

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MOELLER TO INTERROGATORY OF THE NEWSPAPER
ASSOCIATION OF AMERICA
(NAA/USPS-T35—60)**

The United States Postal Service hereby provides the response of witness Moeller to the following interrogatory of the Newspaper Association of America: NAA/USPS-T35—60, filed on March 21, 2000.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
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April 3, 2000

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NAA/USPS-T35-60. Please refer to your reply to NAA/USPS-T35-21, where you state that the calculation of coverages at the subclass level (ECR Total) is based on costs that are after rates, whereas the implicit coverages calculated on a weight-grouping basis (piece rated versus pound rated) are calculated before rates. You also offer an explanation of the discrepancies between the subclass coverage and the two weight groups might be explained by the fact that the subclass coverage considers a contingency whereas the implicit coverages do not.

- a.** Please provide any explanation why you used different methodologies for the two calculations (for subclass coverage and implicit coverages).
- b.** In your answer to NAA/USPS-T35-37 you explain why you believed it appropriate not to account for volume shifts in the calculation of the change in revenue/piece as a result of the difference between "before rates" and "after rates." In response to VP-CW/USPS-T35-3(c) you state:
... Since after rates costs are not available, the before rates costs are used for the comparison with after rates revenues. Any change in costs in the after rates environment would be due to a change in volume mix. Since the volumes are being held constant for the revenue calculation, it would be appropriate to use after rates costs, even if they were available, for this comparison of implicit cost coverages.

Please explain why you believe "volume shifts" should be accounted for in some cases and a "constant mail mix" in others. Please also explain why you have different approaches in the cited examples.

RESPONSE:

- a.** The two calculations are not meant to be directly comparable. The calculation of the subclass level coverage is an after-rates figure because that is the calculation needed for the Postal Service to determine if the test year revenue requirement is being met. The implicit coverage calculations are performed using available data to compare different groupings of mail within the same subclass. Those comparisons need not reflect a contingency, or be on an after rates volume basis.

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b. The cited examples both use a "constant mail mix." Perhaps the confusion is based on the inaccurate transcription of my response to VP-CW/USPS-T35-

3c. In that response, I state that it would be "*inappropriate*" to use after rates costs, whereas the passage cited above says "*appropriate*." In any event, the first example refers to the calculation of the percentage rate change for the subclass and how using a constant mail mix isolates the effect on change in revenue per piece. The second example states that "volumes are being held constant for the revenue calculation" and that it is appropriate for costs to reflect the same mix.

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: 4/3/00

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 Alverro

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