROM WITNESS ROTHSCHILD

OCA/USPS-T4-42. Please refer to Table 15 your testimony at page 34.

- a. Please provide the average revenue per piece associated with the total "Year 1" volume of 295,665.
- b. Please provide the average revenue per piece associated with the First-Class "Year 1" volume of 91,745.
- c. Please provide the average revenue per piece associated with the Standard "Year 1" volume of 203,920.

### OCA/USPS-T4-42 Response:

- a. Using the volumes and revenues provided in response to POIR 2, question 8, average "Year 1" revenue per piece is \$0.248. While these projections employ simplifying assumptions, there will be no other basis for calculating alternatives until the Mailing Online experiment has provided empirical data.
- b. Using the volumes and revenues provided in response to POIR 2, question 8, average "Year 1" revenue per piece is \$0.398. While these projections employ simplifying assumptions, there will be no other basis for calculating alternatives until the Mailing Online experiment has provided empirical data.
- c. Using the volumes and revenues provided in response to POIR 2, question 8, average "Year 1" revenue per piece is \$0.180. While these projections
   employ simplifying assumptions, there will be no other basis for calculating alternatives until the Mailing Online experiment has provided empirical data.

## RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE, REDIRECTED FROM WITNESS ROTHSCHILD

OCA/USPS-T4-43. Please refer to Table 16 your testimony at page 35.

- a. Please provide the average revenue per piece associated with the total "Year 1" volume of 204,195.
- b. lease provide the average revenue per piece associated with the First-Class "Year 1" volume of 24,034.
- c. Please provide the average revenue per piece associated with the Standard "Year 1" volume of 180,161.

### OCA/USPS-T4-43 Response:

a-c. Having determined to request a markup of 25 percent, projections of the

revenue per piece assuming a markup of 50 percent have not been produced.

### RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PLUNKETT TO NOTICE OF INQUIRY NO. 1, ISSUE 4

Issue 4: The Commission inquires whether the requested waiver of the destination entry requirement for the DBMC discount could be accomplished in alternative ways that do not require making the discount available to Mailing Online mailings on terms different from the existing Domestic Mail Classification Schedule.

The Commission's sensitivity to the entry characteristics of Mailing Online pieces raises an important point for the conduct of the experiment, namely that until a greater number of printers are operating, mail may be entered at points that are often distant from its destination. Thus, without an exception to existing regulations, some Mailing Online pieces might not otherwise qualify for DBMC discounts until the experiment is well underway. One possible remedy would be to allow the DBMC discount for mailings destinating within the BMC service area of the facility at which the pieces are entered. However, this approach would still be problematic given the necessity for charging customers a fixed price when a job is submitted and the impractical complexity of constructing a system that would permit customer refunds. Given the relatively small size of the mailings, the Postal Service concedes that the presence or absence of the discount is unlikely to have a material impact on the quality of data collected during the experiment and is therefore willing to postpone an exception, pending the outcome of the experiment, for consideration in the context of any request for permanent DMCS language.

OCA/USPS-T5-29. Please refer to your response to OCA/USPS-T5-28.

- a. Please confirm that the weight of an 8.5x11 sheet of paper is exactly 0.2 ounces. If you do not confirm, please provide the correct weight.
- b. Please confirm that the weight of a No. 10 envelope is exactly 0.2 ounces. If you do not confirm, please provide the correct weight.

#### **RESPONSE:**

- a. Confirmed.
- b. Confirmed

OCA/USPS-T5-30. Please refer to your response to OCA/USPS-T5-28.

- a. Please confirm that the weight of an 8.5x14 sheet of paper is exactly 0.254 ounces. If you do not confirm, please provide the correct weight.b. Please confirm that the weight of a flat-size (9x12) envelope is exactly 0.4 ounces.
- If you do not confirm, please provide the correct weight.

### **RESPONSE:**

- a. Confirmed.
- b. Confirmed.

**OCA/USPS-T5-31.** Please refer to your response to OCA/USPS-T5-28. Please confirm that the weight of an 11x17 sheet of paper is exactly 0.4 ounces (0.2 ounces per sheet of 8.5x11 paper x 2 sheets of 8.5x11 paper per sheet of 11x17 paper). If you do not confirm, please provide the correct weight.

### **RESPONSE:**

Confirmed.

OCA/USPS-T5-32. Please refer to your response to OCA/USPS-T5-28.

- a. Please confirm that a Mailing Online mail piece
  - i. consisting of five or more 8.5x11 pages will be mailed in a flat-sized (9x12) envelope;
  - \* ii. consisting of four or fewer 8.5x11 pages will be mailed in a No. 10 envelope.

If you do not confirm, please explain. Also, please identify the number of pages of 8.5x11 paper per Mailing Online mail piece that will determine whether the mail piece is mailed in a No. 10 envelope or a flat-sized envelope.

- b. Please confirm that a Mailing Online mail piece
  - i. consisting of five or more 8.5x14 pages will be mailed in a flat-sized (9x12) envelope;
  - ii. consisting of four or fewer 8.5x14 pages will be mailed in a No. 10 envelope.

If you do not confirm, please explain. Also, please identify the number of pages of 8.5x14 paper per Mailing Online mail piece that will determine whether the mail piece is mailed in a No. 10 envelope or a flat-sized envelope.

c. Please confirm that a Mailing Online mail piece

i. consisting of three or more 11x17 pages will be mailed in a flat-sized (9x12) envelope;

ii. consisting of two or one 11x17 pages will be mailed in a No. 10 envelope. If you do not confirm, please explain. Also, please identify the number of pages of 11x17 paper per Mailing Online mail piece that will determine whether the mail piece is mailed in a No. 10 envelope or a flat-sized envelope.

## **RESPONSE:**

a. Not confirmed. Documents requiring 5 sheets of 8.5/11 paper would be sent.

as letters, i.e. in a No. 10 envelope.

- b. Confirmed.
- c. Confirmed.
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 yearone 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/printsite/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 jobtype/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.

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

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. Confirmed.
- 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

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.

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".

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.

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			1999	2044	2001	2002	2003	1999-2099	
	Paper	Note:							
(1)	8% x 11 Sheete	Source: USPS-T-2, Table 4	974,425,778	1,700,034,620	2,651,498,717	3,716,986,760	4,341,778,237 *	2,876,080,398	
(2)	B% x 14 Bheels	Bource: USPS-T-2, Teble 4	108,818,498	189,917,493	298,104,780	415,092,484	494,865,842	298,735,999	
(3)	11 x 17 Sheets	Source: USPS-T-2, Table 4	<u>911,810,164</u>	285,367,121	413,740,007	<u>570,990,885</u>	<u>677,491,318</u>	1,177,177,285	
(4)	Total Bhosts	, [(1)+(2)+(3)]	1,995,054,438	2,155,919,234	3,301,343,474	4,712,078,889	5,504,135,397	4,150,973,672	
	Impressione								
(5)	Black & White Impressions	Source: USPS-T-2, Table 4	1,170,399,332	2,042,001,091	3,104,700,000	4,404,534,849	8,214,003,493	3,218,000,424	
(6)	Color Impressions	Source: USPS-T-2, Table 4	834,902,418	1,457,128,894	2,271,043,315	3,104,700,371	3,720,099,806	2,292,031,313	
(7)	Total Impressions	[(5)+(8)]	2,005,301,751	3.499,789,986	5,458,603,403	7,649,303,019	8,935,083,299	5,505,091,738	
	Envelopes								
(0)	8.5/11<8 Bheets	Source: USPS-T-2, Teble 3	194,122,428	338,795,759	520,224,294	740,487,695	884,957,137	632,910,107	
(9)	8.5/14<5 Sheets	Bource: USPS-T-2, Table 3	20,442,540	35,677,721	55,825,980	77,978,879	91,068,440	84,120,261	
(10)	11/17<3 Sheets	Bource: USP8-T-2, Table 3	24,680,375	43,073,081	87,157,483	94,144,288	109,869,088	\$7,754,288	
- (11)		<b>{{0}+{9}+{</b> 10}}	239,245,343	417,547,361	651,007,737	912,810,842	1,086,012,665	650,792,704	
(12)	8.5/11>5 Shoots	Bource: USPS-T-2, Table 3	39,104,387	60,247,653	106,406,493	148,165,220	174,230,507	107,382,040	
(13)		Bource: USP9-T-2, Table 3	5,802,943	0,778,642	15,246,108	21,372,660	24,965,205	18,301,805	
(14)	11/17>2 Sheels	Source: USPS-T-2, Table 3	11,712,350	20,441,194	31,870,340	44,677,220	62,107,070	<u>\$2,183,844</u>	
(18)	Total Flat Envolopes	[[12]+[13]+[14]]	56,419,680	98,467,489	153,522,939	215,215,105	251,300,062	184,887,169	
	Folding								
(10)	0.5/1 1 Lottors	+2*(0)	388,244,858	677,591,517	1,056,448,587	1,480,875,390	1,728,914,273	1,068,838,373	
(17)		=2*(9)	40,885,080	71,355,442	111,251,920	155,957,758	182,172,000	112,240,622	
(10)	11/17 LeHere	=3*(10)	74,041,125	129,221,643	201,472,449	202,432,804	329,907,264	203,202,700	
(10)	Bubtetal - Lotter Polda	[{10}+{17}+{10}]	503,171,081	878,168,602	1,369,172,956	1,010,305,952	2,241,994,417	1,301,330,003	
(20)		=0*(12)	· · · · ·	<u> </u>		21,372,650	24,065,205	0 18,301,905	
(21)		=1*(13)	5,002,943	9.778.842	15,240,100 31,870,340	44,677,226	62,107,070	32,103,844	
(22)		=1*(14)	11,712,350	20,441,194					
(23) (24)		[(20)+(21)+(22)] [(19)+(23)]	<u> </u>	<u></u>	<u>47.118.448</u> 1,416,289,402	<u>84.048.876</u> 1,985,415,828	<u> </u>	<u>47.636.129</u> 1,428,874,792	
	Finishing Options								
	Sleples								
		Assumes that 50% of documents							
(28)	) 0.6/11 (2 <u>-</u> 16 Poges)	between 2-15 pages are stapled Assumes that 75% of documents	58,849,610	120,181,055	107,345,877	262,629,085	306,775,275	\$46,7\$1,3\$2	
(28)	) 8.5/11 (More then 15 peges)	longer then 15 pages are stepled documents longer then 15 pages ere	12,333,101	21,524,573	33,559,459	47,045,103	54,952,970	169,415,205	
	8 8/14 (2-48 Pages)	etenied	9,525,134	16,623,910	25.918.735	38,334,004	42,441,429	130,043,220	
(27)		No sleping of 11/17 documents	0.525,134	10,023,010	<u>0</u>	n	0	0	
(2#) (2#)		[(25)+(26)+(27)+(28)]	90,707.846	158,309,546	246,824,070	346,008,671	404,169,874	1,248,019,000	5
	Seddle Stilching								
(30)	) θ%/κ11	No soddle stifching	. 0	0	0	0	0	0	Ŷ
(31)	) • • <b>9</b> % x 14	No seddle stitching Assumse 75% of documents longer then	o	0	0	0	0	0	0
(32)	) 11 x 17	15 pages are saddle stitched	1,924,457	3,358,695	5,236,620	7,340,921	8,574,884	28,435,557	_
(33)		[(30)+(31)+(32)]	1,924,457	3,358,695	5,236,620	7,340,921	8,574,864	26,435,557	0
	Tape Binding								9 Q Q
(34)		25 % of documents longer then 15 pages	4,111,034	7,174,858	11,105,486	15,001,701	18,317,657	58,471,735	_
(35)		No lape binding	0	0	0	0	0	0	9
(36)		No lape binding	ō	<u>0</u>	<u>0</u>	<u>0</u>	1	56,471,735	
(37)	) Tetal	[(34}+(35)+(38)]	4,111,034	7,174,058	11,186,488	15,681,701	18,317,657	00,471,730	Ç

Attachment to Response to OCA-T5-37, Page 1 of 3

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# MAILING ONLINE MARKET TEST UNIT COSTS

F			ħ	11	
	•	_		_	•

		0	Contract		
	Paper (per sheet)		Cost	IS Cost	Total Cost
<b>(a</b> )	8% 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
(i)	Stapling (per staple)		0.0080	0	0.0080
(k)	Saddle Stitch (per finished piece)		0.2000	0	0.2000
(I)	Tape Binding (81/2 x 11) (per finished piece)		0.4500	0	0.4500
(m)	Tape Binding (81/2 x 14) (per finished piece)		0.5500	0	0.5500
(n)	Applying Tabs to Self Mailer		0.0700	0	0.0700
	Envelopes				
(0)	#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

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Attachment to Response to OCA-T5-37, Page 2 of 3

