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

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MOELLER TO INTERROGATORIES OF THE NEWSPAPER ASSOCIATION OF AMERICA (NAA/USPS-T35—41-59)

The United States Postal Service hereby provides the responses of witness Moeller to the following interrogatories of the Newspaper Association of America: NAA/USPS-T35—41-59, filed on March 1, 2000.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MOELLER TO INTERROGATORIES OF THE NEWSPAPER ASSOCIATION OF AMERICA

NAA/USPS-T35-41: Please refer to page 13, line 12 through page 14, line 5 of your testimony, where you discuss an increase in the maximum weight of 3.5 ounces for Standard Mail (A) Automation letters.

a. Are you proposing to change the breakpoint for Standard Mail (A) Automation letters to 3.5 ounces? Please explain why or why not.

b. Does the discussion at the cited pages refer to both Standard (A) Regular and Standard (A) Enhanced Carrier Route automation letters? If not, please explain why not.

c. Please confirm that you are not proposing any changes to the breakpoint for Standard (A) non-automation letters.

d. Please confirm that you are not proposing any changes to the breakpoint for Standard (A) nonletters.

RESPONSE:

a. As stated on page 12 of my testimony, the *maximum weight* for automation letters in Standard Mail (A) would be raised to 3.5 ounces in conjunction with the implementation of Docket No. R2000-1 rates. The applicable rate would be the minimum-per-piece rate.

b. The citation should refer to page 12, line 12 through page 13, line 5. As a practical matter, yes, the weight limit for ECR automation letters would be raised to 3.5 ounces, as well. Some mailers produce mailings that contain some pieces that will destinate in the limited areas where the automation ECR rate is available, while other pieces will not. As explained in WP 1, page 25, note regarding column (4), this change in the maximum weight for automation ECR letters likewise would not be expected to have significant revenue and cost consequences.

c. Confirmed.

d. Confirmed.

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NAA/USPS-T35-42: At USPS-T-35, p. 22, footnote 42, you identify "USPS-T-27, Attachment F, Tables 1-2" as a source for your statement that "[t]he weight per piece for parcels is slightly lower." Please explain in detail the basis for your conclusion.

RESPONSE:

The cited "Table 1" includes volumes and weight for commercial carrier route (basic), high-density, and saturation, for flats and for parcels. By summing the three rate categories, one can get total ECR weight and volume figures for flats and for parcels. The weight per piece can then be calculated, and is 0.197 pounds for flats, and 0.192 for parcels.

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NAA/USPS-T35-43: Columns (1) and (2) in the table below reproduce the before-rates volume forecast data from WP1, p. 4, columns (1) and (2). Columns (3) and (4) reproduce the after-rates data provided in your testimony at WP1, page 21, column (1) and (2). The differences between before and after volumes are expressed in percentage terms in column (5) and (6) below.

		FY01 Volume Forecast - Before Rates		TY Volume Forecast - After Rates		Percent Change	
		pieces (1)	pounds (2)	pieces (3)	pounds (4)	pieces (5)	pounds (6)
	Letters						
2	Basic	5665.732		5449.490		-3.82%	
3	Auto	1891.225		1851.903		-2.08%	
4	High-D	411.860		393.108		-4.55%	
5	Saturation	2830.582		2692.107		-4.89%	
6	**Non-letters-Piece rated**						
7	Basic	6636.358		6491.447		-2.18%	
8	High-D	880.537		888.114		0.86%	
9	Saturation	6436.887		6340.858		-1.49%	
10	**Non-letters-Pound rated**						
11	Basic	5421.791	1726.265	5303.401	1688.571	-2.18%	-2.18%
12	High-D	586.101	200.753	591.144	202.480	0.86%	0.86%
13	Saturation	2869.445	873.200	2826.637	860.173	-1.49%	-1.49%
14	**Total ECR**	33630.517	2800.217	32828.211	2751.224	-2.39%	-1.75%
15	subtotal - letters	10799.400		10386.608		-3.82%	
16	subtotal - pc. rated	24753.181		24107.028		-2.61%	
17	subtotal - lb. rated NL	8877.336		8721.183		-1.76%	
18	subtotal - pc. rated NL	13953.781		13720.420		-1.67%	

