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

ORIGINAL

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MOELLER
TO INTERROGATORIES OF DIRECT MARKETING ASSOCIATION
(DMA/USPS-T28-1 AND 2)

The United States Postal Service hereby provides the responses of witness Moeller to the following interrogatories of Direct Marketing Association: DMA/USPS-T28-1 and 2, filed on October 19, 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


Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2998; Fax -5402
November 5, 2001

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MOELLER
TO INTERROGATORIES OF DIRECT MARKETING ASSOCIATION

DMA/USPS-T28-1. Please refer to Exhibit USPS-28B, where you show a cost coverage of 294.1 percent for Presort and Automation Letters and a cost coverage of 176.1 percent for Single-Piece Letters and Sealed Parcels.

- (a) Please confirm that in previous Postal Rate Commission Opinion and Recommended Decisions, the Postal Rate Commission has not presented cost coverages at this level of detail. If not confirmed, please explain fully.
- (b) Please provide the unit cost, unit revenue, and cost coverage individually for Presort and Automation Letters, and Single-Piece Letters and Sealed Parcels for the rates resulting from the Postal Service's Docket No. R2000-1 modification decision.
- (c) Please provide the unit cost, unit revenue, and cost coverage individually for Presort and Automation Letters, and Single-Piece Letters and Sealed Parcels for the Commission's recommended Docket No. R2000-1 rates.
- (d) Please provide the unit cost, unit revenue, and cost coverage individually for Presort and Automation Letters, and Single-Piece Letters and Sealed Parcels for the Commission's recommended Docket No. R97-1 rates.
- (e) Please provide the unit cost, unit revenue, and cost coverage individually for Presort and Automation Letters, and Single-Piece Letters and Sealed Parcels for the Commission's recommended Docket No. R94-1 rates.
- (f) Please provide the unit cost, unit revenue, and cost coverage individually for Presort and Automation Letters, and Single-Piece Letters and Sealed Parcels for the Commission's recommended Docket No. R90-1 rates.
- (g) Please confirm that the Postal Service is projecting that the proportion of First-Class Letters comprised of Presort and Automation Letters will increase from 46.6 percent in FY 2000 to 52.3 percent in FY 2003. If not confirmed, please explain.
- (h) Please confirm that, holding the cost coverages for Presort and Automation Letters, and Single-Piece Letters and Sealed Parcels at the levels shown in Exhibit USPS-28B, an increase in the proportion of First-Class Letters that are Presort and Automation Letters has the effect of increasing the cost coverage for First-Class Letters as a whole. If not confirmed, please explain fully.
- (i) Please confirm that, ceteris paribus, had the proportion of First-Class Letters comprised of Presort and Automation Letters not increased between the Base Year and the Test Year, the Test Year cost coverage for First-Class Letters would be lower.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MOELLER
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RESPONSE to DMA/IUSPS-T28-1:

- (a) Confirmed.
- (b) See the Attachment.
- (c) See the Attachment for the unit cost, unit revenue, and implicit cost coverage for the Postal Rate Commission's Recommended Decision dated 11/13/2000.
- (d) See the Attachment.
- (e) See the Attachment. In its R94-1 Recommended Decision, the Commission reported First-Class Mail volumes, revenues and costs for "Nonpresorted" and "Presorted" First-Class Mail Letters. "Nonpresorted" Letters included single-piece First-Class Mail letters, as well as letters eligible for the ZIP + 4 and barcoded flat discounts. In addition, I have been unable to reconcile the Postal Rate Commission's Appendix G First-Class Mail Letters subclass attributable costs of \$18,045,850 with the costs calculated from the Appendix J, Cost Segments plus the contingency (\$17,466,288).
- (f) See the Attachment. In its R90-1 Recommended Decision, the Commission reported First-Class Mail volumes, revenues and costs for "Nonpresorted" and "Presorted" First-Class Mail Letters. "Nonpresorted" Letters included single-piece, First-Class Mail Letters as well as Letters eligible for the ZIP + 4 and prebarcoded discounts. In addition, I have been unable to reconcile the Postal Rate Commission's Appendix G First-Class Mail Letters subclass attributable costs of \$17,035,926 with the costs calculated from the Appendix J, Cost Segments plus the contingency (\$17,138,035).
- (g) Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MOELLER
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Response to DMA/USPS-T28-1 continued:

(h) Confirmed.

(i) Yes, assuming no rate change.