# Mailing Online Costs & Non-Postage Revenues

(Including Variable Information Systems Costs) 1999-2003

Dee	per Costs	83.4-		1999	ţ	2000	ļ	2001	l	3002	I	2003	ł	1999-2000	
(1)	8% x 11 Sheets	Nole: Unit Cost (Line a) * Volumes (Line 1)		4.579 601		7.992.963		12.462.044		17,469,833		20.408.358		12.572.784	
(2)	8% x 14 Sheeta	Unit Cost (Line b) * Volumes (Line 2)		739,968		1,291,439		2.013.512		2,822,829		3,297,088		2,031,408	
(3)	11 x 17 Shute	Unit Cost (Line c)* Volumes (Line 3)		9,847,550		2,805,965		4,468,392							
• •					-		_		_	6,263,998		7,316,905		12,713,818	
(4)	Total Paper Costs	[(1)+(2)+(3)]	\$	15,167,317	\$	12,150,387		18,943,948		26,556,447	Ŧ	31,020,352	•	27,317,703	
	pression Costs														
(6)	Black & While Impressions	Unit Cost (Line d) * Volumes (Line 5)		25,397,666		44,325,748		69,109,294		96,890,402		113,166,142		09,723,411	
(0)	Color Impressions	Unit Cost (Line d+ Line h)* Volumes (Line 6)		26,466,407		45,190,986		72,017,433		100,957,157		<u>117,927,164</u>		<u>72,057,393</u>	
(M	Total Impression Costs	[(S)+(8)]	\$	51,664,072	\$	90.516,732	\$	141,128,727	\$	197,837,559	8	231,092,308	8	142,380.804	
En	velope Costs														
(0) Lot		Unit Cost (Line o) * Volumes (Line 8)		2,911,838		5,081,938		7,923,384		11,107,318		12,974,357		7,893,773	
(11) (10)	0.5/14<5 Sheeta 11/17<3 Sheeta	Unil Cost (Line o) * Volumes (Line 9)		306,638		535,108		834,389		1,100,683		1,366,297		841,804	
1		Unit Cost (Line o) * Volumes (Line 10)	-	370,206	-	646,108	-	1,007,362	-	1,412,184	-	1,649,538		1,018,314	
• • •	al Lollero	<b>((#)+(9)+(</b> 10)}	Ŧ	3,588,680	1	6,263,210	Ŧ	9,765,116	Ŧ	13,089,163		15,990,190	•	*.***.***	
(12) Loii	ier incortion: Coste	Unit Cost (Line q) * Volumes (Line 11)		3,253,737		5,878,644		8,853,705		12,411,507		14,497,772		8,932,381	
(13) Flui		Unit Coal (Line p) * Volumes (Line 12)		9,081,180		10,578,388		16,493,006		23,120,010		27,006.001		18,833,564	
(14)	0.6/14>4 Sheets	Unit Cost (Line p) * Volumes (Line 13)		068,456		1,515,890		2,363,148		3,312,781		3,809,607		2,384,146	
(15)	11/17>2 Sheets	Unit Cost (Line p) * Volumes (Line 14)	-	1,815,414	_	3,180,385	_	4,939,903	-	8,924,970	-	9,008,999		4,993,799	
(16) Tot		<b>{(8)+(9)+(</b> 10) <b>]</b>	\$	8,745,050	*	15,262,461	8	23,796,055	•		*	38,965,564	\$	24,007,811	
	Insertion Costs	Unit Cost (Line r) * Volumes (Line 15)	_	3,046,663		5,317,244		6,290,239	_	11,021,010		13,576,107	-	8,363,807	
(18)	Total Envelope & Insertion Costs	<b>[(11]+(12)+(16)+(17)</b> ]	3	18,634,130	\$	32,521,560	\$	50,705,115	•	71,080,627	•	83,028,652	ŧ.	51,155,690	
-	iding Casts														
(19)	8.5/11 Lollers	Unil Cost (Line I) * Volumes (Line 18)		3,682,449		6,775,915		10,564,486		14,809,754		17,299,143		10.058,384	
(20) (21)	0.5/14 Loliers	Unit Cost (Line I) * Volumes (Line 17) Unit Cost (Line I) * Volumes (Line 18)		408,851		713,554		1,112,519 2,014,724		1,560,570 2,624,328		1,821,729 3,299,073		1,122,406 2,032,628	
•••		· · · ·		740,411		1,292,216		2,014,724		<u>4,024,32</u> 0		3,200,013		2,032,628	
(22)	8.5/11 Field	Unit Cost (Lins I) * Volumes (Line 20)		-		•		•		•		•		0	
(23) (24)	8,6/14 Finte 11/17 Finte	Unit Cost (Line () * Volumes (Line 21) Unit Cost (Line () * Volumes (Line 22)		56,029		97,786		152,461 318,703		213,727 448,772		249,652 521,871		163,616 321,535	$\mathbf{O}$
(25)	Total Folding Costs	[(19)+(20)+(21)+(22)+(23)+(24)]	-	117,124	5	204,412	-	14,182,894	-	19,854,158		23,191,467		14,288,748	Š
		[[   \$]7420]742   ]7422]7423]74243]	•	5.204,864	•	W,003,004	•	14,102,084	•	18,004,100	•	23,191,407	•	14,200,740	À à ⊣
Fin	lishing Options														ማ :
(20)	Stepling	Unit Cost (Line j) * Volumes (Line 29)		725,663		1,265,476		1,974,593		2,788,089		3,233,357		1,992,139	ά
(27)	Saddle Siliching	Unit Cost (Line k) * Volumes (Line 33)		384,891		671,739		1,047,324		1,400,184		1,714,973		1,056,030	•
(28)	Tape Binding	Unil Cost (Line I) * Volumes (Line 37)		1,849,965		3,228,666		5,033,919		7,056,765		8,242,945		5,078,651	מי מ
(29)	Total Pinishing Costs	[(26)+(27)+(28)]	\$	2,960,519	8	5,166,901	\$	8,055,835	3	11,293,019	•	13,191,276	Ŧ	8,127,421	age
(30) To	tal Costs	(4)+(7)+(18)+(25)+(29))	3	93.630.902	5	149,439,463	3	232.994.520	\$	326,821,811	\$	381,524.052		243 270 365	ω
(31) Re	winues	=(30)*1.25	1	117,268,627	•	186,799,329			\$	408,277,264		478,905,085	1	304 087 956	오 :
	t Contribution	-(31)-(30)	-	23,457,725		37.359.866	-	58,248,630	-	81,855,453	-	95,381,013	-	60,817,591	ωď
		7- · L(ma)	-	64,701,1E3	•	a,	•	JU,2 40,000	•	01,000,000	-		-		Ę

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Attachment to Response to

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



OCA/USPS-T-5-38 Page 2 of 2

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.

### Attachment to Response to OCA/USPS-T5-38

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

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1 COMMISSIONER LeBLANC: Mr. Plunkett, you also 2 provided answers to several of the questions in Presiding 3 Officer's Information Request Number 2 and to several of 4 these issues raised in Notice of Inquiry Number 1. 5 I am going to be giving you two copies of your 6 answers to Presiding Officer's Information Request Number 2, 7 Questions 1, 2, 7 and 8 -- again Questions 1, 2, 7 and 8 -and of your discussion of Notice of Inquiry Number 1, Issues 8 1, 4, and 6 -- again Issues 1, 4 and 6. 9 10 Let me take just one moment. Would you please take a moment and review those, 11 please? Both copies, just for your information, are both 12 13 the same. [Pause.] 14 15 THE WITNESS: Okay. 16 COMMISSIONER LeBLANC: So you have had time to review them? 17 THE WITNESS: Yes, I have. 18 COMMISSIONER LeBLANC: Now if these questions were 19 asked of you orally this morning, would your answers be the 20 21 same as you previously provided in writing -- I'll get it 22 out. THE WITNESS: Yes, they would. 23 COMMISSIONER LeBLANC: Would you please give those 24 to your counsel, ask him to provide those to the Reporter, 25

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1	please, and I direct tha	t they be transcribed into the
2	record and admitted into	evidence.
3		[Additional Designation of Written
4		Cross-Examination of Michael K.
5		Plunkett in response to Presiding
6		Officer's Information Request
7		Number 2, Questions 1, 2, 7 and
8		8 and Notice of Inquiry Number 1,
9		Issues 1, 4, and 6, were received
10		into evidence and transcribed into
11		the record.]
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#### RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

2. In the proposed fee schedule, the pre-mailing fee for Mailing Online is shown as 1.25 \* (printer costs + .1). USPS Request, Attachment B1. In the response of witness Plunkett to Interrogatory OCA-T-5-28, the information systems cost is shown as .16 cents for two impressions and .4 cents for five impressions, implying a per impression charge of .08 cents. Tr. 2/618. Please reconcile this apparent discrepancy.

RESPONSE: As is consistent with convention, witness Seckar's variable cost

estimate of 0.065 cents for 1999-2000 was rounded to the nearest tenth of a

cent. In this instance, the resulting per impression cost (0.1 cents per

impression) is identical to what would have been used if fixed information

systems costs had been included, with the result rounded down. The 0.08 cents

used in the response to interrogatory OCA-T5-28 represents the volume variable

costs for 1999 only.

2

# RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

7. In exhibit USPS-T-5 and response to OCA-T5-21 (Tr. 2/609), witness Plunkett uses the Standard (A) letter size basic piece rate less the destination entry discount-BMC in calculating the postage rate for example 3. In his testimony he states that the applicable postage rate would be the Automation Basic DBMC Rate. Tr. 2/589. Please explain this apparent discrepancy.

RESPONSE: The postage rate should be the automation basic DBMC rate of

\$0.167. A revised copy of the relevant pages of Exhibit A is attached.

	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(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	Postage	Totai Postage & Fee (J) = (i) + (H)
<u>Example 1</u> 2 Page, 8.5x11, Simplex, Black & White, First-Class	\$. 0.0396	\$ 0.0094	<b>\$</b> 0.0150	\$ 0.0336	\$ 0.0016	\$ 0.0992	<b>\$</b> 0.0248	\$ 0.1240	<b>\$</b> 0.2700	\$ 0.3940
<u>Example 2</u> 10 Page, 8.5x14, Duplex, Black& White, First-Class	<b>\$</b> 0.3960	<b>\$</b> 0.0680	<b>\$ 0.05</b> 40	<b>\$</b> 0.1550	\$ 0.0160	<b>\$</b> 0.6890	<b>\$</b> 0.1723	<b>\$</b> 0.8613	\$ 0.7400	\$ 1.6013
<u>Example 3</u> 5 Page, 8.5x11, Simplex, Spot Color, Standard (A)	\$ 0.1490	<b>\$</b> 0.0235	<b>\$</b> 0.0150	\$ 0.0336	\$ 0.0040	<b>\$</b> 0.2251	\$ 0.0563	<b>\$</b> 0.2814	\$ 0.1 <del>6</del> 70	\$ 0.448
Example 4 22 Page, 8.5x14, Duplex, Spot Color, First-Class	<b>\$</b> 1.3112	<b>\$</b> 0.1496	<b>\$</b> 0.0540	<b>\$</b> 0.1550	\$ 0.0352	\$ <u>1.7</u> 050	<b>\$</b> 0.4263	<b>\$</b> 2.1313	<b>\$</b> 1.4000	\$ 3.531

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

> Attachment to Response to POIR #2, Question 7

Attachment to Response to POIR #2, Question 7

#### Detailed Calculation of Costs for Exhibit A, Example 3

2

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

	Source	Description						
(8)	(A) Impression Costs ) USPS-LR-11, Part 1, Schedule, 1.1	Total Impression Cost, 8.5x11 Spot Color	\$	0.0298				
(Ь)	)	Number of Impressions		5	s	0.1490		
(C)	) =(a) * (b)	Total Impression Costs			•	0.1430		
	(B) Paper Costs	8.5 x 11 Paper Cost per sheet	s	0.0047				
(a) (e)	) USPS-LR-11, Part 1, Schedule, 1.1	Number of Sheets	•	5				
	=(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			\$	0.0150		
(h)	(D) Folding & Inserting Costs USPS-LR-11, Part 1, Schedule, 1.1	Two folds			\$	0.0336		
	(E) Information Systems Costs							
• • •	USPS T-2, Exhibit A, page 2, line 32	Variable Information Systems Costs Number of Impressions	5	0.0008				
(j) (k)	) = (i) * (j)			5	\$	0.0040		
	(F) Subtotal							
(1)	=(c) + (f) + (g) + (h) + (k)				\$	0.2251		
	(G) Contribution							
(m	•	Markup		25%	s	0.0563		
(n)	) = (l) * (m)	Contribution			÷	0.0300		
	(H) Total Fee						s	0.2814
(0)	(1) = (1) + (n)						•	0.2014
6.0	(I) Postage	Weight per 8x11sheet of paper (ounces)		0.2				
(p) (q)		Number of sheets		5				
	) = (p) * (q)	Total paper weight		1.0				
(s)	) .	Weight per #10 envelope (ounces)		0.2				
(t)	r = (r) + (s)	Total mail piece weight		1.2				
(u)	) =roundup[(t),1]	Number of postage ounces		2.0				
			-	Rate				
•	) R97-1 rates eff. 1/10/99	Standard (A) Letter Size Basic Piece rate	\$ 5	0.1830 0.0160				
•	) R97-1 rates eff. 1/10/99 ) =(v) + [(u) - 1] * (w)	Destination Entry Discount - BMC Total Postage	Ð	0.0100			\$	0.1670
-	) = (0) + (x)	( I) Total Postage and Fees					\$	0.4484
0		· · · ·						

#### RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

8. Please refer to USPS-T-5, Exhibit D, page 1. Please explain why the postage rates for the flat mail categories are simply the additional ounce rates and do not include the automation basic rate of 30 cents.

RESPONSE: The automation basic rate should be included. A corrected first

. :

page of Exhibit D is attached.

Exhibil D Page 1

#### Estimated Mailing Online Postage Revenue

Volun	% of Total	Year 1	8.5/11 <sup>2</sup>	8.5/14	11/17
Total .	100.0%	295,665			
Rapid Volume	31.0%	91,745			
Standard Volume	69.0%	203,920			
1-2 pages	67.8%	200,490	158,167	17,663	24,680
3-4 pages	10.7%	31,547	24,888	2,779	3,683
5-6 pages	9.5%	28,059	22,135	2,472	3,454
7-10 pages	3.2%	9,432	7,441	831	1,161
11-15 pages	1.8%	5,263	4,152	464	648
More than 15 pages	7.1%	20,844	16,444	1,836	2,566
Printed on 8-1/2 x 11 paper	78.9%	233,250			
Printed on 8-1/2 x 14 paper		26,048			
Printed on 11 x 17 paper	12.3%	36,396			

#### Volume By Ounce Increments

Volume By Ounce Increme	# Ozs <sup>4</sup>	1											Revenue L	eakage	)				
		Total	8.5/11	8.5/14	11/17	Rat	•	Revenue	N	ew Revenue <sup>®</sup>	Existing Volume'				Differential <sup>a</sup>	L	enkage <sup>18</sup>	Net F	tevenue
First Class Letters <sup>3</sup>		70,372	56,802	5,912	7,658	\$ 0	27 1	19,001	5	7,220	43,631	\$	0.33	\$	0.060	3	2,618	\$ .	4,602
Tat Class Editors	2	9,272	6,869	1,198	-		49 3	4,543	5	1,726	5,749	\$	0.55	\$	0.060	\$	345	\$	1,382
	3	1,072	*****			\$ 0	.71   3			289	665	\$	0.77	\$	0.060	3	40	\$	249
irst Class Flats	1					<b>S</b> 0	.30												
	2	1,796	1,732	64	0	<b>S</b> 0	.52 3	5 934	\$	355	1,114	5	0.55		0,030		33	\$	322
	1 3	1,920	1,608	222	90	S 0	.74	1,421	5	540	1,190	5	0.77	3	0.030		36	\$	504
	4	2,223	1,957	86	180	<b>S</b> 0	.96	2,134	5	811	1,378	\$	0.99	\$	0.030		41	\$	770
	5	2,041	1,699	171	170	\$ 1	.18 🗄	2,408	\$	915	1,265	\$	1.21	\$	0.030	3	38	\$	877
	6	1,922	1,699	142	80	\$ 1	.40	\$ 2,691	5	1,023	1,192	\$	1,43		0.030		36	\$	987
	1 1	342	0	142	199	<b>\$</b> 1	.62 :	<b>s</b> 554	5	210	212	\$	1.65	\$	0.030		6	\$	204
	8	302	0	142	159	\$ 1	.84	<b>\$</b> 555	5	211	187	\$	1.87	\$	0.030		6	\$	205
	9.	159			159	\$ 2	.06 :	<b>S</b> 328	5	125	99	\$	2.09	\$	0.030		3	\$	122
	10	159			159	\$ 2	.28	<b>S</b> 363	5	138	99	\$	2.31	3	0.030		3	\$	135
	11	159			159	\$ 2	50	\$ 398	5	151	99	\$	2.53		0.030		3	\$	148
	12	159			159	\$ 2	.72	\$ 433	5	165	99	5	2.75	\$	0.030	3	3	\$	162
Iotal First Class		91,899	72,365	6,062	11,452		_	\$ 36,524	5	13,879	58,977	<b> </b>				\$	3,211	3	10,669
Standard Mall	# Ozs							\$ 29,961		11,385	111,232		0.24		0,065		7,564	•	3,821
Letters1	<3.3087	179,407	141,520	15,804	22,083	<b>a</b> 0.	107	a 29,901	1.	11,000	111,202	•	0.24	1	4,000	٦,		•	-,
Flata	<3.3087	8,260	7,423	637	200	\$ 0.	229	\$ 1,892	5	719	5,121	\$	0.30	\$	0.075	\$	384	\$	335
Plece/Pound																			
# Pleces	>3.3087	16,596	t1,903	1,522	3,171	\$ 0.	105	s 1,743	\$	662	10,290		0,16		0.059		607		55
Pounds		5,333	3,312	535	1,486	\$ 0.	598	\$ 3,189	5	1,212	3,307	\$	0.68	\$	0.079	\$	261	\$	951
Total Standard Mail								\$ 36,784	5	13,978	l <u></u>			<u> </u>		5	8,818	\$	5,162
Total Revenue								\$ 73,309	5	27,857						5	12,027	\$	15,830

Notes:

1, LR-2/MC98-1, p. 39

2. Assumes that relative proportions of volume by paper size are constant for all document lengths. E.g. 78.9% of 5-6 page documents are on 8.5/11 paper.