Sources:
Columns (1), (2): Moeller WP 1, page 4
Columns (3), (4): Moeller WP 1, page 21
Column (5): Column (3) / Column (1) - 1
Column (6): Column (4) / Column (2) -1

a. Please confirm that columns (1), (2), (3), and (4) accurately reproduce the cited material from your workpapers. If you cannot confirm, please provide the correct numbers.

b. Please confirm that columns (5) and (6) correctly calculate the percentage change in volume for each rate category that you forecast will occur as a result of the change in rates for ECR Mail you are proposing.

c. If you are unable to confirm (b), please provide the percentage volume changes you are forecasting to occur as a result of the rates for ECR Mail you are proposing in the format of columns (5) and (6) above.

d. Please note that a comparison of columns (5) and (6) show identical percentage changes are predicted for pieces and pounds for pound-rated ECR Mail. Is this a consequence of an assumption that the weight/piece will not change?

e. If the answer to (d) is yes, please explain the rationale for the assumption, given your proposed increase in the piece rate and decrease in the pound rate for these rate categories.

f. If the answer to (d) is no, please explain what changes in weight/piece you do believe will occur.

RESPONSE:

a. Confirmed.

b. Confirmed, however witness Tolley actually performs the forecast at the rate category level provided in WP1, page 3.

c. Not applicable.

d. Yes.

e. As a matter of practice in previous rate cases, the base period billing determinants are used to distribute forecasted volumes into finer level of detail for both before rates and after rates. As a practical matter, if we were able to adjust weight per piece due to potential after-rates changes, we would expect greater revenue. Likewise, we would expect higher costs. Given, however, that costs do not increase much with weight, it is likely that the additional revenue and cost would result in a higher cost coverage for ECR, which might have led to a reduction in some ECR rates to bring the coverage back in line with witness Mayes' recommended cost coverage.

f. Not applicable.

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NAA/USPS-T35-44: At WP1, p. 34, you calculate various rate categories for revenue/piece of ECR Mail using the before-rates volumes for pieces and pounds in column (1) of your workpaper. The revenue/piece for before rates (your column 4) and after rates (your column 6) are reproduced as columns 1 and 2 respectively below:

		Before Rates Rev/pc (1)	After Rates Rev/pc (2)	Percent Change Rev/pc (3)
1	**Letters**			
2	Basic	0.1477	0.1599	8.28%
3	Auto	0.1429	0.1492	4.39%
4	High-D	0.1199	0.1319	9.99%
5	Saturation	0.1108	0.1228	10.79%
6	**Non-letters-Piece rated**			
7	Basic	0.1441	0.1561	8.37%
8	High-D	0.1295	0.1313	1.35%
9	Saturation	0.1173	0.1237	5.54%
10	**Non-letters-Pound rated**			
11	Basic	0.2069	0.2096	1.29%
12	High-D	0.2021	0.1924	-4.82%
13	Saturation	0.1685	0.1671	-0.84%
14	**Total ECR**	0.1492	0.1566	4.94%
15	subtotal - letters	0.13614	0.14724	8.16%
16	subtotal - pc. rated	0.13312	0.14295	7.38%
17	subtotal - lb. rated NL	0.19419	0.19472	0.27%
18	subtotal - pc. rated NL	0.13078	0.13962	6.76%

Sources:

Columns (1), (2): Moeller WP 1, page 34
Column (3): Column (2) / Column (1) - 1

a. Please confirm that column (3) of the above table correctly represents your estimate of the percentage rate change in each of the identified subcategories of ECR Mail.

b. If you are unable to confirm (a), please identify the percentage rate changes you believe to be correct in the format of column 3 above and show how they are derived.

c. Please refer to line (8) above where it is calculated that the revenue/piece for piece rated non-letters in the High Density Category is forecasted to increase by +1.35%. Line 8 of the table in Interrogatory NAA/USPS-T35-43 above shows a predicted volume increase of +0.86%. Please reconcile.

d. The Saturation category of pound rated non-letters (line 13) above shows a rate decrease of –0.84%. Line 8 of the table in Interrogatory NAA/USPS-T35-43 shows a volume decline of –1.49% for both pieces and pounds. Please reconcile.

