

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 INTERROGATORIES OF THE RECORDING  
INDUSTRY ASSOCIATION OF AMERICA  
REDIRECTED FROM WITNESS THRESS  
(RIAA/USPS-ST46—1-5)**

The United States Postal Service hereby provides the response of witness Moeller to the following interrogatories of the Recording Industry Association of America redirected from witness Thress: RIAA/USPS-ST46—1-2, filed on July 28, 2000, and RIAA/USPS-ST46--3-5, filed on July 31, 2000.

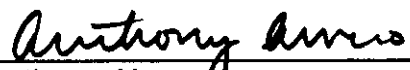
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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August 11, 2000

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**RIAA/USPS-ST46-1.** Please refer to the billing determinants shown in Library Reference I-435 for Standard (A), hybrid PFY3 (FY1999)-Q2FY (2000) (Standard (A)-HYB.xls):

- a. Please confirm that the revenues shown in the cited spreadsheet of Library Reference I-435 include revenues derived from the Standard (A) residual shaped surcharge implemented on January 10, 1999.
- b. If your answer to subpart (a) is other than an unqualified confirmation, please explain how revenues derived from the residual shaped surcharge have been accounted for by the Postal Service in the presentation of the hybrid year shown in such Library Reference and provide all documents, workpapers or studies supporting or explaining your answer.

**RESPONSE:**

- a. Confirmed
- b. Not applicable.

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**RIAA/USPS-ST46-2.** Please refer to page 1 of the attachment to witness Moeller's response to RIAA/USPS-T35-4.

- a. Please provide the information set forth in such attachment in the format set forth therein for the hybrid year specified in Library Reference I-435.
- b. Please describe how the disaggregation responsive to subpart (a) of this interrogatory was performed, identify all sources used to perform such calculations and provide copies of all workpapers, studies or other documents upon which you relied in performing such calculations.
- c. If you are unable to provide the information requested in subpart (a) of this interrogatory please explain why and provide any workpapers, studies or other document supporting your response.

**RESPONSE:**

- a. See page 1 of attachment to this response.
- b. The source data used to derive the response to subpart a. are provided on page 2 of the attachment to this response. The source of these data is the disaggregated RPW subclass estimates for the hybrid period.
- c. Not applicable.

**Standard Mail (A) - Pieces Subject to the Residual Shape Surcharge (RSS)  
Hybrid PQ 3&4 1999 + PQ 1&2 2000**

	Revenue	Rev/pc	Pieces	lbs/pc	Weight	oz/pc
<b>Regular Subclass Total RSS</b>	<b>447,179,829</b>	0.6029	<b>741,723,804</b>	0.5854	<b>434,195,675</b>	9.3662
<b>"Minimum per piece" pieces</b>	<b>20,145,171</b>	0.3652	<b>55,160,209</b>	0.2005	<b>11,057,778</b>	3.2075
Basic Presort	<b>10,769,882</b>	0.4015	<b>26,822,125</b>	0.1899	<b>5,094,196</b>	3.0388
No Destination Entry	9,322,418	0.4040	23,077,257	0.1762	4,065,700	2.8188
DBMC	1,022,209	0.3880	2,634,559	0.2638	695,124	4.2216
DSCF	425,255	0.3830	1,110,309	0.3003	333,372	4.8040
3/5-digit Presort	<b>9,375,289</b>	0.3308	<b>28,338,084</b>	0.2104	<b>5,963,582</b>	3.3671
No Destination Entry	5,133,958	0.3400	15,101,226	0.1665	2,514,377	2.6640
DBMC	1,212,219	0.3240	3,741,416	0.2534	948,171	4.0548
DSCF	3,029,112	0.3190	9,495,442	0.2634	2,501,034	4.2143
<b>Pound-rated Pieces</b>	<b>427,034,658</b>	0.6220	<b>686,563,595</b>	0.6163	<b>423,137,897</b>	9.8610
Basic Presort	<b>132,317,231</b>	0.6466	<b>204,625,933</b>	0.5687	<b>116,375,018</b>	9.0995
No Destination Entry	115,970,373	0.6482	178,910,727	0.5608	100,330,202	8.9725
DBMC	13,979,858	0.6503	21,498,416	0.6458	13,884,383	10.3333
DSCF	2,367,000	0.5613	4,216,790	0.5123	2,160,433	8.1975
3/5-digit Presort	<b>294,717,427</b>	0.6115	<b>481,937,662</b>	0.6365	<b>306,762,879</b>	10.1843
No Destination Entry	192,745,665	0.6219	309,908,667	0.6218	192,709,819	9.9492
DBMC	73,787,143	0.6116	120,643,992	0.6884	83,046,023	11.0137
DSCF	28,184,619	0.5485	51,385,003	0.6034	31,007,037	9.6548