3. Letters are assumed to be all documents less than 7 pages in length.

4. For the purposes of estimating volume by ounce increment, the following paper and envelope weights are assumed.

8 5"X11" = 0.2 oz.

- 8.5"X14" = 0.254 oz.
- 11"X17" = 0.4 oz.
- #10 Envelope = 0.2 oz.
- Flat Envelope = 0.4 oz.
- 5. Revenue = Total Volume X Rate. Assumes rates after implementation of Docket No. R97-1.

6. New revenue = 0.38 X Revenue (LR-1/MC98-1, p. 38.)

7. Existing Volume = 0.62 X Total (ibid.)

8. Existing rates assume that customers would have paid the highest applicable rate for their mail pieces. For instance, customers sending First-class pieces are assumed to have paid the single-piece rates

9. Rate differential is the difference between the applicable and existing rates.

10, Revenue leakage = Rate differential X Existing volume

Attachment t to POIR #2, to Respons , Question **6** 

Issue 1: The Commission inquires regarding the effect on competitors of waiving the eligibility requirements for automation basic rates.

A major reason for proposing exceptions to the eligibility requirements is to simplify the Mailing Online transaction in the face of conflicting requirements. The Postal Service has determined to charge a firm fixed price at the time the transaction is confirmed, and then merge customer documents into larger batches prior to printing. The decision to use a single rate from the middle of the potential range of existing categories is a strategic one to provide customers a convenient and simple means of inducting mail into the postal system.

The alternatives have significant shortcomings. For instance, the Postal Service could simply offer a discount commensurate with a customer's volume and depth of sort. This alternative would preclude extension of the benefits of automation to small-volume customers. If postage discounts for Mailing Online customers were dependent on the size of the mailing, Mailing Online would merely extend further benefits of automation to large volume customers. In such a case, the choice of digital printing, with its flat rate pricing, would also seem inappropriate. Large volume customers are already well served by existing providers and, it could be argued, might not materially benefit from the Postal Service's entry into this segment of the hybrid mail market. Moreover, it seems unlikely that private enterprises currently serving larger customers, e.g. lettershops, would welcome this kind of pricing structure.

Another alternative would be to develop an automated rebate system, which the Commission discusses in its Market Test Opinion (at 27). Under such a system, customers whose mailings are under the threshold volume would be charged single-piece rates for First-Class Mail, and denied access to Standard Mail rates at the time the transaction is confirmed. Customer accounts would then be credited with a rebate when cost savings from batching arise. The technical complexity of this approach, especially in light of the strategic necessities discussed above, would militate against this alternative. In a single printer system, customer transactions could not be completed when orders are placed, and, at a minimum, an additional round of communication between the customer and the Postal Service would be necessary. In a multiple printer system, customer rebates would require reconciliation originating from each involved print site, as well as aggregation of that information, while still requiring another round of communication with customers. This alternative thus is not consistent with the goals of convenience and simplicity. The Postal Service has not attempted to estimate what such a system would cost; but, it presents programming challenges which, though not technically insurmountable, are formidable.

The need to simplify the transaction where possible arises out of the Postal Service's main goal for Mailing Online: convenience. Mailing Online employs technically sophisticated systems that enable customers to easily create and use mailpieces at their desktop. This approach embodies a strategic

decision to favor customers who value convenience at the risk of alienating customers who are willing to expend greater effort in order to attain the lowest possible price. Indeed, a consequence of the Postal Service's approach is an opportunity for competitors to develop a system that employs the kind of rebate system to which the Commission refers.

When dealing with traditional hard copy mail, minimums are necessary. Enforcement of automation compatibility requirements necessitates somewhat labor-intensive acceptance procedures that militate against making discounts available to smaller mailers, i.e., the high transaction cost of assuring automation compatibility results in a minimum volume requirement. The hybrid nature of Mailing Online reduces the need for these acceptance procedures. In effect, the Mailing Online system performs an analogous function at essentially zero cost. Thus, one of the bases for volume minimums is eliminated due to the electronic interface between the Postal Service and its customers.

It would be premature to assume that the factors arguing in favor of specific minimums for traditional mail are equally well-suited to hybrid mailproducts. As the Mailing Online experiment unfolds, we can expect to learn a great deal about the cost causative characteristics of Mailing Online. Though it is impossible to predict with precision what the salient cost causative elements of Mailing Online will be, deferring this issue until the experiment has shed additional light on the effect of the waiver is preferable to application of existing

DMCS limits based on an untested assumption that hybrid products are directly comparable to traditional mail.

Examination of the traditional uses of the automation presort categories provides additional support for making these categories available to Mailing Online customers. The existing automation basic categories are most often applied to the residuum of larger mailings wherein most pieces qualify for deeper discounts. In such cases, the number of pieces to which the automation basic rate is applied may be well below the threshold minimums. Mailing Online mailings will therefore be substantially indistinguishable from the traditional mail that currently makes use of automation basic rates. Implied in the availability of automation basic rates for small residual volumes is an acknowledgment that pieces which are compatible with the physical automation requirements cost less to process and therefore warrant a discount. In those instances where batching does not result in a mailing that complies with volume minimums, Mailing Online pieces will nevertheless comply with all existing physical eligibility requirements, and therefore resemble the portion of the current mailstream that uses basic automation rates.

In the event Mailing Online becomes a permanent service, competitors offering functionally equivalent services may also emerge. If so, these competitors will likely assert a right to the same rates that Mailing Online uses. Existing worksharing arrangements thrive, thanks in part to cooperative efforts between the Postal Service, mailers, and third-party vendors. For example, the

.

Postal Service licenses raw data to, and certifies, providers of presorting software. Assuming the Postal Service is satisfied that pieces generated by such equivalent services generate mailpieces similar in all salient respects to those created by Mailing Online, they should be accorded access to the same rate categories.

The Postal Service sought, and for the market test phase of Mailing Online the Commission recommended, exceptions to the minimum volume requirements for automation basic rates that would otherwise apply to mail produced through Mailing Online. It may be preferable for many reasons to have a unique rate for Mailing Online pieces. As is indicated in my testimony (USPS-T-5, p. 10), data collected during the Mailing Online experiment could be used to develop such a rate category. However, lacking empirical data to support such a proposal, the Postal Service instead chose to use the existing category which appears most appropriate, given what is known about Mailing Online mailpieces.

While attempting to determine the effect that Mailing Online may have on private businesses, it must be kept in mind that private businesses, in a general sense, will gain more than the Postal Service if Mailing Online is approved as proposed. With the 25 percent cost coverage, nearly eighty percent of Mailing Online fee revenues would cover printing costs and be paid directly to the private printing contractors providing Mailing Online services.

Furthermore, the Postal Service has an obvious disincentive to limit competition, because efficient providers of hybrid services are likely to increase

mail volume by making mail more convenient and less costly to use. However, it is my understanding that no private enterprises currently provide a service with the characteristics of Mailing Online. Market research sponsored by the Postal Service demonstrates that demand for hybrid mail services exists. If Mailing Online is successful, it will provide a signal to private entrepreneurs that a potentially profitable market niche exists. The Postal Service would welcome this because, as additional customers take advantage of hybrid mail services, mail volumes will increase.

The Postal Service has chosen to pursue a conservative approach in selecting discounts. Given the batching capabilities of the Mailing Online system, it is difficult to determine at the time of mailing the level of discounting for which a customer's mail will qualify. Consequently, the Postal Service has chosen relatively modest discounts which assume that a small level of batching and sortation depth will be achieved. In fact, we expect that in most instances, the mail may be presorted more finely and dropshipped more deeply into the system than is necessary to qualify for the proposed discounts. Nevertheless, while the Postal Service recognizes that while in some instances batching may not achieve the volume minimums, in a fully integrated system much of the volume of mail will be presorted and dropshipped more finely than the discounts suggest.

The discounts proposed by the Postal Service will actually benefit competitors. By foregoing deeper discounts, the proposed pricing scheme will

allow competitors to price below the Postal Service for larger volume mailers where greater presort and dropship potential exists.

As a practical matter, the impact of the Mailing Online on potential entrepreneurs who might be interested in hybrid mail is not easily measurable. The Postal Service, by virtue of its size, may enjoy an advantage in obtaining printing services by being able to guarantee volume levels that produce low unit costs. However, some of this advantage is dissipated through obligations that the Postal Service must meet. For instance, in order to protect the privacy of the Mailing Online electronic documents and the resulting hard copy, the printing contract requires that contractors take extraordinary measures to prevent intermingling of Mailing Online jobs with other print orders. These measures must, by necessity, restrict the flexibility with which Mailing Online contractors might otherwise manage their operations, and thereby increase costs. It is conceivable that a potential competitor, unbound by these constraints, may be able to purchase printing capacity from printers who can more easily use existing equipment and space. This may thereby enable such a competitor to achieve lower costs than Mailing Online. Alternatively, digital printers with excess capacity could choose to enter the hybrid mail business. In addition to optimizing equipment usage, such a business might enjoy a cost advantage because it would presumably charge a rate comparable to what contractors would charge the Postal Service while the Postal Service's fees would be 25 percent higher.

Issue 4: The Commission inquires whether the requested waiver of the destination entry requirement for the DBMC discount could be accomplished in alternative ways that do not require making the discount available to Mailing Online mailings on terms different from the existing Domestic Mail Classification Schedule.

The Commission's sensitivity to the entry characteristics of Mailing Online pieces raises an important point for the conduct of the experiment, namely that until a greater number of printers are operating, mail may be entered at points that are often distant from its destination. Thus, without an exception to existing regulations, some Mailing Online pieces might not otherwise qualify for DBMC discounts until the experiment is well underway. One possible remedy would be to allow the DBMC discount for mailings destinating within the BMC service area of the facility at which the pieces are entered. However, this approach would still be problematic given the necessity for charging customers a fixed price when a job is submitted and the impractical complexity of constructing a system that would permit customer refunds. Given the relatively small size of the mailings, the Postal Service concedes that the presence or absence of the discount is unlikely to have a material impact on the quality of data collected during the experiment and is therefore willing to postpone an exception, pending the outcome of the experiment, for consideration in the context of any request for permanent DMCS language.

Issue 6: The Commission inquires about the criteria that should be used to determine an appropriate markup for Mailing Online during the proposed experiment.

In its Opinion, the Commission agrees that Mailing Online's relationship to other postal services justifies application of a 125 percent cost coverage during the market test (Opinion, at 32). The Commission rightly recognizes that "there is also a reasonable expectation that Mailing Online will substantially benefit individual, home office, and small-volume business mailers by simplifying their interface with the Postal Service's complex rates and regulations" (Opinion, at 34). The Postal Service agrees, and considers this a compelling argument for maintaining the 125 percent cost coverage during the experiment. As has been pointed out, the proposed cost coverage is consistent with the ratemaking criteria of the Act (USPS-T-5 at 17-21), not only for the market test, but for the experimental phase as well. The Commission (Opinion, at 32) compares Mailing Online's cost coverage with the cost coverages for First-Class Mail and Standard A. While these comparisons are apt, the Postal Service maintains that, by providing a system whereby small volume customers can expedite the mail acceptance process, Mailing Online fees most closely resemble permit fees, thus meriting a relatively low cost coverage. Moreover, the unique characteristics of Mailing Online weigh against application of a higher cost coverage. As has been pointed out, nearly all of the costs of Mailing Online are incurred on a unit basis

(Opinion, at 32), thus reducing the likelihood of cross subsidization. Moreover, these costs are not based on sampling or cost studies, but are specified in contractual agreements between the Postal Service and its partners. These facts ensure that cost coverage is relatively constant, and therefore less prone to erosion than cost coverages for typical Postal Service products.

Furthermore, any comparison of cost coverages across products implies a notion of "fairness", i.e. that because of either similarities or differences between and among products, there is a fair amount that a given product ought to contribute to institutional costs. Mailing Online is perhaps unique in that most of the direct costs of the service are borne by contractors. While this characteristic of the service does not obviate fairness considerations, it does affect the context in which such considerations should be considered. Contractors pass through, both their direct costs and some additional amount to cover overhead expenses and provide an adequate return. Thus, the Mailing Online cost coverage is not fully analogous to traditional cost coverages, since a private sector profit is already included in Mailing Online.