RESPONSE:

a. Confirmed.

b. Not applicable.

c. It is not clear what is to be "reconciled" here. The volume forecast is for all high-density nonletters (both piece-rated and pound-rated). The proposed rate change for that grouping is negative, which leads to a slight increase in volume for the category (0.86 percent). Since the volume forecast does not differentiate between piece-rated and pound-rated categories, the information from the billing determinants regarding the mix of piece-rated and pound-rated nonletters is used to distribute the forecasted volume for high-density nonletters to the finer subgroups of piece-rated and pound-rated nonletters. The 0.86 percent volume growth is thereby implicitly assumed to apply to both subgroups for purposes of revenue calculation.

d. Again, is not clear what is to be "reconciled." The pound-rated portion of saturation nonletters is proposed to receive a slight rate decrease. Despite this price decrease, the volume for purposes of estimating revenue shows a decline since the overall category price (for piece-rated and pound-rated nonletters) is proposed to increase. In keeping with past practice, the volume forecast (which is for the combined piece-rated and pound-rated category) is split into the subgroups based on billing determinant information. Also in keeping with past practice, the same billing determinant information is used for before and after rates. The projected volume change, therefore, will be the same for piece-rated and pound-rated nonletters.

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NAA/USPS-T35-45: The table below summarizes the proposed passthroughs you recommended in Docket No. R97-1 and in this proceeding:

a. Does the above table correctly represent the referenced passthroughs?
b. If not, please provide the correct figures and the source of the data.
c. Please provide the "passthroughs underlying the current rates" referred to in your testimony at USPS-T-35, p. 5, lines 1-3, together with the source of the data.

Witness Moeller Passthroughs, R97-1 Proposed and R2000-1 Proposed

	Moeller R97-1 Proposed	Moeller R2000-1 Proposed
Regular		
Letters/Nonletters Basic passthrough	40.0%	77.0%
Letters/Nonletters 3/5-digit passthrough	40.0%	64.0%
Letter presort 3/5-digit passthrough	165.0%	95.0%
Letter automation Basic passthrough	140.0%	110.0%
Letter automation 3-digit passthrough	130.0%	106.0%
Letter automation 5-digit passthrough	130.0%	160.0%
Flat automation Basic passthrough	100.0%	230.0%
Flat automation 3/5-digit passthrough	100.0%	500.0%
Destination entry BMC passthrough	80.0%	73.0%
Destination entry SCF passthrough	80.0%	77.0%
ECR		
Letters/Nonletters Basic passthrough	0.0%	0.0%
Letters/Nonletters high density passthrough	35.0%	65.0%
Letters/Nonletters saturation passthrough	35.0%	95.0%
Letter high density passthrough	100.0%	125.0%
Letter saturation passthrough	100.0%	100.0%
Letter automation Basic passthrough	110.0%	100.0%
Destination entry BMC passthrough	80.0%	73.0%
Destination entry SCF passthrough	80.0%	77.0%
Destination entry DDU passthrough	80.0%	77.5%

Sources:
Moeller R97-1 workpapers, pages 9, 11, 12
Moeller R2000-1 workpapers, pages 9, 11, 12

RESPONSE:

a. Confirmed.

b. Not applicable.

c. See table below.

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	PRC Rec. Dec. R97-1
Regular	
Letters/Nonletters Basic passthrough	50.0%
Letters/Nonletters 3/5-digit passthrough	40.0%
Letter presort 3/5-digit passthrough	100.0%
Letter automation Basic passthrough	100.0%
Letter automation 3-digit passthrough	100.0%
Letter automation 5-digit passthrough	100.0%
Flat automation Basic passthrough	100.0%
Flat automation 3/5-digit passthrough	100.0%
Destination entry BMC passthrough	85.0%
Destination entry SCF passthrough	85.0%
ECR	
Letters/Nonletters Basic passthrough	0.0%
Letters/Nonletters high density passthrough	65.0%
Letters/Nonletters saturation passthrough	95.0%
Letter high density passthrough	100.0%
Letter saturation passthrough	100.0%
Letter automation Basic passthrough	100.0%
Destination entry BMC passthrough	85.0%
Destination entry SCF passthrough	85.0%
Destination entry DDU passthrough	85.0%

