

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, 2001

Docket No. R2001-1

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MOELLER TO INTERROGATORIES OF THE RECORDING
INDUSTRY OF AMERICA
(RIAA/USPS-T32—1-3)**

The United States Postal Service hereby provides the responses of witness Moeller to the following interrogatories of the Recording Industry of America: RIAA/USPS-T32—1-3, filed on October 18, 2001.

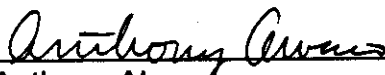
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


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November 1, 2001

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MOELLER
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THE RECORDING INDUSTRY ASSOCIATION OF AMERICA**

RIAA/USPS-T32-1. Page N of your WP1 indicates (at n.2) that 4.683 percent of TYBR Volume Nonletters will be subject to the residual shape surcharge. Please display the numbers from USPS LR-J-98 G5,p.1 and G6,p.1 you employ to derive this number.

RESPONSE:

The number of pieces subject to the Residual Shape Surcharge in FY2000 is 681,937,930 from G-6 page 1. The total number of nonletters in FY2000 is 14,563,483,428 from G-5 page 1.

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RIAA/USPS-T32-2. Your WP1 from R2000-1 shows (at page 14 n.2) that the number in that proceeding comparable to the 4.683% discussed above to have been 5.90% and assumed that the after rate percentage would be the same. Does the difference between the R2000-1 estimation of “% residual shape” and the R2001-1 estimation of that percentage imply that the assumption that there would be no change in the percentage between before rates and after rates was in error?

- (a) If so, why do you continue to employ the same assumption in this case?
- (b) If not, please fully explain why not.

RESPONSE:

a.-b.) No, not necessarily. The percentage of nonletters that pay the residual shape surcharge (RSS) is a function of the number of nonletters as well as RSS pieces. If the number of nonletters not paying the RSS were to increase (or decrease) while the number of pieces paying the RSS remained the same, the percentage would decline (or increase). There is no separate forecast for RSS pieces. In absence of a specific forecast, the most reasonable course is to follow the established method – use the most current percentage of nonletters as a means to estimate the number of RSS in the Test Year. If a lower percentage were used (as seems to be advocated in the question), the anticipated revenue from the surcharge would decline, putting upward pressure on the base rates for all Standard Mail.

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RIAA/USPS-T32-3. Does the 4.683% number reflect any effect on volume consequent to the implementation of the increase in the surcharge in January of this year?

1. If not, does this fact suggest that the 4.683% estimation overstates the volume of mail that will be subject to the residual shape surcharge in the test year?
2. If not, please fully explain why not.

RESPONSE:

No. The percentage itself does not, but it is applied to a number that does.

1. No.
2. Any volume effect of the January rate increase is incorporated in the volume estimate for total nonletters. Applying the fixed percentage to that total nonletter volume, therefore, results in an estimate of surcharged pieces that incorporates the effect of the rate increase on nonletters as a whole (including the RSS increase). Using the fixed percentage implies that RSS and non-RSS pieces were affected similarly by the rate increase.

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: 11-1-01

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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