1 COMMISSIONER LeBLANC: Does any participant have 2 any additional written cross examination for Witness Plunkett? 3 4 Mr. Richardson, OCA? MR. RICHARDSON: Mr. Presiding Officer, if I could 5 6 approach the witness and provide him copies? 7 COMMISSIONER LeBLANC: Please. CROSS EXAMINATION 8 BY MR. RICHARDSON: 9 10 Q Mr. Plunkett, you have before you some responses that were filed November 16th to OCA Interrogatories. 11 12 Were these prepared by you and under your direction? 13 Yes, they were. 14 Α And if you were asked the same questions today, 15 0 would you answer as indicated therein? 16 Yes, I would. 17 А 18 MR. RICHARDSON: Mr. Presiding Officer, these interrogatories relate to OCA/USPS-T-5-39-40, Parts A and B, 19 41, Parts A and B, 44, 45, and OCA/USPS-T-1-64 redirected 20 21 from Witness Garvey, and I would move that they be admitted 22 into evidence. COMMISSIONER LeBLANC: Without any objections --23 24 [No response.] COMMISSIONER LeBLANC: Would you provide the 25

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2	[Additional Designation of Written
3	Cross-Examination of Michael K.
4	Plunkett, in response to
5	interrogatories OCA/USPS-T-5-39-40,
6	Parts A and B, 41, Parts A and B,
7	44, 45, and OCA/USPS-T-1-64, was
8	received into evidence and
9	transcribed into the record.]
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OCA/USPS-T5-39. Please refer to your testimony at page 3. Please confirm that charging a national average price (i.e. a weighted average cost plus mark-up) for all Mailing Online jobs would have the effect of encouraging customers to submit high-cost jobs and deterring low-cost jobs. If you do not confirm, please explain.

#### OCA/USPS-T5-39 Response:

Confirmed, if by average you mean the average of all Mailing Online jobs,

irrespective of document characteristics, and all other things are equal.

OCA/USPS-T5-40. Please refer to your testimony at page 2.

a. Please confirm that the cost of pre-mailing services for each Mailing Online job will be calculated separately, based on the specific paper, printing and finishing options and distribution preferences chosen by the customer for the job. If you do not confirm, please explain.

b. Please confirm that the "fee schedule" for Mailing Online constitutes a formula or set of instructions to calculate the pre-mailing fees based on the characteristics of the job. If you do not confirm, please explain.

c. Please confirm that the single fee quoted to a customer for each Mailing Online job, consisting of pre-mailing service costs, a 25 percent mark-up and postage, is calculated by computer at the San Mateo processing center. If you do not confirm, please explain.

#### OCA/USPS-T5-40 Response:

a. Confirmed.

b. Confirmed.

c. Redirected to witness Garvey.

OCA/USPS-T5-41. Please refer to your testimony at page 11, lines 2-5, and the following quote from PRC Op. MC98-1, at 13-14.

All Mailing Online mail that undergoes batching is expected to have lower mailstream cost characteristics than it has at the time that it is submitted by the customer. [footnote omitted] The Postal Service recognizes that a system that reduces the mailstream cost of mail after it is submitted by the mailer but before the Postal Service enters it into the mailstream gives rise to a number of practical pricing problems. If the Mailing Online customer were charged the mailstream rate that its mailing could qualify for under the regular schedule at the time that it submits its mailing, the mailer would go uncompensated for the reduction in mailstream costs that its purchase of Mailing Online service enhancements made possible. Alternatively, if Mailing Online customers were not quoted a mailstream price until after they placed their orders and the mailstream costs of the batches formed with their orders were calculated, customers disappointed by the guoted prices could reject them and cancel their orders. This would undo batches that were tentatively formed, and disrupt the calculation of mailstream rates for other mailings that contributed to the tentative batches. Tr. 2/567, Postal Service Brief at 13.

- a. Please confirm that all Mailing Online mail that "undergoes batching" is assumed by the Postal Service to have lower costs than when it is submitted by the customer. If you do not confirm, please explain.
- b. Please confirm that the Automation Basic discounts for all First-Class Mail, and Automation Basic Destination BMC discounts for all Standard A mail are assumed by the Postal Service to represent the average cost savings of mail that undergoes batching. If you do not confirm, please explain.
- c. Please confirm that the Postal Service agrees with the third sentence in the passage quoted above. If you do not confirm, please explain.
- d. Please confirm that the Postal Service agrees with the fourth and fifth sentences in the passage quoted above. If you do not confirm, please explain.

#### OCA/USPS-T5-41 Response:

a. Confirmed generally, though costs might be equal in some circumstances.

Mailing Online pieces, of course, undergo processing beyond batching that

also reduces costs.

b. Not confirmed. I proposed use of Automation Basic rates for a number of

reasons, which are explained in my testimony (USPS-T-5, pp. 10-12). While



these rates are not expected to represent the average cost savings, they are

expected to be more representative than any other existing rate of the type of

mailpiece that will be produced through Mailing Online.

c-d. Redirected to witness Garvey.

OCA/USPS-T5-44. Please refer to pages four and five of the Postal Service's September 25, 1998, reply brief in this docket. The following statement appears:

Because the Postal Service is applying one average rate to all Mailing Online volume, private services are not being disadvantaged. In fact, the Postal Service's proposal minimizes the potential impact on the private sector by, in effect, ceding deeper discounts to lettershops and services like DirectNet.

a. Do you agree with this statement.

b. Please confirm that if the Postal Service "cedes" volume eligible for deeper discounts to private services, then Automation Basic becomes the minimum rate that any MOL mailing would qualify for, not an average.

c. Please explain how the Automation Basic rate can be an average qualifying rate, when all volume eligible for a lower rate has been "ceded" to private industry.

d. What MOL volume is available to balance the costs of MOL mailings that fail to be batched and fail to qualify for any discount?

#### OCA/USPS-T5-44 Response.

a. Yes.

b-d. The Postal Service has not ceded volume, merely the opportunity of offering

deeper discounts in order to compete for this volume. Customers may elect

Mailing Online for a number of reasons having nothing to do with postage rates.

The Postal Service moreover expects that some Mailing Online volume would

meet the qualifications for lower rates than Automation Basic when batched,

even if none of the unbatched mail would qualify for those rates (or even

Automation Basic). Therefore, some Mailing Online mail would qualify for rates

lower than Automation Basic absent the proposed limitation of Mailing Online

mail to the Automation Basic rates.
## RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T5-45. Please refer to pages three and four of the Postal Service's September 25, 1998, reply brief in this docket. The following statement appears:

In designing Mailing Online to meet the needs of small customers, the Postal Service plans to merge documents from different customers in order to achieve greater densities than would otherwise have been possible. In order to charge customers at the time they submit their jobs, a postage rate must be quoted before the batching is completed and the actual presort level is known.

### a. Do you agree with this statement.

b. Please confirm that quoting a postage rate to customers before the batching is completed and the actual presort level is known does not require quotation of the specific Automation Basic rates proposed by the Postal Service in this docket. If you do not confirm, please explain.

c. Please confirm that the Postal Service is willing to consider another postage rate, other than Automation Basic, for Mailing Online based upon experience during the market test. If you do not confirm, please explain.

#### OCA/USPS-T5-45 Response:

a. Yes.

ъ.

- b. Confirmed.
- c. Not confirmed for the experiment. The reasons for proposing use of the

Automation Basic rates are contained in my testimony. Given the limited

nature of the market test, it is unlikely to provide sufficient data to support a

different rate. Based on data gained during the experiment, a different rate

might be proposed for a permanent version of Mailing Online.

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

OCA/USPS-T1-64. Please refer to page 4 of the October 16, 1998, Governors' Decision in this docket. The following statement appears there: 'The Commission recommended a novel, 'floating' fee schedule, which, in place of particular fees, displays the formula (discussed above) by which the fees are calculated based on the prices set forth in the contract between the Postal Service and the printer, rather than fixed fees for the particular contract currently in place. As the Commission noted, this allows for the flexibility needed to accommodate the potential use of multiple printing contractors and to accommodate changes in individual contracts without further proceedings."

a. Please confirm that the fee schedule adopted by the Governors (and requested by the Service and recommended by the Commission) is more in the nature of a set of instructions or algorithm for calculating a rate rather than a mathematical formula. If you do not confirm, please explain.

b. Please confirm that pre-mailing fees for MOL are, in fact, calculated by a computer using a set of programmed instructions--i.e., an algorithm. If you do not confirm, please explain.

c. Please explain why the flexibility of a "floating" fee schedule cannot also be utilized for the calculation of the postage portion of the MOL price.

d. Please confirm that a fully enumerated fee schedule for MOL would require approximately 3000 fees (based on job-type/page-count variations) for each print site, or approximately 75,000 fees when 25 print sites are operational. If you do not confirm, please explain.

e. Please confirm that a fully enumerated fee schedule for MOL would be subject to constant revision (through proceedings before the Commission) as circumstances (e.g., new options, additional print sites) changed. If you do not confirm, please explain.

## OCA/USPS-T1-64 Response:

a-b. Confirmed in part. The fee schedule included in the Commission's Opinion

(Opinion, Appendix One at 2) contains a set of fees presented in a form more

appropriately described as formulae. However, the act of incorporating said

formulae into the Mailing Online software gives rise to an algorithmic formulation.

c. All of the parameters necessary for the operation of the algorithm used to calculate

fees can be known at the time that a customer presents a document for acceptance.



OCA/T1-64 Page 2 of 2

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

The same is not true of postage rates if rates are based on the depth of sort that a

customer's mailing attains as a result of document batching.

d. Confirmed as an approximation, though I would caution that prior to activation of all

25 sites the available features of Mailing Online may change in such a way as to

- change the number of possible combinations.
- e. Confirmed that a fully enumerated fee schedule for MOL (using numbers only) could

be subject to the need for constant revision.

1 COMMISSIONER LeBLANC: Two participants have 2 requested oral cross examination --3 MR. WIGGINS: Mr. Presiding Officer, I, too, have some additional written cross that I would like to have 4 5 entered. COMMISSIONER LeBLANC: Please. My apologies. 6 7 MR. WIGGINS: No problem at all. COMMISSIONER LeBLANC: You did give the Reporter 8 9 two copies, Mr. Wiggins? MR. WIGGINS: Yes, I did. 10 COMMISSIONER LeBLANC: Thank you. 11 CROSS EXAMINATION 12 13 BY MR. WIGGINS: Mr. Plunkett, I have showed you copies of what I 14 Q believe to be your answers to Pitney-Bowes/USPS-T-5-2, 3, 15 and 4. 16 Were those responses prepared by you or under your 17 18 direction? Α 19 Yes, they were. And if I were to ask you these questions today on 20 0 the stand, would you answers be the same? 21 Yes, they would. 22 Α MR. WIGGINS: Mr. Presiding Officer, I move that 23 24 they be admitted into evidence and transcribed in the record. 25

1		COMMISSIONER LeBLANC: Without any objection,
2	please.	
3		[Additional Designation of Written
4		Cross-Examination of Michael K.
5		Plunkett, responses to
6		Pitney-Bowes/USPS-T-5-2, 3, and 4,
7		was received into evidence and
8		transcribed into the record.]
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## RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO INTERROGATORIES OF PITNEY BOWES

### PB/USPS-T5-2

Please confirm that your calculation of "revenue leakage for Standard (A) letters multiplies your calculation of existing volume by the difference between the Standard (A) regular basic letter piece rate of .235 (rounded by you to .24) less the .167 per piece that you contend should apply to MOL Standard (A) letters. If you are not able to confirm, please explain why.

## PB/USPS-T5-2 Response:

Not confirmed. Though the calculation is described correctly, the Standard (A)

basic letter rate was not rounded. Though the number appears as 0.24 in the

table, 0.235 was used to calculate the revenue leakage.

## RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO INTERROGATORIES OF PITNEY BOWES

### PB/USPS-T5-3

Assume that a mailing of MOL letters has fewer than 200 pieces. Confirm that the rate applicable to this mailing would be .33 per piece. If you cannot confirm, please explain why.

# PB/USPS-T5-3 Response:

Confirmed, assuming rejection of the proposed DMCS language making the

minimum volume requirements not apply for Mailing Online volume.

## RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO INTERROGATORIES OF PITNEY BOWES

#### PB/USPS-T5-4

In the circumstances described in interrogatory 2 above, please confirm that the Standard (A) letter revenue leakage occasioned by implementation of MOL would be 18.294 million (11,232 \* (.33 - .167)) instead of the 7.564 million that you show for year 1 at USPS-T-5 Exhibit D at 1. If you cannot confirm, please explain why.

a. In the circumstances described immediately above, do you believe that the illustrative revenue leakage should be considered a cost of the MOL program that should be borne by MOL users? If not, why not?

#### PB/USPS-T5-4 Response:

Not confirmed. Your calculation rests on the wildly improbable assumption that all Mailing Online mailings consist of fewer than 200 pieces, and would therefore not qualify for bulk rates. In fact, there are no data to support any specific assumption regarding inter-class migration of volumes occasioned by the introduction of Mailing Online.

a. There are a number of reasons why, even if one were to accept the absurd assumption on which this hypothetical is based, revenue leakage should not be considered a cost of MOL. The most obvious reason is that to do so would be inconsistent with existing practice. Mailing Online will be offered as a special service, as opposed to a distinct class of mail. This distinction arises because Mailing Online, like most other special services, cannot be used except in conjunction with an existing class of mail. While the effects that special services may have on the classes of mail with which they are associated are often considered when determining an appropriate cost coverage, the resulting revenue and cost impacts are not used to calculate the cost coverage itself.

PB/USPS-T5-4 Page 2 of 2

## RESPONSE OF POSTAL SERVICE WITNESS PLUNKETT TO INTERROGATORIES OF PITNEY BOWES

Moreover, carried to its extreme, the treatment of costs, and presumably revenues, contemplated in this interrogatory would greatly complicate postal ratemaking. For instance, if one accepts the premise of this interrogatory, First-Class Mail costs and revenues would exclude the portion of revenues and costs associated with pieces that are certified. These revenues and costs would presumably be considered attributable to certified mail, except of course for the revenues and costs associated with pieces bearing return receipts, and so on. Another example is delivery confirmation. Like Mailing Online, delivery confirmation is a new special service which has the effect, among others, of reducing the revenue produced from other products such as certified mail. In Docket No. R97-1, the Commission took into account the effect of delivery confirmation on certified mail by adjusting certified mail revenue downward (Docket No. R97-1, PRC Op., Appendix G at 21 and 31). The impact on certified mail was not applied directly to delivery confirmation costs and revenues. The reason for not treating revenue impacts as costs is simple; costs represent payments, not foregone receipts.

COMMISSIONER LeBLANC: Any other further? 1 2 [No response.] 3 COMMISSIONER LEBLANC: Two participants have requested oral cross examination of Witness Plunkett today, 4 and that is Office of the Consumer Advocate, Mr. Richardson, 5 6 and Pitney-Bowes, Mr. Wiggins. 7 We will begin with the OCA. Mr. Richardson? 8 MR. RICHARDSON: Thank you, Mr. Presiding Officer. CROSS EXAMINATION 9 BY MR. RICHARDSON: 10 0 Mr. Plunkett, would you turn to the Notice of 11 Inquiry Number 1, Issue Number 4. I believe it is one of 12 the documents which the Presiding Officer just had entered 13 into the record. 14 That was Issue Number 4? 15 Α 16 0 Yes, Issue 4. 17 Α I have it. And that relates to the Postal Service requested 18 0 19 waiver of the destination entry requirement for the DBMC 20 discount, is that correct? Α Yes, it does. 21 22 Q And the question asks whether there are alternative ways to make the discount available on terms 23 which are not different from the existing DMCS, is that 24 25 correct?

