

ORIGINAL

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

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MAILING ONLINE SERVICE

Docket No. MC98-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS PLUNKETT TO INTERROGATORIES OF
PITNEY BOWES, INC.
(PB/USPS-T5-5-6)

The United States Postal Service hereby provides the responses of witness Plunkett to the following interrogatories of Pitney Bowes, Inc.: PB/USPS-T5-5-6, filed on January 22, 1999.

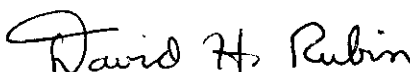
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

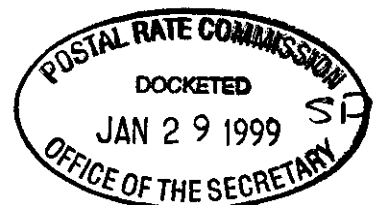
By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



David H. Rubin

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2986; Fax -5402
January 29, 1999



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

PB/USPS-T5-5 Please confirm that both pages 1 and 2 to the attachment of Witness Plunkett's revised response to OCA/USPS-T-10 exclude inserter costs of the sort reported by Mr. Seckar in his calculations of incremental costs (see Worksheet 3 of the most recent calculation) and one-time information systems costs. Why were these costs excluded?

PB/USPS-T5-5 Response:

Confirmed. In revising my response to interrogatory OCA/USPS-T5-10, my focus was on showing that the revised "one-time" Mailing Online systems costs were still well below the excess of revenues over costs projected for Mailing Online. I did not update the other cost and revenue information to reflect witness Seckar's later calculation of incremental costs because updating would not change this result. Attached is a revised page 1 of the attachment that includes witness Seckar's inserter costs. Including these costs also causes total revenues to increase by an amount equal to 1.25 times these costs, so that the excess of revenues over costs increases to \$48.7 million.

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

PB/USPS-T5-6 Do you recommend that the .1 cent per impression fee called for in proposed fee schedule 981 found at Attachment B2, page 1 of the Postal Service Request should be increased to .21 cents? If not, why not?

PB/USPS-T5-6 Response:

The Postal Service's request includes a 0.1 cent per impression cost in the fee schedule, and is not subject to alteration except by the Board of Governors. However, I indicated in my revised response to Presiding Officer's Information Request No. 2, Question 2 that, using the new information provided by witnesses Lim and Seckar, a per impression cost of 0.21 cents could be used.

DECLARATION

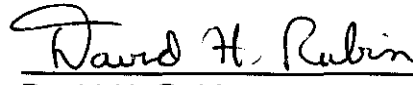
I, Michael K. Plunkett, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Michael K. Plunkett