L#	RPW#	VIP#	VIPNAME	REV	PIECES	WEIGHT
100	3240	X3584	STDA-REG-NONE-NAUTO-BAS-NLETR-PARC-PCRT	49470445	177390177	2694449
100	3240	X3589	STDA-REG-NONE-NAUTO-BAS-NLETR-PARC-LBRT	66499928	1520550	97635753
100	3241	X3684	STDA-REG-DBMC-NAUTO-BAS-NLETR-PARC-PCRT	5680460	21496464	6652
100	3241	X3689	STDA-REG-DBMC-NAUTO-BAS-NLETR-PARC-LBRT	8299398	1952	13877731
100	3242	X3784	STDA-REG-DSCF-NAUTO-BAS-NLETR-PARC-PCRT	1133544	4215071	23518
100	3242	X3789	STDA-REG-DSCF-NAUTO-BAS-NLETR-PARC-LBRT	1233456	1719	2136915
100	3290	X3564	STDA-REG-NONE-NAUTO-3/5-NLETR-PARC-PCRT	62545324	307888889	958742
100	3290	X3569	STDA-REG-NONE-NAUTO-3/5-NLETR-PARC-LBRT	130200341	2019778	191751077
100	3291	X3664	STDA-REG-DBMC-NAUTO-3/5-NLETR-PARC-PCRT	24127397	120643152	3246
100	3291	X3669	STDA-REG-DBMC-NAUTO-3/5-NLETR-PARC-LBRT	49659746	840	83042777
100	3292	X3764	STDA-REG-DSCF-NAUTO-3/5-NLETR-PARC-PCRT	10334834	51338641	87621
100	3292	X3769	STDA-REG-DSCF-NAUTO-3/5-NLETR-PARC-LBRT	17849785	46362	30919416
100	3630	X3064	STDA-REG-NONE-NAUTO-3/5-NLETR-PARC	5133958	15101226	2514377
100	3631	X3164	STDA-REG-DBMC-NAUTO-3/5-NLETR-PARC	1212219	3741416	948171
100	3632	X3264	STDA-REG-DSCF-NAUTO-3/5-NLETR-PARC	3029112	9495442	2501034
100	3640	X3084	STDA-REG-NONE-NAUTO-BAS-NLETR-PARC	9322418	23077257	4065700
100	3641	X3184	STDA-REG-DBMC-NAUTO-BAS-NLETR-PARC	1022209	2634559	695124
100	3642	X3284	STDA-REG-DSCF-NAUTO-BAS-NLETR-PARC	425255	1110309	333372
				447179829	741723804	434195675

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RIAA/USPS-ST46-3. Please refer to USPS-LR-I-436 at WP1, page 14 and USPS-LR-I-166 at WP1, p. 14:

- a. Please confirm that the entry "TYAR Volume Non-Letters" is exactly the same on both versions of this workpaper.
- b. Please confirm that WP1, p. 14 in LR-I-166 does not reflect any changes in Non-Letter volume and mix that may have resulted from the introduction of the rates that took effect on January 10, 1999.
- c. Please confirm that WP1, p. 14 in LR-I-436 purports to reflect results in the hybrid year FY1999 Quarter 3 to FY2000 Quarter 2.
- d. Please explain why the volume of TYAR Non-Letters has not changed in the two versions of WP1, p. 14 referenced in this interrogatory.