1

А

That's correct.

Q If I could just briefly paraphrase the response, it seems to me your response says the alternatives would be too complex and given the small size of mailing, the presence or absence of a discount is unlikely to have a material impact on the data collected and the Postal Service is willing to postpone an exception to the DBMC language. Is that correct?

9

A That's what it says, yes.

10 Q Does this mean that the Postal Service is 11 withdrawing its request for a DBMC discount waiver in this 12 experimental phase?

13 Α Not necessarily. I mean it is still part of the Postal Service's proposal, but the Postal Service recognizes 14 15 the difficulties that the Commission pointed out in its opinion and concedes the fact that given the practical 16 17 difficulties and the, you know, relatively small size of the Destination Entry Discount, it is unlikely that that would 18 have a material impact on the quality or amount of data 19 20 collected during the experiment.

Therefore, the Postal Service does not wish to use its resources or the resources of other participants in a lengthy litigation of this issue.

Q When you say "not necessarily," where does that leave the Commission with your formal request? What is it

1 that you --

2 MR. RUBIN: Objection. I think it calls for a 3 legal discussion rather than a witness response. 4 COMMISSIONER LeBLANC: Could you pull your mike 5 up, Mr. Rubin? I couldn't hear that, please. 6 MR. RUBIN: Objection. The question calls for 7 discussion of legal matters rather than witness materials. 8 COMMISSIONER LeBLANC: Mr. Richardson, would you 9 care to respond? 10 MR. RICHARDSON: I would just couch it with 11 respect to Witness Plunkett himself. BY MR. RICHARDSON: 12 13 0 In your view, would you postpone the exception to the DBMC language? 14 Well, I mean I -- I don't know enough about the 15 Α 16 necessary procedural steps that need to be taken to alter a 17 request before the Commission. As I have indicated, you know, the Postal Service 18 19 recognizes the issues raised in the Commission's earlier 20 opinion on this issue and does not consider the DBMC discount to be, for lack of a better term, a material 21 22 component of its proposal in this case. Now I don't really know that I can provide any 23 more information than that. 24 25 0 And you wouldn't see any reason to object if the

1	Commission rejected that request?
2	A Well
3	Q Is that a fair conclusion?
4	A I don't know what you mean by object. I mean
5	then in a in a Commission opinion on the experiment, it
6	would be up to the Board of Governors to Determine how to
7	deal with that opinion, and they would have to consider that
8	opinion in its totality, giving consideration to all the
9	issues and not just the inclusion or exclusion of the DBMC
10	discount, so it I mean I am not sure how to answer that
11	question.
12	Q In your view, it is not a material factor in the
13	request?
14	A In my view, no.
15	Q If you will turn now to the same notice of
16	inquiry, but issue number one. And that relates to the
17	impact on competitors of waiving the eligibility
18	requirements for automation basic rates, is that correct?
19	A Yes, that is correct.
20	Q Now, your response is seven full pages discussing
21	the eligibility requirements for automation basic rates and
22	the Postal Service's thinking, or someone's thinking, in
23	coming up with that situation. But I don't see a lot of
24	discussion as to the specific impact on competitors. For
25	instance, if you could I would be happy if you could

demonstrate to me otherwise, but in the first four pages, or 1 2 three pages, let's say, you just discuss the alternatives to 3 the waiver of the eligibility requirements and discuss how other methods might be too technically complex, and you 4 5 don't really get to the issue of competition until the 6 fourth page, at the bottom of the fourth page, where you 7 state -- and that would be the last paragraph, it starts at 8 the bottom of page 4. Do you see that?

9 A Yes. Are you referring to where it says, "In the 10 event Mailing Online becomes a permanent service"?

11 Q Yes, that's correct.

12 A Yes.

Q And you state that competitors offering, and I quote, "functionally equivalent services," end quote, may emerge and assert a right to the same rates as Mailing Online rates at some future time, is that correct?

17 A Yes.

25

Q Now, if that would occur, what would be your view as to whether competitors with functionally equivalent services should receive the same rates as Mailing Online rates?

A Well, I believe I make that know in the following sentences. If you like, I can read from the response to the NOI.

Q Would you specifically refer me to the language?

A Well, in that same paragraph, on the following page, there is a sentence that begins, "Assuming the Postal Service is satisfied that pieces generated by such equivalent services generate mail pieces," and I will finish, "similar in all salient respects to those created by Mailing Online, they should be quoted access to the same rate categories."

8 Q And at present, do you see any competition that 9 does have equivalent services in all salient respects to 10 those created by Mailing Online?

11

A There are none that I am aware of, no.

12 Q Then on page 5, at the start of the paragraph, on 13 the bottom of the page, you indicate the Postal Service has 14 a disincentive to limit competition. Do you see that? 15 A Yes, that's correct.

Q But, in any event, you do not offer the discount, the automated discount to any other party. Isn't the effect of not offering the automated discount to competitors on the same basis as Mailing Online a limit to competition?

A Well, as I believe we just pointed out, I don't know that there are any competitors that exist that offer a service with the same attributes as Mailing Online who would thereby be entitled or would qualify for the same exceptions that Mailing Online is seeking.

25

Q Well, if there are no competitors, then if the

Postal Service did offer the discount to anyone who provided similar mail service, there would be no lost revenue then from those non-existent competitors, is that correct?

A When you say lost revenue, what revenue are you referring to? Revenue, postage revenue that now accrues to the Postal Service, revenue that would accrue to theoretical competitors? I am not clear on --

Q Revenue that you would gain from not giving a discount by waiver of minimum volume requirement. In other words, if there are no competitors, what harm is there to the Postal Service to provide opportunity for any competitor who does show up with similar service, the same discount that you are offering Mailing Online?

Well, one of the things that I refer to later in 14 Α this response is, and I attempted to -- well. 15 One of the difficulties is that, because there are no competitors, and 16 because this is a new product in a new market, there is no 17 system or process currently in place that would allow us to 18 19 determine whether or not a new competitor were able to 20 produce or to demonstrate functional equivalence with 21 Mailing Online. I am not sure how that gets resolved. But 22 I mean we seem to get -- end up in a circular argument. 23 0 Well, when you say functional equivalence, what

23 g well, when you say functional equivalence, what 24 characteristics would a competitor need -- competitor 25 service need to have in order to be functionally equivalent

to Mailing Online such that you feel it would qualify for a discount, or waiver of the minimum volume requirement?

3 A Well, I believe Witness Garvey has testified to that, or provided interrogatory responses. 4 In general, 5 though, I mean we would be looking for a system which, as Mailing Online does, produces mail that is, in every 6 physical respect, automation compatible, and a system which 7 also, by virtue of commingling different customer mailings 8 9 into batched job streams, reduces the mail stream costs of 10 the mail itself. I am not aware that a system that does those things exists now. 11

12 Q Do you foresee that occurring during the 13 experimental phase?

14 A I have no way to predict whether or not that would 15 happen. If someone were developing such a system, it is 16 unlikely they would contact me to let me know that.

17 Q On page 7 of your response, once again you discuss -- well, you start to discuss, at the top of the first full 18 19 paragraph, the impact of the Mailing Online on potential 20 entrepreneurs who might be interested in hybrid mail is not easily measurable, is what you say there. But you discuss 21 the possibility that competitors' printers might be able to 22 NGN offer a lower cost that Mailing Online printers because of 23 certain considerations, is that correct? 24

A Yes, that is correct.

25

1 And you indicated there in your response, I quess 0 2 just below the middle of the paragraph, where you state, "It 3 is conceivable that a potential competitor, unbound by these constraints, may be able to purchase printing capacity from 4 printers who can more easily use existing equipment and 5 space." By your word "conceivable," I gather that you are 6 7 surmising that and you have no direct knowledge of any 8 situation such as that?

9 A That's right. I mean that is just an inference 10 that I have drawn based on what I know about -- we are 11 requiring of our contractors, and I believe there is some 12 excess capacity in this industry that a competitor could 13 potentially take advantage of, if they sought to offer a 14 lower cost service.

Q Whether or not your suggestions are true, could you explain to me how this is responsive to the question that there would be -- what the impact would be on competitors? I don't see how this does respond to the question.

A I mean, I suppose the answer to this question could be, you know, summed up in two words, and that is it depends. What I'm trying to get at in this rather lengthy response is that we really don't know what the effect on competition is going to be. I've tried to give some examples of, you know, the ways in which what we've proposed

may impact potential competitors, but since those competitors exist only in the abstract, I mean, it's difficult to form a conclusive opinion on exactly what those impacts are going to be.

I mean, this is -- for the Postal Service this is 5 6 a completely new enterprise, as it were, and one in which any competitors that there will be are yet to emerge. I 7 8 mean, it's not an easy question to answer, and I think that's reflected in the length. And, you know, I admit that 9 in some instances this response may seem to go somewhat far 10 afield, but that's because I'm not sure the issue of the 11 waiving of eligibility requirements is easily separable from 12 13 the other issues in this case that bear on potential competition. 14

MR. RICHARDSON: Those are all the questions Ihave, Mr. Presiding Officer.

17 COMMISSIONER LEBLANC: Mr. Wiggins, before we get 18 started, I may change my mind here. You have about half an 19 hour I think you said worth of questioning?

20 MR. WIGGINS: That's a good guess, I believe. 21 COMMISSIONER LEBLANC: And I know there are some 22 questions from the bench. So I will go ahead and change my 23 mind. Why don't we break for lunch right now, and we'll 24 come back at say a quarter to two. It'll be a little over 25 an hour and a half then.

	1		Thank you.
<u>_</u>	2		[Whereupon, at 12:23 p.m., the hearing was
	3	recessed,	to reconvene at 1:45 p.m., this same day.]
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1	AFTERNOON SESSION
2	[1:45 p.m.]
3	COMMISSIONER LeBLANC: Okay, ladies and gentlemen,
4	let's get this afternoon started.
5	Mr. Reporter, we can go back on the record, and,
6	Mr. Wiggins, if you can pick up, please, sir.
7	MR. WIGGINS: Thank you, Mr. Presiding Officer.
8	Whereupon,
9	MICHAEL K. PLUNKETT,
10	the witness on the stand at the time of the recess, having
11	been previously duly sworn, was further examined and
12	testified as follows:
13	CROSS EXAMINATION
14	BY MR. WIGGINS:
15	Q Mr. Plunkett, my name is Frank Wiggins. I'm here
16	for Pitney Bowes, which you may not think that there's a
17	competitor with Mailing Online, but Pitney Bowes certainly
18	thinks that Mailing Online is a competitor with its Direct
19	Net services.
20	A Did I say that?
21	Q Are you familiar with the Direct Net services that
22	Pitney Bowes offers?
23	A In a general sense; yes.
24	Q And do you think them perhaps I read words into
25	your mouth that weren't there. Do you think Direct Net to

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1 be in competition with Mailing Online? 2 А Yes. Okay. You talked a little bit about the answer 3 0 4 that you submitted for the Postal Service to issue 4 of 5 Notice of Inquiry No. 1, and I apologize in advance if I'm going to be a little repetitious here, but I just didn't get 6 7 to earth on your answer there, and I'd like to pursue it a little further. 8 9 You're authorized to speak for the Postal Service on this issue, I take it. 10 11 А Well, my name's attached to that answer; yes. 12 0 Is that a yes? 13 Α Yes. The very last sentence, which you did address 140 earlier, I find a little hard to parse. It says at the tail 15 end of it that, and I'm paraphrasing now, the Postal 16 Service -- and now I'm quoting -- "is therefore willing to 17 postpone an exception pending the outcome of the experiment 18 for consideration in the context of any request for 19 20 permanent DMCS language." And that's all with reference to the requested 21 22 waiver of the Destination BMC discount eligibility 23 requirements; correct? Α Yes, that's correct. 24 Now does that mean that the Postal Service is at 25 0

1 least for now not requesting a ruling from the Commission 2 waiving those eligibility requirements?

A As I said earlier, I'm not in a position to answer that. I mean, that I think is a question that could best be answered by counsel. My response really indicates that the Postal Service does not consider this specific issue to be essential to --

Q Sure.

8

9 A Does not consider the issue of the DBMC discount 10 to be crucial to the conduct of a valid experiment.

11 Q That's the first part of the sentence that I read 12 the tail end of to you, and I guess I'm asking how do --13 what you meant by the words "therefore willing to postpone 14 an exception" -- what does that mean?

15 A I guess it acknowledges agreement with the 16 position expressed in the Commission's opinion on the market 17 test phase of the case, which indicates that the Commission 18 didn't feel DBMC discounts were appropriate.

On reflection the Postal Service agrees that the issues raised are legitimate and that elimination of this element of the Postal Service's proposal will not materially damage the market test or the experiment. So the Postal Service considers this issue to be I wouldn't say irrelevant, but as I said earlier, not worth a great expense of energy or effort to further litigate.

Q Would it be fair for me to go home and tell my client that we don't need to face this issue in this case, that we may need to face it at some time in the future, but not now, not here?

5 A Well, I mean, I can't say what's going to happen. 6 I mean, ultimately it's up to the Commission and how they 7 determine to dispose of this issue. I certainly don't 8 intend to pursue this any further or to expend any great 9 effort to advocate a position favoring DBMC discounts for 10 the experiment.

11 Q And in saying "I don't," you're speaking for the 12 Postal Service?

13 A Well, to the extent that I am involved in writing 14 testimony or contributing to a brief, that's my intent as 15 the pricing witness in this case. I can't predict the 16 future.

MR. WIGGINS: Unfortunately I kind of have to predict the future in terms of how I'm going to litigate this case, and, you know, it seems to me, Mr. Presiding Officer, that all of us are entitled to know, is this is or is this ain't part of the Postal Service's case. I have to know what I'm litigating here.

23 MR. RUBIN: Well --

24 COMMISSIONER LEBLANC: Any comment, Mr. Rubin? 25 MR. RUBIN: I think the request is not changed.

The request was approved by the Governors back in July, so
 there's still a request for this DBMC exception.

3 COMMISSIONER LeBLANC: Mr. Wiggins, I believe, unless I misunderstood what Mr. Plunkett said, he gave you 4 as complete an answer as he possibly could under the 5 circumstances. He said, unless I am wrong -- correct me if 6 7 I misspeak, Mr. Plunkett -- that there would be no further 8 intent on his part as a costing witness -- a pricing 9 witness -- to further this end. He cannot pull it from the 10 Governors.

