

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Mailing Online Service

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Docket No. MC98-1

OFFICE OF THE CONSUMER ADVOCATE
INTERROGATORIES TO UNITED STATES POSTAL SERVICE
(OCA/USPS-27-36)
February 18, 1999

Pursuant to sections 25 and 26 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits interrogatories and requests for production of documents. Instructions included with OCA interrogatories OCA/USPS-T1-1-7 to witness Lee Garvey, dated July 21, 1998, are hereby incorporated by reference.

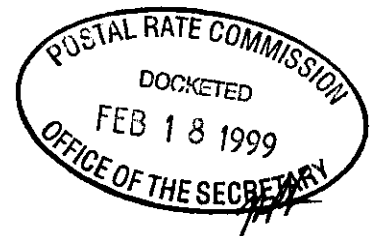
Respectfully submitted,

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Office of the Consumer Advocate

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OCA/USPS-27. Please refer to the response provided by the Postal Service on February 12, 1999, concerning a question posed at the February 5 hearing at Tr. 8/1987-88. The response contains the statement:

The Library Reference 7 Netpost contract costs were not included in the total information systems' costs that Witness Lim presents, because the former are related to the operational and market tests for Mailing Online, rather than the Mailing Online experiment.

- a. Are the Library Reference 7 Netpost contract costs included in the "Information Systems—Variable" cost of \$.0021 presented by witness Seckar in his revised Worksheet 1, page 2, that updates his response to a November 20 Hearing Question (Tr. 8/1881)?
- b. Are the Library Reference 7 Netpost contract costs included in the "Information Systems—One-Time" cost of \$.0020 presented by witness Seckar in his revised Worksheet 1, page 2, that updates his response to a November 20 Hearing Question (Tr. 8/1881)?
- c. If the Library Reference 7 Netpost contract costs are not included in either of the "Information Systems" unit costs, explain why not.
- d. If the Library Reference 7 Netpost contract costs have not been included in either of the "Information Systems" unit costs of \$.0021 nor \$.0020, then are the L.R. 7 Netpost contract costs otherwise included in the "one-time" information costs that witness Plunkett cites in his response to part a. of interrogatory OCA/USPS-T5-10, revised January 14, 1999 (Tr. 8/1765)?

- e. Similarly, are the L.R. 7 Netpost contract costs included in the costs analyzed in the attachment to witness Plunkett's response to interrogatory OCA/USPS-T5-10 (Tr. 8/1767)?
- f. If the L.R. 7 Netpost contract costs are not specifically included in his response to part a. of interrogatory OCA/USPS-T5-10 and the cited attachment, explain why not.
- g. If the L.R. 7 Netpost contract costs are not specifically included in his response to part a. of interrogatory OCA/USPS-T5-10 and the cited attachment, then provide the following:
 - i. a new attachment to interrogatory OCA/USPS-T5-10 that addresses these costs, and
 - ii. a revision to the last sentence of witness Plunkett's response to subpart v., of interrogatory OCA/USPS-T5-52, part e. (Tr. 8/1782). In other words, what would be the resulting cost coverage for MOL if the L.R. 7 Netpost contract costs are recovered by means of the cost coverage?

OCA/USPS-28. At Tr. 4/868, witness Stirewalt provided:

the total estimated information systems costs to-date of the Mailing Online program, as provided to me by the Postal Service systems managers responsible for preparing and operating the Mailing Online service Included are costs to prepare and run the Operations Test, in addition to costs to prepare for the Market Test.

The total of these costs was \$774,950.

- a. Are any of these costs included in the "Information Systems—Variable" cost of \$.0021 presented by witness Seckar in his revised Worksheet 1, page 2, that updates his response to a November 20 Hearing Question (Tr. 8/1881)?
 - i. If so, then give the proportion of the \$774, 950 (and the actual dollar figure) reflected in the \$.0021 unit cost figure.
 - ii. If not, why not?
- b. Are any of these costs included in the "Information Systems—One-Time" cost of \$.0020 presented by witness Seckar in his revised Worksheet 1, page 2, that updates his response to a November 20 Hearing Question (Tr. 8/1881)?
 - i. If so, then give the proportion of the \$774,950 (and the actual dollar figure) reflected in the \$.0020 unit cost figure.
 - ii. If not, why not?
- c. Please update the \$774,950 cost figure for the period of time since witness Stirewalt filed the response on September 3, 1998, through today (February 18, 1999).
- d. For the updated cost figure furnished in response to part c. above, state whether any of the costs furnished are included in the cost estimates provided by witness Lim in Table 1 of USPS-ST-9.
 - i. If so, state the amount of such included costs and explain where and how witness Lim incorporated these costs into his testimony.
 - ii. Give citations to Exhibits, where appropriate, and provide any underlying computations.