Sources:
PRC R97-1 Standard Mail (A) Workpaper 1, pages 9, 11, 12, 17, 18

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NAA/USPS-T35-46: The following table shows the current (column 4) and proposed (column 5) rates for ECR piece-rated mail contained in your testimony:

Standard Mail (A) - Enhanced Carrier Route
Proposed Rates ($)

				Overall	4.9%
Minimum per piece rates					
(1) Density Tier	(2) Shape	(3) Destination Entry	(4) current	(5) proposed	(6) %chg
Basic	Letter	None	0.162	0.175	8.0%
		DBMC	0.146	0.158	8.2%
		DSCF	0.141	0.153	8.5%
		DDU	0.136	0.147	8.1%
	Automation	None	0.156	0.163	4.5%
		DBMC	0.140	0.146	4.3%
		DSCF	0.135	0.141	4.4%
		DDU	0.130	0.135	3.8%
	Nonletter	None	0.162	0.175	8.0%
		DBMC	0.146	0.158	8.2%
		DSCF	0.141	0.153	8.5%
		DDU	0.136	0.147	8.1%
High-Density	Letter	None	0.139	0.152	9.4%
		DBMC	0.123	0.135	9.8%
		DSCF	0.118	0.130	10.2%
		DDU	0.113	0.124	9.7%
	Nonletter	None	0.151	0.154	2.0%
		DBMC	0.135	0.137	1.5%
		DSCF	0.130	0.132	1.5%
		DDU	0.125	0.126	0.8%
Saturation	Letter	None	0.130	0.143	10.0%
		DBMC	0.114	0.126	10.5%
		DSCF	0.109	0.121	11.0%
		DDU	0.104	0.115	10.6%
	Nonletter	None	0.140	0.148	5.7%
		DBMC	0.124	0.131	5.6%
		DSCF	0.119	0.126	5.9%
		DDU	0.114	0.120	5.3%

Source: Moeller WP 1, page 31

a. Does column 6 correctly calculates [sic] the percent changes in each of the rate categories from current to your proposed rates?
b. If not, please provide the correct figures and the source of the data.

RESPONSE:

a. Yes.

b. Not applicable.

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NAA/USPS-T35-47: The table following this page shows the current (column 3) and your proposed (column 4) rates for pound-rated ECR Mail.

a. Do columns (5)-(16) correctly calculate the corresponding percentage changes at each ounce for ECR pound-rated mail?
b. If not, please provide the correct figures and the source of the data.

RESPONSE:

a. Yes.

b. Not applicable.

Standard Mail (A)- Enhanced Carrier Route

Proposed Rates ($)