11 So at this point it's my understanding, unless I 12 am wrong here, Mr. Plunkett, you do not -- you will not 13 further this -- it is not your intent to further this at 14 this point. Is that correct?

15 THE WITNESS: I think that's a good summary. It's 16 part of the case. I can't take it out. But I don't intend 17 to expend any of my energy further defending this portion of 18 the proposal.

COMMISSIONER LeBLANC: Given that scenario, Mr.
 Wiggins, let's move on then, if you will.

21 MR. WIGGINS: I'm perfectly satisfied with that. 22 CHAIRMAN GLEIMAN: Can I just ask for a 23 clarification? As I understand it, this is a response that 24 you have given on behalf of the Postal Service to a notice 25 of inquiry that was directed to the Postal Service.

THE WITNESS: That's correct.

2 CHAIRMAN GLEIMAN: Okay. So you're responding for 3 in effect postal management.

4 THE WITNESS: That's correct.

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5 CHAIRMAN GLEIMAN: Okay. So one could reasonably 6 assume that if the Commission did not recommend that 7 discount, that postal management when it presented the 8 recommended decision of the Commission on the experimental 9 case to the Governors would not make a cause celebre out of 10 the fact that the Commission chose not to recommend this 11 discount.

12THE WITNESS: I think that's a fair conclusion.13CHAIRMAN GLEIMAN: Thank you.14MR. WIGGINS: Thank you, Mr. Chairman.

15 COMMISSIONER LEBLANC: Mr. Wiggins, just as a 16 point of clarification, I cannot make your case for you, or 17 go against you or whatever, but Mr. Garvey will be here as a 18 policy witness tomorrow. If you wanted to pursue it, you 19 could at that time, but that is strictly up to you. But at 20 this point, we will let it lay and move on, please.

21 MR. WIGGINS: I appreciate that.

22 BY MR. WIGGINS:

Q You talked a little bit as well, Mr. Plunkett, about the concept of functional equivalence of other Postal -- hybrid Postal offerings with Mailing Online, do you

#### 1 recall that?

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A Yes.

Q And you talked about the salient respects that ought to be considered in determining whether another service was sufficiently like Mailing Online.

A Yes.

7 Q Are you authorized to speak for the Postal Service 8 on that issue as well?

9 A Well, I mean, as a result of my appearing as the 10 pricing witness, I have had to deal with issues surrounding 11 the appropriate fees and postage rates to be used in this 12 case. As a consequence of that role, it is necessary that I 13 deal with some of these issues.

14 I will admit that there is some overlap in this 15 area between what I have done and what Witness Garvey has 16 I mean this certainly is a policy issue as well as a done. 17 pricing issue. It is not clear to me exactly where you make a distinction between the two. To the extent that I have 18 had to deal with it, I have attempted to do so as it relates 19 to pricing of the Mailing Online portion and the postage 20 portion of this product. 21

Q And in your assessment, as the pricing person for the Postal Service, are the two salient respects, at least my notes captured you mentioning, automation compatibility and commingling of mail? Are those really the key salient

respects that one ought to consider in determining
 functional equivalence?

than 3 А I would go a little beyond that. Rather that just say commingling of mail, I would say commingling of customer 4 5 documents in such a way as to reduce the mail stream costs of customer mailings. And I would maybe expand on that a 6 7 little bit by indicating that equivalence in this case means 8 a willingness to use a single rate, a single rate within a 9 class.

10 Q And how would -- you are talking about the 11 economic consequences to the Postal Service, is that right? 12 A Do you mean when I use the term mail stream costs? 13 Q Yes.

I don't know that I would agree with that. 14 Ά The economic consequences to the Postal Service entail more  $\frac{H \alpha \nu}{t h a t}$ 15 16 just the mail stream costs associated with transmitting -or transporting these documents through the mail stream. 17 18 There are economic consequences, for example, as a result of 19 the revenue that accrues to the Postal Service for each 20 So I can't necessarily agree with that transaction. characterization. 21

Q There is also an economic consequence that you talk about that goes in the other direction, the phenomenon of revenue leakage, is that right?

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A I use the term in one of my exhibits, yes.

Have a look, if you would, please, at the first 1 0 2 page of the attachment to your answer to OCA number 37 to 3 you. With the heading, "Mailing Online, Volumes 1999 to 4 Α 2003"? 5 6 That's what mine says. Q 7 Α Yes. I have it. 8 Look at the column labeled, "1999", row 3. Q 9 Α Yes. 10 It shows -- if I read this right, this shows the 0 number of sheets of 11 by 17 pieces, is that right? 11 12 А That's correct. 13 0 Where did you get that number? 14 Α Well, the source indicated and the note for that line indicates that it comes from Table 4 of Witness 15 Seckar's testimony. 16 17 0 I asked Mr. Seckar a question about how one appropriately measured the number of 11 by 17 pages this 18 morning, and he told me to look at page 53 of his Table 4. 19 20 Do you have that? 21 Α Do you mean line 53? 22 0 Line 53, I'm sorry. 23 I don't have Witness Seckar's exhibit with me. Α 24 MR. WIGGINS: May I approach the witness, Mr. 25 Presiding Officer?

1 COMMISSIONER LeBLANC: Yes. MR. WIGGINS: 2 Thank you. 3 COMMISSIONER LeBLANC: Mr. Rubin, do you have a copy of that, for the record? 4 MR. RUBIN: Yes, I have it. 5 MR. WIGGINS: Would the bench like to see it? I 6 have lots. 7 COMMISSIONER LeBLANC: It would help if you have 8 9 got some copies, please. MR. WIGGINS: Sure. 10 THE WITNESS: 11 Thank you. 12 COMMISSIONER LeBLANC: Thank you. 13 BY MR. WIGGINS: Do you have -- this is a document to which your 14 0 answer refers, is it not? 15 Yes, that's right. Α 16 Do you have line 53 on the second page of that 17 0 18 document? Yes, I do. 19 А And what is -- the first column is 1999, right, if 20 0 21 you look at the first page? 22 Α Yes. And what is the number there in line 53? 23 0 24 Α I show \$84,417,856. A number substantially smaller than the \$911 25 0

million that you show in your attachment page 1 of 3, 1 2 correct? Α That's correct. 3 4 Q Do you have any explanation for that? Α I think so. 5 Okay. 6 0 And this will take a minute. 7 Α 8 0 Sure. 9 А If you look at that line 3 on my Attachment, the 10 first page of my Attachment to response to OCA-T-5-37, page 11 1, during the cross that number, \$911 million, stands out as being inconsistent with the other numbers in that line. 12 0 Caught my attention that way. 13 Α And I am hazarding a guess here that I'll be 14 15 willing to attempt to confirm with a homework assignment 16 that when I took numbers from Witness Seckar's testimony I 17 took lines 53 and 79, and it appears what happened that when 18 I took that number from line 53, which is \$84 million, an extra digit was inadvertently included which made that 19 20 number \$840 million, which when added to the number in line 21 79 of \$67 million produces a number of approximately \$911 22 million. 23 Again, I would have to confirm that but that 24 appears to me to be what happened. MR. WIGGINS: Okay. If the Postal Service is 25

willing, Mr. Presiding Officer, I would like to request that
 that confirmation be made.

3 COMMISSIONER LeBLANC: Since Mr. Plunkett has 4 already almost volunteered, I think that is a given.

BY MR. WIGGINS:

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Q And Mr. Plunkett, when you are doing that recalculation, if you would, walk it through the rest of your calculation so that we find out if my numbers are right, that instead of the 60-odd million of contribution that you show on line 32, you come out with 58.583 million, if you would just make that correction throughout?

12 A When I check that number I mean I'll -- I presume 13 we will file a corrected version of this attachment in its 14 entirety.

15 Q Let's think together a little bit about the 16 phenomenon of revenue leakage, which I adverted to briefly 17 before.

Let me try to say what I think it means, and you correct me if I am wrong, just so we are on an equal footing to start out?

21 A Sure.

Q The notion of revenue leakage, as I understand it, results from the fact that mail which in the mailstream today travelling at some postage rate will remain in the mailstream in the future, taking advantage of Mailing Online

and travel at a lower postage rate, and the difference 1 2 between the two rates multiplied by the volume is the revenue leakage. Does that get it pretty close? 3 Α That describes how I have used it, yes. 4 Okay, and you take me to task for a calculation 5 0 that I performed in Pitney-Bowes Interrogatory Number 4 to 6 you, calling me, among other things, "wildly improbable" and 7 "absurd." I must concede there is some moment to those 8 9 accusations, although I am not sure they apply here. 10 It certainly is right, Mr. Plunkett, if what you are accusing me here of is exaggeration, that you are right. 11 12 Certainly not all of these pieces are going to be ineligible for the discounted Standard A rate. I will concede that to 13 14 you. 15 Will you, in a spirit of reciprocity, concede to me that at least some of those pieces are likely not to be 16 eligible for the lower rate? 17 I would say it's possible. What we don't know 18 Α 19 though is exactly what proportion that would be, and --20 O Sure. -- there is nothing extant that I am aware of that 21 Α would allow us to form a conclusion about that. 22 23 0 So somewhere between the two poles that we have just planted here lies the truth, and we just don't know 24 exactly where it is, is that right? 25

1 A Well, there is a proportion, but I think you can 2 be reasonably certain that that proportion is not, you know, 3 100 percent.

Q Nor is it zero? Is that right?
A It's probably not zero, but I would guess that it
6 is considerably closer to zero than to 100 percent.

Q Do you have evidence on which you rely in making8 that guess?

9 A I wouldn't say evidence, but I think if you think 10 about the customers that are likely to use this product --11 Mailing Online is intended to be a convenient service but 12 there is some effort involved in preparing a document such 13 that customers who have very few documents, meaning maybe 5 14 to 10 to 20, may be better off not using Mailing Online to 15 prepare those documents.

16 The convenience that Mailing Online offers to me 17 seems to be much greater for customers with larger numbers of documents to send, which means that in the -- you know, 18 we have been using as upper and lower bounds of the size of 19 20 mailings that are likely to come through Mailing Online is 21 zero and 5,000, it seems to me that at either end of that continuum the number of possible, the number of documents 22 you are likely to get is relatively small, and the vast 23 24 majority is clustered toward the center of that continuum. 25 If that is the case, it follows from that that the

number of mailings that have fewer than 200 pieces tends to
 be relatively small.

3 I don't know exactly, you know, the shape of that curve to the extent that it exists, but it seems to me a 4 reasonable inference that the closer you get to either end 5 6 of that continuum, meaning zero to 5,000 pieces, the fewer 7 the number of documents you have, and therefore that is the basis for my proposition that the proportion of documents 8 that would have fewer than 200 pieces is closer to zero than 9 10 to one.

11 Q That -- I will concede that that seems to me 12 intuitively probable, but this is an empirical question, 13 isn't it, not one that --

14 A I would agree that is a question that can only be 15 answered -- well, that could be answered more definitively 16 with empirical data. I'll concede that.

17 Q And those data aren't available to us just yet?18 A Oh, no.

19QIs there another kind of revenue leakage that20you've not addressed, revenue leakage that would result from21some population of mail that is at present traveling at22First Class rates that would after the advent of Mailing23Online travel at Mailing Online Standard A rates?24Could there be such mail?

A There may be. There may conversely be mail that

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right now customers send at Standard A rates but that may then convert to First Class rates. I'd also point out that overall the net effect on postage revenue for Mailing Online is expected to be positive, and that there is a net revenue gain, not net revenue leakage, as a result of the offering on Mailing Online.

Q Have you made an investigation of what data there are available to determine whether either the phenomenon that I posited, that is, First Class pieces transmuting to Standard A pieces under Mailing Online, or the one that you posited, pieces that are now Standard A jumping up to First Class under Mailing Online? Have you looked into that?

13 A No, I have not.

14 Q Do you believe that there exist data on that 15 question?

16 A I'm not aware of any that exist.

Q Do you think that the study sponsored by Ms.Rothschild might have such data?

19 A Well --

20 Q Let me withdraw that question. I think Ms. 21 Rothschild will answer that question for me tomorrow.

22 A That's a question she may be able to answer better 23 than I.

Q I appreciate that. But if the phenomenon that I posit were showed by Ms. Rothschild's data, it would be --
that is to say that at present there are First Class pieces 1 2 that under her survey data look to be moving to Standard A 3 category with the adoption of Mailing Online, that would be an instance of revenue leakage, would it not? 4 Α You could call it that, I suppose. 5 What would you call it? 6 0 I hadn't given it much thought, really. I suppose 7 Α 8 that's what I would call it. You testify as well about your vision of the 9 0 appropriate coverage level for Mailing Online, the 10 25-percent markup. And the core of that testimony is, if 11 I'm not wrong, is at page 18 of your testimony. Is that 12 13 right? 14 Α It begins at page 18; yes. You tell us there, and I'm reading now from lines 15 0 16 18 through 20, 21, that Mailing Online's target customers are price sensitive, and you cite to a table in the library 17 reference sponsored by Ms. Rothschild. 18 19 А Yes. 20 Do you have evidence other than what's contained 0 in that table of the price sensitivity of potential or 21 expected Mailing Online customers? 22 There is none that I'm aware of; no. 23 А Okay. And if one looks at table 16, it shows you 24 0 what Ms. Rothschild characterizes as the volumes at the 25

50-percent contribution margin rate. 1 2 А Yes. 3 In order to glean the meaning that I think you 0 4 intend, you have to compare table 15 with table 16? А I don't have the tables in front of me. but I 5 think those are the correct tables you would need to 6 7 compare. Mr. Presiding Officer, let me show those to the 0 8 9 witness if I might. COMMISSIONER LeBLANC: 10 Please. 11 THE WITNESS: Yes, that's right. BY MR. WIGGINS: 12 13 And I take it your conclusion concerning price 0 sensitivity is illustrated by the fact that the projected 14 15 volumes under the 50 percent contribution are lower than those under the 25 percent contribution, is that right? 16 17 А That's right. 18 0 Is there anything other than that on which you rely? 19 А NO. 20 21 0 And other than price sensitivity, what commends the 25 percent markup to you? 22 23 А Well, I mean there are a number of factors 24 described in my testimony. One, for example, is this is a somewhat unique product relative to other Postal products in 25

1 that the vast majority of the costs are, for all intents and 2 purposes, known and certain insofar as they are enumerated 3 in contracts between the Postal Service and third party 4 vendors.

5 Other Postal products have costs which, to the 6 extent they can be measured, rely heavily on sampling and 7 retrospective analysis. Those costs are, therefore, subject 8 to some variation and, over time, they are subject to 9 increase as a result of the Postal Service's just increasing 10 costs in general, whether as a result of wage inflation or 11 other inflation in the economy.