- e. Did witness Plunkett's attachment to his response to interrogatory OCA/USPS-T5-10 (Tr. 8/1767) specifically include any of the \$774,950 costs referenced above?
- i. If so, explain where and how those costs are reflected in the attachment.
 - ii. If not, why not?
 - iii. If not, please provide a revised attachment that does reflect the inclusion of the costs of \$774,950.
- f. Does witness Plunkett's response to subpart v., of interrogatory OCA/USPS-T5-52, part e. (Tr. 8/1782)—that the cost coverage of MOL would be 118.2 percent if MOL start-up costs are recovered by means of the cost coverage (rather than as attributable costs marked up)—take into account the costs of \$774,950?
- i. If so, explain where and how those costs are reflected in the cost coverage figure of 118.2 percent.
 - ii. If not, why not?
 - iii. If not, please provide a revised answer to the last sentence of subpart v., of interrogatory OCA/USPS-T5-52, part e. (Tr. 8/1782), that does reflect the inclusion of the costs of \$774,950.
- g. Does witness Plunkett's attachment to his response to interrogatory OCA/USPS-T5-10 (Tr. 8/1767) specifically include any of the updated costs described in part c. above?
- i. If so, explain where and how those costs are reflected in the attachment.

- ii. If not, why not?
 - iii. If not, please provide a revised attachment that does reflect the inclusion of the updated costs described in part c.
- h. Does witness Plunkett's response to subpart v., of interrogatory OCA/USPS-T5-52, part e. (Tr. 8/1782)—that the cost coverage of MOL would be 118.2 percent if MOL start-up costs are recovered by means of the cost coverage (rather than as attributable costs marked up)—take into account the updated costs described in part c. above?
 - i. If so, explain where and how these updated costs are reflected in the cost coverage figure of 118.2 percent.
 - ii. If not, why not?
 - iii. If not, please provide a revised answer to the last sentence of subpart v., of interrogatory OCA/USPS-T5-52, part e. (Tr. 8/1782), that does reflect the inclusion of the updated costs described in part c. above.

OCA/USPS-29. What are the total expenditures/costs made to date in conducting the operations test for MOL?

- a. Please break down the total into "one-time" expenditures/costs and "variable" expenditures/costs. ("One-time" and "variable" should be understood to have the same meaning given them by witness Seckar in his revised Worksheets 1 and 2 (Tr. 8/1880-82)).
- b. Please state the source of the information provided.

- c. Provide all documentary materials underlying the expenditure/cost figures provided. Include any computations made to generate the figures. Provide full citations to any documentary materials provided or utilized.
- d. Have any of these expenditures/costs been included in the "Information Systems—Variable" cost of \$.0021 presented by witness Seckar in his revised Worksheet 1, page 2, that updates his response to a November 20 Hearing Question (Tr. 8/1881)?
 - i. If so, explain where and how these expenditures/costs have been included.
 - ii. If not, why not?
- e. Have any of these expenditures/ costs been included in the "Information Systems—One-Time" cost of \$.0020 presented by witness Seckar in his revised Worksheet 1, page 2, that updates his response to a November 20 Hearing Question (Tr. 8/1881)?
 - i. If so, explain where and how these expenditures/costs have been included.
 - ii. If not, why not?
- f. Does witness Plunkett's attachment to his response to interrogatory OCA/USPS-T5-10 (Tr. 8/1767) specifically include any of the expenditures/costs made in conducting the operations test?
 - i. If so, explain where and how these expenditures/costs are reflected in the attachment.

- ii. If not, why not?
 - iii. If not, please provide a revised attachment that does reflect the inclusion of the expenditures/costs made in conducting the operations test.
- g. Does witness Plunkett's response to subpart v., of interrogatory OCA/USPS-T5-52, part e. (Tr. 8/1782)—that the cost coverage of MOL would be 118.2 percent if MOL start-up costs are recovered by means of the cost coverage (rather than as attributable costs marked up)—take into account the expenditures/costs made in conducting the operations test?
 - i. If so, explain where and how these expenditures/costs are reflected in the cost coverage figure of 118.2 percent.
 - ii. If not, why not?
 - iii. If not, please provide a revised answer to the last sentence of subpart v., of interrogatory OCA/USPS-T5-52, part e. (Tr. 8/1782), that does reflect the inclusion of the expenditures/costs made in conducting the operations test.

OCA/USPS-30. What are the total expenditures/costs made to date in conducting the market test for MOL?

- a. Please break down the total into "one-time" expenditures/costs and "variable" expenditures/costs. ("One-time" and "variable" should be understood to have the same meaning given them by witness Seckar in his revised Worksheets 1 and 2 (Tr. 8/1880-82)).
- b. Please state the source of the information provided.

- c. Provide all documentary materials underlying the expenditure/cost figures provided. Include any computations made to generate the figures. Provide full citations to any documentary materials provided or utilized.
- d. Have any of these expenditures/costs been included in the “Information Systems—Variable” cost of \$.0021 presented by witness Seckar in his revised Worksheet 1, page 2, that updates his response to a November 20 Hearing Question (Tr. 8/1881)?
 - i. If so, explain where and how these expenditures/costs have been included.
 - ii. If not, why not?
- e. Have any of these expenditures/ costs been included in the “Information Systems—One-Time” cost of \$.0020 presented by witness Seckar in his revised Worksheet 1, page 2, that updates his response to a November 20 Hearing Question (Tr. 8/1881)?
 - i. If so, explain where and how these expenditures/costs have been included.
 - ii. If not, why not?
- f. Does witness Plunkett’s attachment to his response to interrogatory OCA/USPS-T5-10 (Tr. 8/1767) specifically include any of the expenditures/costs made in conducting the market test?
 - i. If so, explain where and how these expenditures/costs are reflected in the attachment.