Dated: 1/29/99

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



David H. Rubin

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
January 29, 1999

Revenues Including Variable Information Systems Costs

Page 1

	Note	1999	2000	Total 1999-2000
Impression Costs				
(a) Total Impression Costs	Attachment to witness Seckar's updated response to hearing question Tr. 7/1733-34, Worksheet 1 line 25	\$ 50,881,909	\$ 84,974,709	\$ 135,856,618
(b) Fixed Info Systems Costs (BW, 8.5x11 & 8.5x14)	Attachment to witness Seckar's updated response to hearing question Tr. 7/1733-34, Worksheet 1 line 7	\$ 1,845,942	\$ 3,221,664	\$ 5,067,605
(c) Fixed Info Systems Costs (BW, 11x17)	Attachment to witness Seckar's updated response to hearing question Tr. 7/1733-34, Worksheet 1 line 15	\$ 518,211	\$ 904,417	\$ 1,422,628
(d) Fixed Info Systems Costs (Spot Color, 8.5x11 & 8.5x14)	Attachment to witness Seckar's updated response to hearing question Tr. 7/1733-34, Worksheet 1 line 23	\$ 1,686,464	\$ 2,943,333	\$ 4,629,797
(e) Total Impression Costs excl. fixed info systems costs	=(a) - (b) - (c) - (d)	\$ 46,831,292	\$ 77,905,296	\$ 124,736,588
Paper Costs				
(f) 8.5x11 B&W pages	USPS T-2A page 9 line 45	541,001,192	944,192,341	1,485,193,533
(g) 8.5x11 Spot Color pages	USPS T-2A page 10 line 71	433,474,586	755,443,770	1,188,918,355
(h) Pages printed on 8.5x11 paper	=(f) + (g)			18
(i) 8.5x11 paper - Price per piece	USPS T-2A page 28			
(j) 8.5x11 paper - Total cost	=(h) * (i)			12
(k) 8.5x14 B&W pages	USPS T-2A page 9 line 49			11
(l) 8.5x14 Spot Color pages	USPS T-2A page 10 line 75			18
(m) Pages printed on 8.5x14 paper	=(k) + (l)			19
(n) 8.5x14 paper - Price per piece	USPS T-2A page 28			
(o) 8.5x14 paper - Total cost	=(m) * (n)			0
(p) 11x17 B&W pages	USPS T-2A page 9 line 53			2
(q) 11x17 Spot Color pages	USPS T-2A page 10 line 79			2
(r) Pages printed on 11x17 paper	=(p) + (q)			4
(s) 11x17 paper - Price per piece	USPS T-2A page 28			
(t) 11x17 paper - Total cost	=(r) * (s)			7
(u) Total Pages	=(h) + (m) + (r)			31
(v) Total Paper Cost	=(j) + (o) + (t)			8
Envelope Costs				
(w) First-Class Letters	USPS T-2A page 6 line 92			18
(x) Standard Mail (A) Letters	USPS T-2A page 6 line 94			7
(y) Total letter size pieces	=(w) + (x)			15
(z) # 10 Envelope no window and logo - Price per piece	USPS T-2A page 28			
(aa) Envelope Costs - letter size pieces	=(y) * (z)			1
(bb) First-Class flats	USPS T-2A page 6 line 93	14,072,713	24,560,663	38,633,376
(cc) Standard Mail (A) flats	USPS T-2A page 6 line 95	31,279,247	54,590,685	85,869,932
(dd) Total flat size pieces	=(bb) + (cc)	45,351,960	79,151,348	124,503,308
(ee) Flat sized envelope no window and no logo - Price per piece	USPS T-2A page 28	\$ 0.0468	\$ 0.0483	
(ff) Envelope Costs - flat size pieces	=(dd) * (ee)	\$ 2,122,000	\$ 3,821,971	\$ 5,943,971
(gg) Total Envelopes	=(y) + (dd)	295,665,022	516,014,851	811,679,873
(hh) Total Envelope Cost	=(aa) + (ff)	\$ 8,942,530	\$ 16,106,544	\$ 25,049,075
Transportation Costs				
(ii) First-Class Letters	USPS T-2A page 6 line 92	77,872,143	135,558,745	213,230,888
(jj) First-Class Letters - Transportation cost per piece	USPS T-2A page 7 line 140	\$ 0.00055	\$ 0.00054	
(kk) Total First-Class letter transportation costs	=(ii) * (jj)	\$ 42,594	\$ 73,423	\$ 116,017
(ll) First-Class flats	USPS T-2A page 6 line 93	14,072,713	24,560,663	38,633,376
(mm) First-Class flats - Transportation cost per piece	USPS T-2A page 7 line 141	\$ 0.00083	\$ 0.00082	
(nn) Total First-Class flats letter transportation costs	=(ll) * (mm)	\$ 11,717	\$ 20,198	\$ 31,915
(oo) Standard Mail (A) Letters	USPS T-2A page 6 line 94	172,640,919	301,304,758	473,945,677
(pp) Standard Mail (A) Letters - Transportation cost per piece	USPS T-2A page 7 line 142	\$ 0.00120	\$ 0.00119	
(qq) Total Standard Mail (A) letter transportation costs	=(oo) * (pp)	\$ 207,925	\$ 358,421	\$ 566,347
(rr) Standard Mail (A) flats	USPS T-2A page 6 line 95	31,279,247	54,590,685	85,869,932
(ss) Standard Mail (A) flats - Transportation cost per piece	USPS T-2A page 7 line 143	\$ 0.01586	\$ 0.01567	
(tt) Total Standard Mail (A) flat transportation costs	=(rr) * (ss)	\$ 496,104	\$ 855,185	\$ 1,351,289
(uu) Total Transportation Costs	=(kk) + (nn) + (qq) + (tt)	\$ 758,340	\$ 1,307,227	\$ 2,065,567
(vv) Insertor Costs	Attachment to witness Seckar's updated response to hearing question Tr. 7/1733-34, Worksheet 3	\$ 8,593,250	\$ 14,882,676	\$ 23,475,926
(ww) Total Printing, Transportation, and Insertor Costs	=(e) + (v) + (hh) + (uu) + (vv)	\$ 72,021,825	\$ 122,622,990	\$ 194,644,814
(xx) 25% Markup on printing and transportation costs	=(ww) * 25%	\$ 18,005,456	\$ 30,655,747	\$ 48,661,204
(yy) Total Revenue including Markup	=(ww) + (xx)	\$ 90,027,281	\$ 153,278,737	\$ 243,306,018
(zz) Net Contribution	=(yy)-(ww)	\$ 18,005,456	\$ 30,655,747	\$ 48,661,204

Joyce, Fri
I made 2
copies of
this attachment
left of PB/USPS-
T5-5
so you could put
it with the original.
time