Under the markup system, the Postal Service has proposed, Mailing Online is not subject to the same, for lack of a better term, cost creep, because, to the extent that costs increase, the proposed markup system provides a mechanism whereby fees can be adjusted accordingly.

17 Another reason why we believe this is the appropriate markup is Mailing Online is a special service. 18 19 Unlike other special services, or many other special 20 services, its primary value is a function of -- I'm sorry. It has no value independent of its use with other classes of 21 22 mail, and to the extent that it allows customers or provides 23 a reason for customers to make greater use of existing 24 classes of mail, merits a relatively low cost coverage, for example, as with mail permit fees, which have a cost 25

coverage, I believe, less than 125 percent. And that cost
 coverage is not the average of Postal services, in general,
 but it is typical of special services in general.

Q Let me think with you about the first piece of your answer, which, as I took it, had two parts. The first was that you have got a more certain measurement of costs here than you do in some of the other services provided by the Postal Service. Is that right?

9 A Yes, that is what I said.

10 Q Because of the contract element?

11

A That's correct.

12 Q You are not suggesting that the Postal Service 13 isn't good at measuring its costs in other areas, I trust?

14 Ά No. But, I mean many of the other products rely on sampling to measure the costs, the attributable costs of 15 those products. Any sampling system has some inherent 16 17 amount of error involved and is, therefore, subject to some variability, which would not be the case with a product 18 where most of the costs are determined by a written 19 agreement between the Postal Service and a third party. 20 That variability in the process of sampling 21 0

22 applies to the survey sponsored by Ms. Rothschild as well, 23 right?

A Well, I think Ms. Rothschild's testimony acknowledges the fact that there is some variance associated

1 with any of the volume estimates she has provided. 2 And the second element to your first point was the 0 phenomenon that you called cost creep, right? 3 4 А Yes. 5 0 And the way the Postal Service deals with that is 6 through the ratemaking process, correct? For other 7 services. You work hard to get that right? Roll forwards 8 and all that. 9 Α That is one of the ways in which the Postal 10 Service attempts to deal with that. I would not want to 11 give an unqualified response to indicate that that is the 12 only way the Postal Service attempts to deal with cost 13 increases associated with a particular product. MR. WIGGINS: Mr. Presiding Officer, I have no 14 15 further questions. 16 COMMISSIONER LeBLANC: Mr. Richardson, any 17 follow-up recross here? 18 MR. RICHARDSON: Not at this time. 19 COMMISSIONER LeBLANC: Any questions from the 20 bench? 21 [No response.] 22 COMMISSIONER LeBLANC: I have got some that I 23 would like to, I guess, basically get some clarification on more than anything, a couple of them, and then a few are 24 25 interesting to me. So, in my notice of inquiry number 1,

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1 you state that the main goal of Mailing Online is 2 convenience. You talked about it again this afternoon. Is 3 convenience more important than allowing small volume 4 mailers access to automation discounts? THE WITNESS: Well, I don't -- I quess I don't 5 view them as necessarily separate issues. I mean I would 6 7 say they are related in that what we -- this provides a convenient way for small mailers to get access automation 8 discounts. 9 COMMISSIONER LeBLANC: Even if some are left out, 10 if you will, or could be left out? 11 12 THE WITNESS: I don't know what you mean by could be left out. 13 COMMISSIONER LeBLANC: If they don't reach that 14 threshold, what I call a small volume mailer. 15 THE WITNESS: You mean mailers sending fewer than 16 17 200 pieces for --18 COMMISSIONER LeBLANC: Yes. Yes. THE WITNESS: Well, under the -- if the Postal 19 20 Service's proposed exceptions to the DMCS language are recommended by the Commission, there would be no such 21 exclusion. 22 23 COMMISSIONER LeBLANC: That's what I want to get Okay. You state that Mailing Online reduces the "high 24 at. 25 transaction cost," quote-unquote, I think you called it, of

1 assuring automation compatibility. Do you know what cost 2 is, that transaction cost really is? You touched on it a 3 little bit this morning.

4 THE WITNESS: On a per transaction basis?
5 COMMISSIONER LeBLANC: On a per transaction basis.
6 THE WITNESS: No, I don't.

7 COMMISSIONER LeBLANC: Is there any way of knowing8 that?

9 THE WITNESS: I am not aware of any. I mean there 10 may be a study somewhere that attempts to measure what that 11 is, I am not aware of what that would be.

12 COMMISSIONER LEBLANC: Okay. That was touched on. 13 This was touched on a little bit with Mr. Seckar, and maybe 14 you can help me clarify it. The Chairman talked about it a 15 little bit and I will try to ask it another way here.

In response to the Presiding Officer's information request number 2, in question 1, you state that the Postal Service considers that fees should be based on a markup of the volume variable cost of the service. Are the fixed or startup costs included anywhere in either the rate design or the cost coverage calculation of the service?

THE WITNESS: I guess it depends on what you mean by the use of the word "included." We have not presented a table that indicates what the coverage is if those costs are included, but in establishing a cost coverage for the

proposal, consideration was given to the need to recover 1 2 fixed or startup costs during the experimental period. But 3 the expectation would be that such costs would be recovered -- such costs would not be included in the determination of 4 5 the fee, but would be recovered during the experiment. 6 COMMISSIONER LeBLANC: Where? 7 THE WITNESS: Well, --8 COMMISSIONER LeBLANC: I mean is it a specific 9 Is it institutionalized, or how is that done? cost? THE WITNESS: Well, as proposed, the revenues from 10 11 Mailing Online will exceed costs during the experimental 12 period in such a way as to cover any and all fixed or 13 startup costs associated with provision of the service. 14 COMMISSIONER LeBLANC: I'm sorry. Say that again 15 for me, please. 16 THE WITNESS: Well, as proposed, Mailing Online 17 will provide, you know, sufficient revenue in excess of 18 costs to account for any startup or fixed costs during the experimental phase of the service. 19 20 COMMISSIONER LeBLANC: Okay. So, let me back it 21 back down and make sure I am getting this. I am missing something here. You are saying then, in effect, it is in 22 23 the cost coverage side? 24 THE WITNESS: Yes. I think --25 COMMISSIONER LeBLANC: I don't want to put words

1 in your mouth. I am saying, is it the cost coverage side?

THE WITNESS: Yes, it is. And I think at the earlier hearings, this question came up regarding how I treated Witness Seckar's information systems costs. In the fee proposal, we have included a tenth of a cent per impression charge to cover the variable information systems costs associated with Mailing Online.

8 COMMISSIONER LeBLANC: Are you saying then that 9 the fixed and startup costs are part of that one-tenth of 10 one cent?

11 Not explicitly, but the tenth of a THE WITNESS: 12 cent was determined as a result of rounding up Witness 13 Seckar's variable costs estimate, which I believe was seven 14 one-hundredths of a cent, rounded up to a tenth of a cent 15 per impression. If I remember correctly, Witness Seckar's 16 estimate of the fixed information systems costs was, I 17 believe, four one-hundredths of a percent. Added together, 18 you get information systems costs of, I believe, 11 or 12 one-hundredths of a cent, which would, again, round to 19 20 one-tenth of one cent. The result of that is, if you 21 included those costs, you would not necessarily end up with 22 different fees than what we have proposed, even though when 23 we developed that proposal, those costs were not explicitly included. 24

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COMMISSIONER LeBLANC: So we're institutionalizing

1 that, are we not?

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2 THE WITNESS: I don't think anyone is --3 COMMISSIONER LEBLANC: I'm just trying to get a 4 clarification. I'm not trying to say anything about what 5 you said. But as I appreciate what you just said, it is an 6 institutional cost.

7 THE WITNESS: I'm not an expert on costs, and I'm not in a position to debate, you know, the term that's 8 applied to describe those costs. I think what I'm trying to 9 get at is we didn't explicitly include those in the costs 10 11 when developing the fees, but had we included those costs 12 explicitly along with the variable information systems costs, it appears that the resulting fees would not have 13 been any different. 14

15 COMMISSIONER LeBLANC: So when you came up with 16 the prices, how did you look at those?

17 THE WITNESS: I didn't look at them until after I 18 had developed the prices. Then I looked at them and I said 19 well, they really would have no effect on the prices, and 20 therefore excluded them.

21 COMMISSIONER GOLDWAY: Mr. Chairman, I have a 22 question.

23 COMMISSIONER LeBLANC: Yes, just one second
24 please.

Commissioner Goldway wants to follow up on that.

1 COMMISSIONER GOLDWAY: Earlier this morning we 2 heard that there is some significant reconsideration of the 3 information technology needed as part of startup costs. Are 4 you concerned or have you got any information that would 5 indicate that this tenth-of-a-cent cost is in fact going to 6 more than cover both startup and variable costs?

7 THE WITNESS: My understanding is there has been 8 or there is an ongoing effort to revise the proposed 9 architecture for the Post Office Online and Mailing Online I'm not aware that there's been any precise 10 systems. 11 quantification of how that will affect the costs of the 12 service, and in no way am I aware that any change would be significant enough to lead us to want to change the proposed 13 fee structure for the service. 14

15 I'd be surprised if the cost effects of these architectural changes were of sufficient magnitude to lead 16 us to reconsider our fee proposals. My understanding is 17 there's been a change in the software platform on which the 18 19 programs will be based that will require a different approach to developing the system. That does not, I think 20 as Witness Seckar attempted to elucidate the fact that 21 22 there's a significant change in the approach to developing 23 the system, does not in and of itself mean that the costs are appreciably different, just that the effort itself is 24 very much unlike the effort that had been contemplated. 25 But

it's not clear yet what the cost impacts of those changes 1 2 will be, and again, given how small those costs are relative 3 to the total unit costs of a Mailing Online piece, it's unlikely that even a significant change in those costs would 4 5 have an appreciable impact on the proposed fees. COMMISSIONER LeBLANC: Chairman Gleiman. 6 7 CHAIRMAN GLEIMAN: Could you turn to your response to NOI 1, issue 1, the fourth page in, the first full 8 9 paragraph on that page. THE WITNESS: Beginning with examination of the --10 CHAIRMAN GLEIMAN: I must have different 11 12 pagination than you. Mine says when dealing with traditional hard-copy mail --13 THE WITNESS: I have it. 14 15 MR. HOLLIES: Mr. Chairman, if you could again 16 increase your volume, so we could hear it, we'd appreciate that. 17 CHAIRMAN GLEIMAN: Well, the trick is to be quiet 18 so you can hear what I'm saying, then you can't interrupt. 19 20 Substantively, that is. 21 Would you take a moment just to read through that 22 paragraph. 23 THE WITNESS: Yes. 24 CHAIRMAN GLEIMAN: Now I know that you're the pricing witness and not the costing witness, but you do talk 25

1 about a cost element in this paragraph.

THE WITNESS: Correct.

3 CHAIRMAN GLEIMAN: And if I understand your 4 response to the Presiding Officer a few moments ago, you 5 indicated that you were not aware of a study that existed 6 that provided specific cost information on the unit cost of 7 assuring automation compatibility.

8

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THE WITNESS: Correct.

9 CHAIRMAN GLEIMAN: Okay. If you're not aware of a 10 study that exists that says that there's a considerable, you 11 know, fairly large in the overall scheme of things 12 transaction cost associated with assuring automation 13 compatibility, how can you make this statement? I've never 14 seen any costing data on assuring automation compatibility 15 in a rate case, and I'm just kind of curious about that.

16 THE WITNESS: Perhaps this section isn't as clear 17 as it could be. I guess what I'm trying to get at here is 18 the Postal Service maintains an infrastructure for accepting 19 mailings of this kind which involves, you know, employment 20 of acceptance personnel at hundreds of sites throughout the 21 country to be ready to accept customer mailings and to 22 assure compatibility with existing requirements.

Now in establishing such an infrastructure, I mean, you end up -- in determining the appropriate size of such an infrastructure you essentially have to weigh the

benefits of providing access to as many customers as 1 2 possible with the costs of doing so, and one of the end results of that analysis at whatever level that analysis is 3 carried out is the establishment of thresholds, for example, 4 the 500-piece minimum for First Class mail or the 200-piece 5 minimum for Standard A mail, as a way to essentially attempt 6 to balance the costs and the benefits of providing this 7 8 infrastructure.

The point of this paragraph is to make the 9 argument that whatever criteria are used to set those 10 thresholds when dealing with hard-copy mail in an attempt to 11 balance the costs and benefits, those criteria would not 12 13 necessarily be appropriate when trying to strike the same balance for hybrid mail, because a significant amount of the 14 effort required to assure compatibility with automation 15 requirements can be done through the software that is 16 inherent in the Mailing Online system. 17

I don't know that making that argument, while it perhaps would be helpful to refer to a specific cost study in identifying what the costs are for the hard-copy infrastructure, I'm not sure that we have comparable costs for the contemplated hybrid infrastructure, meaning the system that is being developed for Mailing Online.

I guess what I'm trying to make here is more of a hypothetical or theoretical argument about the

appropriateness of applying criteria that are relevant to hard-copy mail to hybrid mail and why existing thresholds that have been established to deal with one environment are not necessarily the appropriate ones to deal with a completely different environment.

6 CHAIRMAN GLEIMAN: All right. Well, I guess 7 you're suggesting then by what you've just said that there 8 is some reason to believe that it is 2-1/2 times as costly 9 to assure automation compatibility of First Class mail than 10 Standard A mail because there's a 500-piece minimum in First 11 Class and only a 200-piece minimum in Standard A.

12 THE WITNESS: I don't know that that is the sole 13 criterion that was used to establish those separate 14 minimums. I'm merely asserting that to the extent that 15 thresholds are established, one of the necessary outcomes is 16 that it sets a bar over which some potential mailers are 17 unable to go.