- ii. If not, why not?
 - iii. If not, please provide a revised attachment that does reflect the inclusion of the expenditures/costs made in conducting the market test.
- g. Does witness Plunkett's response to subpart v., of interrogatory OCA/USPS-T5-52, part e. (Tr. 8/1782)—that the cost coverage of MOL would be 118.2 percent if MOL start-up costs are recovered by means of the cost coverage (rather than as attributable costs marked up)—take into account the expenditures/costs made in conducting the market test?
- i. If so, explain where and how these expenditures/costs are reflected in the cost coverage figure of 118.2 percent.
 - ii. If not, why not?
 - iii. If not, please provide a revised answer to the last sentence of subpart v., of interrogatory OCA/USPS-T5-52, part e. (Tr. 8/1782), that does reflect the inclusion of the expenditures/costs made in conducting the market test.
- OCA/USPS-31. What are the total expenditures/costs made to date in operating POL?
- a. If possible, give the expenditure/cost figure for discrete POL costs after subtracting MOL-specific and SOL-specific costs. Give a ballpark estimate if precise expenditure/cost figures are unavailable.
 - b. Describe the reasoning process involved in developing the ballpark estimate.
 - c. Have any discrete, POL-specific expenditures/costs been included in the "Information Systems—Variable" cost of \$.0021 presented by witness Seckar in

his revised Worksheet 1, page 2, that updates his response to a November 20 Hearing Question (Tr. 8/1881)?

- i. If so, explain where and how these expenditures/costs have been included.
 - ii. If not, why not?
- d. Have any discrete, POL-specific expenditures/ costs been included in the "Information Systems—One-Time" cost of \$.0020 presented by witness Seckar in his revised Worksheet 1, page 2, that updates his response to a November 20 Hearing Question (Tr. 8/1881)?
- i. If so, explain where and how these expenditures/costs have been included.
 - ii. If not, why not?

OCA/USPS-32. Please review the following quote from PRC Op. MC98-1 (Market Test) at 48.

Joint costs that benefit Mailing Online should be considered as potentially relevant to either the attributable costs or the appropriate markup for Mailing Online. They should be collected and reported to the Commission on an accounting period basis.

Have the joint costs cited above been collected on an accounting period basis?

- a. If so, please provide them for accounting periods 1-6.
- b. If not, why not?

OCA/USPS-33. Please review the following quote from PRC Op. MC98-1 (Market Test) at 48.

[A]ll set up costs and on-going expenses for equipment, software, communications and processing activities that involve Mailing Online should be collected and reported to the Commission.

- a. Have the costs and on-going expenses for equipment been collected?
 - i. If so, please provide them for accounting periods 1-6.
 - li If not, why not?
- b. Have the costs and on-going expenses for software been collected?
 - i. If so, please provide them for accounting periods 1-6.
 - li If not, why not?
- c. Have the costs and on-going expenses for communications been collected?
 - i. If so, please provide them for accounting periods 1-6.
 - li If not, why not?
- d. Have the costs and on-going expenses for processing activities been collected?
 - i. If so, please provide them for accounting periods 1-6.
 - li If not, why not?

OCA/USPS-34. Please review the following quote from PRC Op. MC98-1 (Market Test) at 49.

The costs of advertising and marketing that refer to Mailing Online are to be reported even when they also refer to other services. The Service has indicated that there will be an advertising and marketing campaign during the market test that promotes PostOffice Online, of which Mailing Online is a part. A marketing contract exists and will be implemented independent of the Mailing Online market test. . . . In order to properly consider the issue, advertising cost data must be available. The Commission agrees on the value of the cost data without prejudging the attribution issue. In providing advertising and marketing cost data, the Service should be comprehensive. For example, the costs of Postal Service customer service representatives marketing Mailing Online, should be included in the reported costs.

Have the costs of advertising and marketing cited above been collected?

- a. If so, please provide them for accounting periods 1-6.
- b. If not, why not?

OCA/USPS-35. Please review the following quote from PRC Op. MC98-1 (Market Test) at 51.

Accounting Period Reports:

Costs specific to Mailing Online and for selected expenditures common to Mailing Online and other services (Advertising and Marketing, Processing Center, Help Desk, Communications and Printer Site).

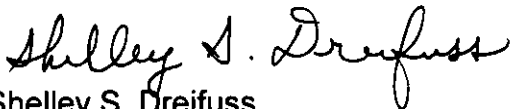
Have the costs of Advertising and Marketing, Processing Center, Help Desk, Communications, and Printer Site, cited above been collected?

- i. If so, please provide them for accounting periods 1-6.
- li If not, why not?

OCA/USPS-36. For each of interrogatories OCA/USPS-32-35, state separately, for each type of cost data, when the Postal Service will be providing the data to the Commission.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.


Shelley S. Dreifuss
Attorney

Washington, D.C. 20268-0001
February 18, 1999