Pound-rated pieces

(1) Density Tier	(2) Destination Entry	(3) current	(4) proposed	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
				%chg at (oz.)												
				4	5	6	7	8	9	10	11	12	13	14	15	16
Basic	per piece	0.025	0.055													
	per pound	0.663	0.584													
		less	less													
	None	0.000	0.000	5.4%	2.3%	0.1%	-1.4%	-2.7%	-3.6%	-4.4%	-5.1%	-5.6%	-6.1%	-6.5%	-6.8%	-7.1%
	DBMC	0.079	0.083	5.4%	2.0%	-0.5%	-2.3%	-3.6%	-4.7%	-5.6%	-6.3%	-7.0%	-7.5%	-8.0%	-8.4%	-8.7%
	DSCF	0.100	0.108	5.0%	1.4%	-1.1%	-3.0%	-4.4%	-5.5%	-6.5%	-7.2%	-7.9%	-8.4%	-8.9%	-9.3%	-9.7%
	DDU	0.126	0.134	5.2%	1.5%	-1.2%	-3.1%	-4.6%	-5.8%	-6.8%	-7.6%	-8.2%	-8.8%	-9.3%	-9.8%	-10.1%
High Density	per piece	0.014	0.034													
	per pound	0.663	0.584													
		less	less													
	None	0.000	0.000	0.1%	-2.1%	-3.7%	-4.8%	-5.6%	-6.3%	-6.9%	-7.3%	-7.7%	-8.0%	-8.3%	-8.5%	-8.7%
	DBMC	0.079	0.083	-0.5%	-3.0%	-4.8%	-6.1%	-7.0%	-7.8%	-8.4%	-8.9%	-9.3%	-9.7%	-10.0%	-10.3%	-10.5%
	DSCF	0.100	0.108	-1.1%	-3.8%	-5.6%	-6.9%	-8.0%	-8.8%	-9.4%	-9.9%	-10.4%	-10.8%	-11.1%	-11.4%	-11.6%
	DDU	0.126	0.134	-1.2%	-4.0%	-5.9%	-7.3%	-8.3%	-9.2%	-9.8%	-10.4%	-10.9%	-11.3%	-11.6%	-11.9%	-12.2%
Saturation	per piece	0.003	0.026													
	per pound	0.663	0.584													
		less	less													
	None	0.000	0.000	3.1%	0.1%	-1.8%	-3.3%	-4.3%	-5.2%	-5.8%	-6.4%	-6.8%	-7.2%	-7.6%	-7.9%	-8.1%
	DBMC	0.079	0.083	2.9%	-0.5%	-2.8%	-4.4%	-5.6%	-6.5%	-7.3%	-7.9%	-8.4%	-8.9%	-9.3%	-9.6%	-9.9%
	DSCF	0.100	0.108	2.3%	-1.2%	-3.6%	-5.2%	-6.5%	-7.5%	-8.3%	-8.9%	-9.5%	-9.9%	-10.3%	-10.7%	-11.0%
	DDU	0.126	0.134	2.4%	-1.3%	-3.7%	-5.5%	-6.8%	-7.8%	-8.7%	-9.4%	-9.9%	-10.4%	-10.8%	-11.2%	-11.5%

Source: Moeller WP 1, page 31

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NAA/USPS-T35-48: Please refer to your testimony at page 23, lines 7-8, where you refer to "small businesses" who rely, or may want to rely, on mail advertising.

a. Please provide your definition of "small business."
b. Did you have, in the period from May 11, 1998, until the filing of the Formal Request that initiated this proceeding, any meetings with "small businesses" in which the "small businesses" expressed a desire for a reduction in the ECR pound rate? For each meeting, please state the date of the meeting and identify the businesses represented.

RESPONSE:

a. I was speaking of the individual service providers, entrepreneurs, and small "mom and pop" service businesses referred to in witness Buckel's testimony on behalf of the Saturation Mail Coalition (SMC-T-1, page 6) in Docket No. R97-1. See also witness Otuteye's testimony on behalf of the Alliance of Independent Store Owners and Professionals (AISOP-T-1) in Docket No. R97-1.

b. No.

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NAA/USPS-T35-49: Did you have, in the period from May 11, 1998, until the filing of the Formal Request that initiated this proceeding, any meetings with mailers of Enhanced Carrier Route (ECR) pound-rate mail in which the mailers expressed a desire for a reduction in the ECR pound rate? For each meeting, please state the date of the meeting and identify the mailers represented.

RESPONSE:

On November 6, 1998, I attended a meeting with Standard Mail (A) industry representatives from the Saturation Mail Coalition and the Mail Order Association of America during which the pound rate was discussed.