18 CHAIRMAN GLEIMAN: Assuming for the sake of 19 discussion that somewhere there exists a list of 20 considerations that come into play in establishing those 21 minimums, and that one of the elements may be the cost of 22 assuring compatibility aside, let's accept that as fact for 23 the moment, you're coming in -- or the Postal Service is 24 coming in in this proposal and is suggesting that there 25 still be 500- and 200-piece minimums respectively for First

1 Class and Standard A.

2 THE WITNESS: For hard-copy mail? 3 CHAIRMAN GLEIMAN: No, for MOL mail. 4 THE WITNESS: Could you repeat that, please? 5 CHAIRMAN GLEIMAN: You're doing away -- well, let 6 me back off -- you're doing away altogether with the 7 minimums for the Postal Service in this case. THE WITNESS: We've proposed that exceptions be 8 9 granted to the minimums for Mailing Online pieces. 10 CHAIRMAN GLEIMAN: And this paragraph supports 11 that in part by arguing I guess that the costs that you 12 incur in hybrid mail aren't incurred here, and therefore there's no big deal about not having minimum pieces that are 13 14 based on some cost of assuring automation compliance? 15 THE WITNESS: I would perhaps say it differently. 16 CHAIRMAN GLEIMAN: Okav. 17 THE WITNESS: I would say whatever the costs are, we don't know what they are, and, you know, we've proposed 18 19 an experiment one of the outcomes of which will we hope be 20 that will enable us to measure what those costs are. 21 CHAIRMAN GLEIMAN: Do you know if mailers who deposit mail with the Postal Service for processing and 22 23 delivery have to jump through certain hoops in order to achieve certain types of discounts? For example, a couple 24 25 of times a year, do they have to run their mailing lists

against some type of data base to make sure that their 1 2 addresses are up to date and correct, formatted properly, that the bar codes in their software listing of addresses 3 4 that they're mailing to are compatible with the Postal 5 Service's bar codes? 6 THE WITNESS: I am not an expert in all the 7 requirements that exist. I know that mailers are required to present documentation that indicates that their mail 8 9 meets the Postal Service requirements. 10 CHAIRMAN GLEIMAN: So mailers have to jump through 11 certain hoops and submit certain certifications or information that shows that they have met the requirements, 12 including addressing requirements and bar coding 13 requirements and the like. 14 15 THE WITNESS: I believe so, yes. 16 CHAIRMAN GLEIMAN: And there's some kind of system 17 that the Postal Service has been trying to get up and

18 running that checks bar codes automatically or has mailers

19 check bar codes automatically using some software?

20 THE WITNESS: I believe there is, yes.

CHAIRMAN GLEIMAN: So it could be that the cost of assuring compatibility is not necessarily borne by the Postal Service, but may be borne by the mailers?

24THE WITNESS: Well, I don't know exactly what25proportion but I would assume that some proportion of those

costs are borne by the mailers, but I would also assume that
 some proportion is borne by the Postal Service.

3 CHAIRMAN GLEIMAN: Well, one never knows. Perhaps 4 there will be a classification case one of these days and we 5 can delve into the costs associated with assuring automation 6 compatibility and find out whether there really need to be 7 200 piece or 500 piece minimums or no piece minimums or the 8 same minimums for everybody.

9 THE WITNESS: The minimums were established I 10 believe some time ago, and, you know, the state of 11 technology has changed during that time and Mailing Online 12 is one outgrowth of those technological changes. What other 13 outgrowths of those technological changes might be, I am not 14 able to determine.

15 CHAIRMAN GLEIMAN: Yes. Those minimums may
16 actually have preceded the advent of automation
17 compatibility.

18THE WITNESS: I don't know when they began.19COMMISSIONER GOLDWAY: Can I just -- it seems to20me what you are doing is offering a kind of policy analysis21for --

22 COMMISSIONER LeBLANC: Would you talk up,

23 Commissioner?

24 COMMISSIONER GOLDWAY: To the witness, sorry.
25 COMMISSIONER LeBLANC: I can't hear you.

1 COMMISSIONER GOLDWAY: Is this on? It seems to me that you are offering an interesting policy analysis for why 2 3 there should or should not be certain discriminatory pricing, and I am just wondering if you can envision a time 4 when if everyone is using an E stamp, even though it is just 5 an individual letter going through the system, because of 6 new Post Office technology you are going to have different 7 prices, and these -- and that somehow the new technology 8 will change the way an individual letter gets priced. 9

10 THE WITNESS: I mean I think such an event 11 would -- you would have to determine whether the kinds of 12 pricing mechanisms you are talking about would be consistent 13 with the Reorganization Act, so I am not really prepared to 14 discuss whether or not that would be the case.

15 COMMISSIONER GOLDWAY: That's the question here
16 too. Thanks.

17 CHAIRMAN GLEIMAN: Can I just follow up a little18 bit here on what I was asking you before?

19 If we could just look at the last sentence in that 20 paragraph, "Thus, one of the bases for volume minimums is 21 eliminated due to the electronic interface between the 22 Postal Service and its customers." And if I understood you 23 correctly, that sentence is meant to reflect your 24 understanding of the fact that work will be done by software 25 as opposed to any acceptance clerks -- software that is part

1 of the Mailing Online program.

Did I understand you correctly?
THE WITNESS: Essentially, I suppose, that was
indicated.

5 CHAIRMAN GLEIMAN: Do you think in the interest of 6 fairness and equity if there were other people who had 7 comparable software capabilities against which to run their 8 mail before they deposited it with the Postal Service, that 9 the minimums -- volume minimums -- ought to be eliminated 10 for those parties also?

11 THE WITNESS: I think I have said that in one of 12 my other responses, that if -- I would like to try to find 13 that, so I don't contradict myself.

14 CHAIRMAN GLEIMAN: If you contradict yourself 15 enough, we'll give you a job at the Commission.

16 [Laughter.]

17 THE WITNESS: Is that an offer?

CHAIRMAN GLEIMAN: We can't do that while you are on the stand. We don't want to influence the responses to questions.

21 THE WITNESS: Is my boss here?

22 MR. WIGGINS: I'd like to suggest that maybe while 23 the case is pending, you ought not to do that.

24 [Laughter.]

25 CHAIRMAN GLEIMAN: I don't know. We have had

people spirited away from us during cases who now work at
 the Postal Service.

3 THE WITNESS: Well, in that same response, and 4 what I have is the fifth page in --

CHAIRMAN GLEIMAN: Okay, I'm with you.

5

6 THE WITNESS: -- at the paragraph beginning, "In 7 the event Mailing Online becomes a permanent service" -- at 8 the end of that paragraph, and I think it came up earlier 9 today, assuming the Postal Service is satisfied that pieces 10 generated by such equivalent services generate mail pieces 11 similar in all salient respects, they should be accorded 12 access to the same rate categories, and again that is 13 contemplating the advent of such competitors and the advent of a permanent service filing, but I think that is, if I am 14 15 correct, that is what you are asking.

16 CHAIRMAN GLEIMAN: Well, I guess it all comes down 17 though to the dancing around on the concept of functional 18 equivalency and the Postal Service, it seems to me, argues 19 that there is nothing even in the ball park of Mailing 20 Online, and therefore, you know, there would be no 21 functional equivalent.

Some intervenors in the case have a product that they sell that perhaps has the same capabilities from the software standpoint to check automation compatibility or assure automation compatibility, but the Postal Service

would, I assume, argue that those parties could not benefit from having the minimums removed because they were only on all threes instead of all fours, if you will, with the Postal Service's product.

5 I mean, you know, does it have to be exactly the 6 same product that is offered by a competitor?

7 THE WITNESS: Well, I mean -- I don't want to 8 get --

9 CHAIRMAN GLEIMAN: Or is it just the software --10 the capacity of software to check for automation 11 compatibility?

I don't mean to press you on this. I am thinking 12 out loud now and I don't expect an answer from you on this. 13 THE WITNESS: I mean we sort of contemplated that 14 issue in preparing this response, and later on in this 15 16 response I refer to the example of the providers of presorting software and the Postal Service licenses raw data 17 to these providers and certifies that these providers 18 19 perform work that complies with the Postal Service requirements. 20

Now it goes beyond the scope of this case, I suppose, to talk about whether or not a similar process could be put in place for Mailing Online, but I mean there is a precedent for dealing with equivalent or very similar services to ones that the Postal Service is able to provide.

CHAIRMAN GLEIMAN: No, I understand and I 1 2 appreciate that and my interest in this is not passing. It 3 just seems to me that at another time the Commission might 4 want to consider opening a case on its own, a classification case on its own to delve into the continued necessity to 5 6 have minimum volume requirements. 7 I thank you. I appreciate your help. 8 COMMISSIONER LeBLANC: Are there any other 9 questions from the bench? 10 [No response.] 11 COMMISSIONER LeBLANC: Did the questions from the bench bring out any recross? 12 Mr. Richardson. 13 14 **RECROSS-EXAMINATION** 15 BY MR. RICHARDSON: 16 0 Mr. Plunkett, referring to the paragraph which the 17 Chairman was questioning you about regarding the acceptance procedures, it's on my page three but I am not sure which 18 19 page that is -- starting with the paragraph starting with 20 "When dealing with traditional hard copy" --21 А I have it. 22 And in the middle of that paragraph, you have a 0 23 sentence which says, "The hybrid nature of Mailing Online 24 reduces the need for these acceptance procedures." 25 I take it from that you are talking about labor

intensive acceptance procedures, labor at the location where
 the mail is placed into the mailstream at the post office.

3 Is that generally or that is one of the aspects of 4 your response there, isn't it?

A Yes.

Q Well, let me explain my somewhat confused state of mind. As I understand it, the printers will prepare the letters for mailing and they will be physically carried to the Postal Service for mailing, and they are deposited in the mail. At that point, they will be presented to a clerk of some sort who will accept them. Is that correct?

A That is correct.

13 Q Now, have those procedures changed with respect to 14 the printers who are using Mailing Online as opposed to 15 printers who don't use Mailing Online?

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A No, they haven't.

Q And the printers that use Mailing Online will also be printing up non-Mailing Online material, also, so that when they take letters to the Postal Service, it would take labor, or a clerk at the Postal Service to determine whether it is Mailing Online material or non-Mailing Online material, to verify that?

23 A I don't know that that is the case. I am not 24 aware that the existing contractor is depositing any mail 25 other than Mailing Online pieces at the time those are

presented for acceptance, and I am not aware that our contracts spell out whether or not that is allowable. But I am not aware that that is happening right now.

Q It was my impression that the printers would be able to do other printing jobs other than the Mailing Online. Your testimony is something to the contrary?

A Well, again, I don't know exactly what the contract specifies. I don't believe the existing contractor is depositing anything other than Mailing Online volume at the time they present mail for acceptance. Whether that will ever and always be the case, I am not qualified to answer to.

Q But to the extent then that they were doing non-Mailing Online mailings, there would have to be some type of distinction made by an individual as to which service it was dealing with and there would be some labor involved in that acceptance procedure, <u>similar to this</u>.

A Well, that seems to me to be independent of Mailing Online. That seems to be an issue relating to the other services provided by contractors who are providing Mailing Online service and not necessarily germane to what is going on with Mailing Online.

Q But in either event, it seems to me, don't you agree, that Mailing Online mail taken to the Postal Service

would have to be reviewed by a clerk before it is mailed?
 To that extent, there may not be that much of a reduction in
 the labor involved at that point.

A I would disagree in two ways. In a practical sense, one of the effects of Mailing Online is to consolidate potentially hundreds or thousands of separate, small mailings into much larger mailings, which would have the inevitable result of reducing traffic at an acceptance location where those mailings are entered.

10 But this also refers to a sort of hypothetical situation. The infrastructure that has been built up around 11 mail acceptance has been built up to accommodate acceptance 12 of hard copy mail. Now, in a hypothetical example of an 13 environment where you are accepting only hybrid documents. 14 or mail pieces that had been prepared through a hybrid 15 16 system with the functional capabilities of Mailing Online, it appears to me that the need for an infrastructure for 17 accepting such pieces would be materially less than exists 18 19 in the existing environment which is built to accommodate 20 acceptance of hard copy mailings.

Q Do you know of any instructions that have been given to acceptance clerks relating to the acceptance of automation Mailing Online mail?

A Do you mean outside of whatever training they receive for acceptance of --

1 0 Of hard copy? 2 Of regular mail? Specific instructions, no. Α 3 0 In other words, getting back to your first 4 response to my initial question, as far as you know, there 5 have been no changes in the acceptance procedures at the 6 Postal Service with respect to receiving Mailing Online 7 material versus other hard copy material? 8 Α Not that I am aware of. 9 MR. RICHARDSON: Those are all the questions I 10 have. 11 COMMISSIONER LeBLANC: Mr. Wiggins, any follow-up? 12 MR. WIGGINS: Yes. Just one or two.

13 Mr. Presiding Officer.

14

15

BY MR. WIGGINS:

16 0 I think you just answered this question, but let 17 me make sure I understand it. Hypothesize for me two 18 mailings, both of which are coming to the same Post Office, 19 both of which are contending for Standard A, automation, 20 basic rates. Okay. And they are presented one right after 21 the other to an acceptance clerk. One of them is from a 22 Mailing Online printer, and one of them isn't. Have we got 23 it so far?

RECROSS-EXAMINATION

Thank you,

I want to clarify. 24 Α

25 0 Sure.

1 Α The one that is from a Mailing Online printer, I 2 assume that was prepared through Mailing Online, where the 3 customer presented a document? 4 0 Yes. 5 А Okay. 6 0 Yes. I'm sorry. That's a good clarification. 7 А Okay. I'm with you now. 8 Is there going to be any difference at all in the 0 activities of that acceptance clerk in the intake of those 9 10 two mailings? 11 Α I am not aware of any, but I am not sure I am the 12 best person to answer that question. 13 0 Could you suggest to me who might be a better 14 witness on that score? 15 Α Well, I mean, if anything, it relates more to 16 policy and Witness Garvey might be a better candidate to 17 answer a question like that. 18 MR. WIGGINS: Perfect. Thank you. 19 COMMISSIONER LeBLANC: Okay. Mr. Rubin, this 20 brings us to redirect. Would you like some time with your 21 witness? Mr. Hollies? We are going back and forth today 22 here. 23 MR. RUBIN: Yes. I think five minutes would be fine. 24 25 COMMISSIONER LeBLANC: Okay. Well, we will take

10, we will be back at five after 3:00. Off the record. 1 2 [Recess.] 3 COMMISSIONER LeBLANC: Okay. Ladies and 4 gentlemen, we are back on the record here. 5 Mr. Rubin. 6 MR. RUBIN: Once again, we have no redirect. With 7 COMMISSIONER LeBLANC: He had some questions 8 9 coming if you had some redirect. Okay. Given that scenario 10 then -- okay, here, let me see. Let me make sure I have got 11 everything covered. Okay. 12 Okay. That covers everything then this afternoon. 13 Mr. Plunkett, we do appreciate your appearance here today 14 and your contributions to our record. And if there is 15 nothing further, which there seems to me, then you are 16 excused. 17 THE WITNESS: Thank you. 18 COMMISSIONER LeBLANC: Thank you. 19 [Witness excused.] 20 COMMISSIONER LeBLANC: Hearings, ladies and 21 gentlemen, will resume at 1:30 p.m. tomorrow, 1:30 tomorrow afternoon, November 19th, and we will receive testimony from 22 23 Postal Service Witnesses Rothschild and Garvey. 24 Thank you very much. Have a nice evening. Off 25 the record, Mr. Reporter.

1	[Whereupon, at 3:06 p.m., the hearing was				
2	recessed,	to reconvene	e at 1:30 p.m	., Thursday,	November 19,
3	1998.]				
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