Attachment to DMA/USPS-T28-1

	Total Revenue (a)	Total Cost (b)	Volume (c)	Unit Revenue (d) = (a) / (c)	Unit Costs (e) = (b) / (c)	Implicit Cost Coverage (f) = (a) / (b)
<u>Docket No. R2000-1 Modification</u>						
Single Piece Letters	22,965,977	14,973,900	52,845,128	\$ 0.4346	\$ 0.2834	153.4%
Presort and Automation Letters	13,236,719	5,358,887	47,069,054	\$ 0.2812	\$ 0.1139	247.0%
Total	36,202,696	20,332,787	99,914,182	\$ 0.3623	\$ 0.2035	178.1%
<u>Docket No. R2000-1 PRC Decision</u>						
Single Piece Letters	22,576,889	14,684,352	52,828,895	\$ 0.4274	\$ 0.2780	153.7%
Presort and Automation Letters	13,172,716	5,305,138	47,320,291	\$ 0.2784	\$ 0.1121	248.3%
Total	35,749,605	19,989,490	100,149,186	\$ 0.3570	\$ 0.1996	178.8%
<u>Docket No. R97-1 PRC Decision</u>						
Single Piece Letters	22,063,820	14,805,969	54,103,260	\$ 0.4078	\$ 0.2737	149.0%
Presort and Automation Letters	11,390,558	4,604,234	41,631,484	\$ 0.2736	\$ 0.1106	247.4%
Total	33,454,378	19,410,203	95,734,744	\$ 0.3494	\$ 0.2027	172.4%
<u>Docket No. R94-1 PRC Decision</u>						
Nonpresorted Letters	21,392,559	13,115,702	55,906,879	\$ 0.3826	\$ 0.2346	163.1%
Presort Letters	10,089,619	4,350,587	35,259,762	\$ 0.2862	\$ 0.1234	231.9%
Total	31,482,177	17,466,288	91,166,641	\$ 0.3453	\$ 0.1916	180.2%
<u>Docket No. R90-1 PRC Decision</u>						
Nonpresorted Letters	20,105,241	13,670,830	58,295,674	\$ 0.3449	\$ 0.2345	147.1%
Presort Letters	7,455,044	3,467,205	28,519,991	\$ 0.2614	\$ 0.1216	215.0%
Total	27,560,285	17,138,035	86,815,665	\$ 0.3175	\$ 0.1974	160.8%

Sources:

Docket No. R2000-1 Modification

Revenue - Docket No. R2001-1, GOVS-LR4 at 5
 Costs - Docket No. R2001-1, Governor's Decision, 5/7/2001 at Attachment Two.

Volume - Docket No. R2001-1, GOVS-LR4 at 5

Docket No. R2000-1 PRC Decision

Revenue - Docket No. R2000-1, PRC Op., Appendix G at 2

Costs - Docket No. R2000-1, PRC Op., Appendix J at 1

Volume - Docket No. R2000-1, PRC Op., Appendix G at 2

Docket No. R97-1 PRC Decision

Revenue - Docket No. R97-1, PRC Op., Appendix G at 2

Costs - Docket No. R97-1, PRC Op., Appendix J * (1 + 1.0% Contingency)

Volume - Docket No. R97-1, PRC Op., Appendix G at 2

Docket No. R94-1 PRC Decision

Revenue - Docket No. R94-1, PRC Op., Appendix G, Schedule 2 at 1

Costs - Docket No. R94-1, PRC Op., Appendix J * (1 + 2.0% Contingency)

Volume - Docket No. R94-1, PRC Op., Appendix G, Schedule 2 at 1

Docket No. R90-1 PRC Decision

Revenue - Docket No. R90-1, PRC Op., Appendix G, Schedule 2 at 1

Costs - Docket No. R90-1, PRC Op., Appendix J at 54-70 * (1 + 3.5% Contingency)

Volume - Docket No. R90-1, PRC Op., Appendix G, Schedule 2 at 1

Attachment to DMA/USPS-T28-1

2 of 2

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MOELLER
TO INTERROGATORIES OF DIRECT MARKETING ASSOCIATION

DMA/USPS-T28-2. Please refer to Exhibit USPS-28B.

(a) Please provide Test Year volume variable costs individually for Standard Regular, Standard Nonprofit, Standard ECR, and Standard Nonprofit ECR.

(b) If you cannot provide the information requested in subpart (a) of this interrogatory, please explain in detail why you cannot provide this information.

RESPONSE:

- a. Costs for these groupings are not available.
- b. See my response to VP/USPS-T28-1. It is my understanding that P.L. 106-384 includes a provision that the factors of section 3622(b) be applied to the combined cost of the regular rate mail and the corresponding special rate mail, and that the combination of these costs is an important feature of the new law. Also, please see the response of witness Patelunas to POIR #3, Question 4, filed November 1, 2001.

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.

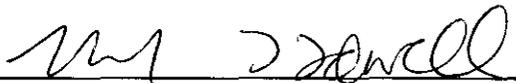


JOSEPH D. MOELLER

Dated: November 5, 2001

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.


Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
November 5, 2001