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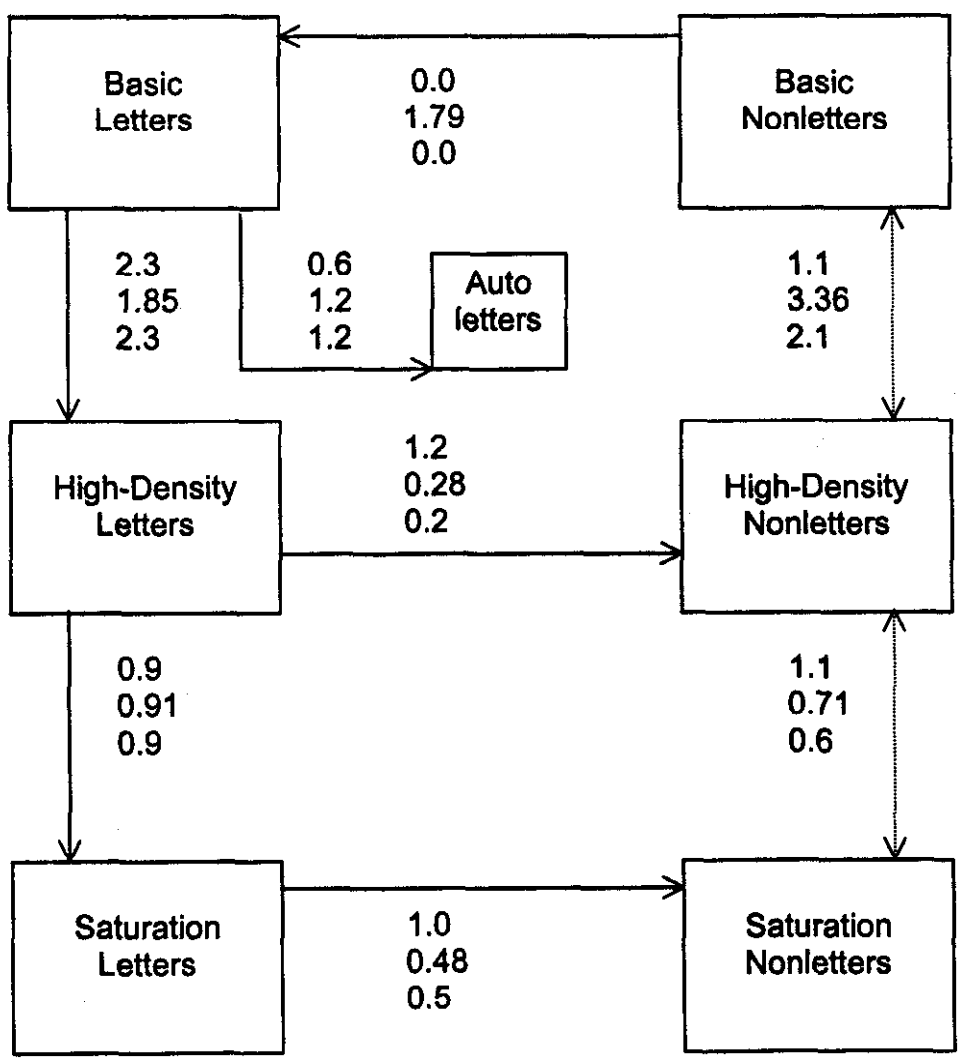
NAA/USPS-T35-50: Please refer to page 35, line 17, of your testimony. Please provide the "presort" tree for Standard (A) Enhanced Carrier Route mail, including the current rate differences, the cost differences as calculated in this proceeding, and the proposed rate differences.

RESPONSE: The three numbers between each box are, from top to bottom, current rate difference, calculated cost difference, and proposed rate difference. The arrows show the flow of the rate design passthroughs. The dotted arrows represent implicit passthroughs that result from other passthrough selections.



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NAA/USPS-T35-51: Did you receive any guidance from postal management to limit any particular increase or decrease to any particular extent? If so, please state what guidance you were given.

RESPONSE:

As discussed in response to interrogatory NAA/USPS-T35-11, there was a general upper bound on the amount by which an individual rate cell was proposed to increase, and the rate cell most directly affected was 3/5-digit automation flats. I did not receive guidance regarding rate change limitations other than this general upper bound for the subclass.

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NAA/USPS-T35-52: Please provide, with supporting citation:

a. The average weight per piece for letter-shaped mail within the Standard (A) ECR subclass.

b. The average weight per piece for nonletter-shaped mail within the Standard (A) ECR subclass.

c. The average weight per piece for letter-shaped mail within the Standard (A) Regular subclass.

d. The average weight per piece for nonletter-shaped mail within the Standard (A) Regular subclass.

RESPONSE:

a. 0.7894 ounces. FY98 Billing Determinants, G-6, page 2. (USPS-LR-I-125)

b. 3.2079 ounces. FY98 Billing Determinants, G-6, page 2. (USPS-LR-I-125)

c. 0.8345 ounces. FY98 Billing Determinants, G-6, page 1. (USPS-LR-I-125)

d. 3.9948 ounces. FY98 Billing Determinants, G-6, page 1. (USPS-LR-I-125)

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NAA/USPS-T35-53: Please provide the "formula" used in designing Standard (A) ECR rates.