RESPONSE:

- a. Confirmed.
- b. Not confirmed. WP1, page 14 attempts to project how many nonletters in the Test Year will pay the Residual Shape Surcharge that was introduced on January 10, 1999. Rather than assume that the amount will equal the percentage of nonletters that were parcel-shaped in the base year (prior to the implementation of the surcharge), the workpaper includes an adjustment that attempts to anticipate mailer reaction to the implementation of the surcharge.
- c. Confirmed that this workpaper was developed in order to project revenues for the Test Year that reflect updated billing determinants. In some instances, those billing determinants are from the hybrid year.

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- d. The Test Year volume forecast is not changed, so the volume of TYAR nonletters, which is a line item in that forecast, does not change, nor do any other of the line items in the Test Year volume forecast. The application of updated billing determinant information is to disaggregate the line items from the Test Year volume forecast, but the line items themselves are not changed.

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RIAA/USPS-ST46-4. Please refer to footnote 2 of WP 1, p. 14 in LR-I-436 which states that the source for the 5.5% factor used to derive the (revised) "expected residual volume" is witness Moeller's response to RIAA/USPS-T35-5(b).

- a. Please confirm that the 5.5% factor is based upon the mix for a partial fiscal year and is applied to the TYAR volume Non-Letters for a full fiscal year to derive "expected residual volume." If you do not confirm, please explain your answer in detail and provide any supporting workpapers, studies or calculations upon which it is based.
- b. Please confirm that, according to RIAA/USPS-T35-4, the source of the data upon which the 5.5% factor reflected on WP1, p. 14 in LR-I-436 is "the disaggregated RPW subclass estimates for the GFY 1999 period." Please provide all source documents (including, as applicable, the disaggregated RPW subclass estimates for the GFY 1999 period) upon which the 5.5% factor reflected in footnote 2 of WP1, p. 14 in LR-I-436 is based.
- c. Is actual or estimated disaggregated subclass data comparable to that used to derive the response to RIAA/USPS-T35-5(b) available for any portions or all of the hybrid year FY1999 Quarter 3 to FY2000 Quarter 2? If so, please provide such data.

RESPONSE:

- a. Confirmed.
- b. Please see page 2 of the attachment to RIAA/USPS-T35-4 for the source data. The 5.5 percent figure is derived by dividing the total volume from that page (550,026,918) by the total volume of nonletters (10,038,906,097) for the comparable period (the post-January 10, 1999 implementation period) from USPS-LR-I-259, Schedule G-6, page 1 of 5.
- c. Please see response to interrogatory RIAA/USPS-ST46-2, page 1 of the attachment. The RSS volume for the subclass is 741,723,804. For the



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same hybrid year period, the total volume of nonletters for the subclass was 14,234,288,246 (from the Billing Determinants for the hybrid year, USPS-LR-I-435, Schedule G-5, page 1 of 5.) The percentage of nonletters paying the surcharge for the hybrid year, therefore, was 5.2 percent, based on the calculation:  $(741,723,804 / 14,234,288,246)$ .

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RIAA/USPS-ST46-5. Please confirm that after deduction of "leakage" resulting from the proposed barcode discount, the expected revenue to be derived from the proposed 18 cent surcharge reflected in WP1, p. 14 in LR-I-436 is \$24.6 million greater than the expected revenue (after deduction of "revenue leakage") reflected in the version of such workpaper in LR-I-166. If you do not confirm, please explain your answer in detail and provide all supporting workpapers, studies or other documents upon which the answer is based.

RESPONSE:

Confirmed. The original projection necessitated an estimate of the reduction in surchargable pieces due to implementation of the surcharge and mailers' attempts to avoid it by reconfiguring parcels as automated flats. The increase in the projected revenue may reflect the inability of mailers to reconfigure their parcels, or a general increase in the number of parcels within Standard Mail (A), or a combination of these factors. If the hybrid year percentage of nonletters paying the surcharge (5.2 percent) calculated in the response to RIAA/USPS-ST46-4(c) were used instead of the 5.5 percent figure described in the response to subparts a and b of that interrogatory, the \$24.6 million figure described in this interrogatory would instead be \$17.8 million.

## 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: 8/11/2000

**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.

  
\_\_\_\_\_  
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