RESPONSE:

The "formula" refers to the algebraic equation in the workpapers accompanying my testimony at WP1, page 20, line 15. On that page, the inputs are defined and their sources are noted. The formula is RR+D=(Vr)M+Vrp(i)+Vp(P)

RR= revenue requirement

D= Value of the discounts

Vr= Pieces paying the minimum-per-piece rate

M= Basic minimum rate for nonletters

Vrp= Pieces paying the pound rate

i= basic per piece rate for pound-rated pieces

Vp= Pounds paying the pound rate

P= Pound rate

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NAA/USPS-T35-54: Please refer to USPS-T-35, page 21, lines 1-3, where you rely upon certain calculations contained in the direct testimony of Sharon Daniel, USPS-T-28, Table 3. The cited table in turn cites as its source library reference USPS-I-92, which contain the cited cost figures at Section 2, pages 10-11. These pages provide data for "Standard A ECR All Shapes Test Year Unit Costs." The volume in pieces in line 1 of page 11 for the ECR total is 33,630,517,437, which is identical (after rounding) to the ECR before rates volume contained in your WP1, page 8. Your before rates cost/piece at WP1, page 8, is $0.0752. Library Reference USPS-LR-I 92, Section 2, page 11, calculates a cost/piece of $0.073 (total column).

a. Please confirm that both the unit cost figure of $0.0752 in your workpapers and the unit cost figure of $0.073 in USPS-LR-I-92 are test year before rates. If you cannot confirm, please explain.

b. Please explain the discrepancy between the unit cost figure of $0.0752 in your workpapers and the unit cost figure of $0.073 in USPS-LR-I-92.

RESPONSE:

a. Confirmed.

b. It is my understanding that the figures in the cited Library Reference, unlike the cited figures in my testimony, do not include contingency or the "final adjustments" made in witness Kashani's "D Report" (USPS-T-14, WP-H, D Report, Table E).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MOELLER TO INTERROGATORIES OF THE NEWSPAPER ASSOCIATION OF AMERICA

NAA/USPS-T35-55. Library Reference LR-I-92 shows a total cost of ECR Mail in all weights of $2,451,904 (thousands) for the test year, whereas your WP1, page 8, gives a figure of $2,527,785 (after conversion to thousands) for the test year before rates total cost of ECR Mail.

a. Please confirm that both the total cost figure of $2,527,785 (thousands) in your workpapers and the total cost figure of $2,451,904 in USPS-LR-I-92 are test year before rates. If you cannot confirm, please explain.

b. Please explain the discrepancy between the total cost figure of $2,527,785 (thousands) in your workpapers and the total cost figure of $2,451,904 in USPS-LR-I-92.

RESPONSE:

a. Confirmed.

b. It is my understanding that the figures in the cited Library Reference, unlike the cited figures in my testimony, do not include contingency or the "final adjustments" made in witness Kashani's "D Report" (USPS-T-14, WP-H, D Report, Table E).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MOELLER TO INTERROGATORIES OF THE NEWSPAPER ASSOCIATION OF AMERICA

NAA/USPS-T35-56. Please refer to USPS-LR-I-92, page 11, where a regression equation for pound-rated ECR Mail (all shapes) provides the following results:

$y = 0.0247 x - 0.0495.$

where apparently y = cost per piece in dollars, and
x = average weight of pieces in weight increment.

a. Do you believe that this regression is a reliable basis for ascertaining the effect of weight on cost of ECR Mail?

b. Do you believe that this equation supports or contradicts your proposal to reduce the ECR pound rate from 66.3 cents to 58.4 cents?

Explain in detail your answer to (a) and (b) above.

RESPONSE:

a. It is my understanding that this regression is not volume-weighted and is therefore of limited use in ascertaining the effect of weight on costs. Each data point is given equal weight, even though some data points may represent a relatively small portion of volume.

b. As described in response to subpart (a), the regression itself is of limited use in evaluating the proposed pound rate.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MOELLER TO INTERROGATORIES OF THE NEWSPAPER ASSOCIATION OF AMERICA

NAA/USPS-T35-57. Please refer to your direct testimony at page 20, footnote 39, and page 21, lines 6-7, where you state that ". . . in this instance estimates of implicit coverage can be illuminating," and that "equalizing cost coverage of the two groupings need not be an end in itself for purposes of ratemaking."

a. Is it appropriate to establish the piece and pound rate schedule in ECR Mail to equalize the cost coverage of various weight increments?

b. If your answer to (a) is yes, indicate whether this equalization should occur across all ounces or only across certain groupings of ounces.

c. If your answer to (b) is that you believe cost coverages should equate for some but not all groupings, please indicate which groupings should be equated and which need not be equated and the rationale for the groupings.

RESPONSE:

a. It is appropriate to use available information to better align rate components with their underlying cost.

b. In the ECR minimum-per-piece/per-pound rate structure, there are essentially two groupings with regard to weight: 0 to 3.3 ounces, and 3.3 to 16 ounces. Given that the Postal Service is proposing to maintain this rate structure, it is reasonable to consider the cost information that relates to it.

c. It is not required that the cost coverages of any particular subgroups be equated; however, at times comparing these coverages can help establish more appropriate rate relationships.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MOELLER TO INTERROGATORIES OF THE NEWSPAPER ASSOCIATION OF AMERICA

NAA/USPS-T35-58. Please refer to your direct testimony at page 21, lines 1-3, which cites USPS-T-28, Table 3 as the source of the cost data relied upon by you. USPS-T-28 in turn cites Library Reference USPS-LR-I-92. For each of the subclasses, the library reference appears to show a substantial increase in the unit cost of ECR Mail between 15 and 16 ounces (see Section 2, page 10). This increase appears to also occur for other subclasses of Standard A Mail. Do you attach any significance to the increases in costs for the heaviest pieces in rate design?

RESPONSE:

To the extent these pieces are of higher cost, the "significance" of relationship is reflected in the cost figures in USPS-T-28, Table 3. It is my understanding that the volume in the uppermost weight increment is relatively small and is subject to variation. Also, since the Standard Mail (A) rate structure as proposed has a uniform pound rate for weights above the breakpoint, the most "significance" that can be given the information is to have it incorporated in the cost figures that are used in my testimony at page 21.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MOELLER TO INTERROGATORIES OF THE NEWSPAPER ASSOCIATION OF AMERICA

NAA/USPS-T35-59. Please refer to your WP1, page 34, columns (4) and (6), where you provide your estimates of revenues per piece for the ECR subclass. Please also refer to the table below, which are the apparent price inputs used by Witness Tolley to calculate before-rate and after-rate volumes in USPS-LR-I-121.

Prices used in Tolley workpapers, USPS-LR-I-121 vr_ar.wk4 and vr_br.wk4, Prices worksheet		
	R97-1 (1999Q2)	R00-1 (2001Q1)
Standard ECR		
ECR Letters	0.147702	0.159927
ECR Nonletters	0.172589	0.180553
Auto C/R	0.142908	0.149177
High Density L	0.119938	0.131921
High D NL	0.158704	0.155950
Saturation L	0.110798	0.122758
Saturation NL	0.133258	0.137414

a. Please note the similarities in the revenues per piece for ECR letters, including Basic, Automated, High-Density and Saturation between your WP1, page 34 and the table. Did you provide Witness Tolley with his letter price inputs?

b. Please note that Witness Tolley apparently does not distinguish between piece-rated nonletters and pound-rated nonletters, while your WP1, page 34, does distinguish between these categories. Tolley's figures for nonletters appear to be an average across piece-rated and pound-rated pieces. Did you provide Witness Tolley with his nonletter price inputs? If so, how did you calculate those averages? What inputs did you use? If not, did you provide Tolley with piece-rated and pound-rated price inputs?

RESPONSE:

a. The only prices I provide witness Tolley are those presented in my WP1, page 29. I presume the similarity between these figures is because the same billing determinants are used to determine the average revenue for the rate category.

b. Again, I simply provided the proposed rates found on page 29 of my WP1. I separately calculated the figures in the detail provided in WP1, page 34, for purposes unrelated to the volume forecast. For derivation of those figures, see WP1, pages 32 and 33.

DECLARATION

I, Joseph D. Moeller, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

JOSEPH D. MOELLER

Dated: 3/15/00

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.

Anthony Alverno

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March 15, 2000