

DOCKET SECTION

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

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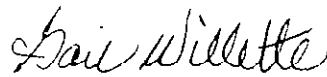
Postal Rate and Fee Changes, 1997)

Docket No. R97-1

OFFICE OF THE CONSUMER ADVOCATE
INTERROGATORIES TO UNITED STATES POSTAL SERVICE
WITNESS JOSEPH D. MOELLER
(OCA/USPS-T36-1-14)
July 31, 1997

Pursuant to sections 25 and 26 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits interrogatories and requests for production of documents. Instructions included with OCA interrogatories 1-7 to the United States Postal Service dated July 16, 1997, are hereby incorporated by reference.


Respectfully submitted,



GAIL WILLETTE

Director

Office of the Consumer Advocate



SHELLEY S. DREIFUSS

Attorney

OCA/USPS-T36-1. Please refer to your testimony at 7, lines 9-11. There you state:

This last input, the piece rate for pound mail, is theoretically set at the rate which, if it were to take advantage of all applicable discounts, would equal zero.⁸

At footnote 8, you cite "PRC Op., MC95-1. Para. 5643." Para. 5643 states:

Since the Commission is recommending a Regular subclass and an Enhanced Carrier Route subclass, the basis for calculating the piece charge must reflect the presort levels in each subclass. Thus, for the Regular subclass, the basis is the basic presort level compared to the 3/5-digit presort level. For the Enhanced Carrier Route subclass, the basis is the basic level compared to the saturation level. Using the Docket No. R90-1 approach for the Enhanced Carrier Route subclass, the Commission recommends a piece charge equal to the cumulative presort differential between basic flats and saturation flats. However, for the Regular subclass, applying this approach would result in a pound rate exceeding the current rate of 68.7 cents. To mitigate the rate impact on Regular subclass pound rate mailers, consistent with the § 3622(b)(4) pricing criterion, the Commission selects a piece charge greater than the cost differential between a basic flat and a 3/5-digit flat to prevent an increase in the pound rate for the Regular subclass.

Please explain specifically how the para. 5643 language demonstrates the point you make.

- a. Do the Commission's Docket No. MC95-1 workpapers illustrate the point you make at page 7 (quoted above)? If so, provide a specific citation to those workpapers.
- b. Please cite to any other Commission-generated documents that illustrate the point made at page 7 (quoted above).

OCA/USPS-T36-2. Please display, as a mathematical expression, the equation described at 7, lines 7-14, of your testimony.

- a. In other words, please display, as a mathematical expression, the equation the Commission preferred and used in Docket No. MC95-1.
- b. Also display, as a mathematical expression, the equation you use in the current proceeding, which you describe as containing 2 modifications of the Commission's MC95-1 equation. USPS-T-36 at 8-9.

OCA/USPS-T36-3. Is it correct that, in Docket No. MC95-1, the pound rate you used did not depend on other "decisions" because you selected it? PRC Op. Docket No. MC95-1 at para. 5642. If your answer is negative, please explain.

OCA/USPS-T36-4. Is it correct that, in Docket No. MC95-1, the pound rate you used was not an algebraic function of decisions such as those cited in n. 69 of page V-255 of PRC Op. Docket No. MC95-1? If your answer is negative, please explain.

OCA/USPS-T36-5. Is it correct that the Commission rejected your approach to determining the pound rate, and instead, determined the pound rate as an output of the formula described at para. 5642 of PRC Op. Docket No. MC95-1? If your answer is negative, please explain.

OCA/USPS-T36-6. Is it correct that you are essentially proposing again in your current testimony that the pound rate should be "chosen"? USPS-T-36 at 9, lines 4-5. If your answer is negative, please explain.

OCA/USPS-T36-7. Please confirm that the 65-cent pound rate (for the regular subclass), that you recommend, would be higher if the Commission's Docket No. MC95-1 methodology for calculating the pound rate were employed. If you do not confirm, please explain your reasoning.

OCA/USPS-T36-8. In preparing your testimony for Docket No. R97-1, did you ever calculate rates for Standard Mail A, bulk regular rate mail using the Commission's approach of solving for the pound rate, rather than selecting it?

- a. If so, please provide the rates that resulted from such a calculation.
- b. If not, please generate a set of Standard Mail A, bulk regular rates which result from using the Commission's approach concerning the pound rate (in place of your approach).

OCA/USPS-T36-9. Please provide citations that support your statement at page 13, lines 17-19, that:

[I]n Classification Reform I and in other forums, mailers have argued that there are different types of parcels, some of which are claimed to be similar in cost to flats, and some of which are claimed to be more costly than flats.

OCA/USPS-T36-10. You observe, at page 13 of your testimony, that the Postal Service proposes to pass through "less than one-third of the measured cost difference" between flats and non-flats. What is the timetable of the Postal Service for increasing the passthrough to 100 percent of the cost difference?

OCA/USPS-T36-11. At page 16 of your testimony, you explain that:

Due to significant changes in costing methodology, the cost differentials supporting many of the discounts have changed significantly.

Please summarize the "significant changes" and provide citations to the testimonies of other Postal Service witnesses who espouse (or generate) the "significant changes."

OCA/USPS-T36-12. Please confirm that the 80 percent passthrough described at page 17, line 14, of your testimony may be illustrated as follows:

the current 3/5-digit presort letter discount of 4.7 cents (25.6 cents — 20.9 cents) x 0.8, yields a proposed 3/5-digit presort letter discount of 3.8 cents (rounded up from 3.76 cents). If you do not confirm, please provide the correct calculations, accompanied by an explanation and citations to the sources for the numbers used.

OCA/USPS-T36-13. Please refer to your WP 1, page 11, Worktable C, "Passthrough Percentages." The passthrough percentage for presort letters is given as "1.65." The note beneath Worktable C states "Assumed "

- a. Does this mean that the 1.65 (or 165 percent) passthrough has been assumed? If not, please explain.
- b. Does the 165-percent passthrough result solely from your decision not to allow discounts to fall below 80 percent of their current level (USPS-T-36, p. 17, lines 9-11)? If not, please explain how you arrived at a passthrough of 165 percent.
- c. Do you agree that the 165-percent passthrough is far out of line with the uniform 100-percent passthroughs recommended by the Commission in Docket No. MC95-1 for Standard A letters (see Table V-4, at page V-264, of the opinion and recommended decision)? If not, please explain.

- d. Please confirm that a 100-percent passthrough of the presort savings for 3/5-digit mail would result in a discount of approximately 2.3 cents (your WP 1, page 12). If you do not confirm, please explain.
- e. Please confirm that a 2.3-cent discount (based upon a 100-percent passthrough) would result in a 3/5-digit piece rate for Standard A letters of 22.4 cents (24.7 — 2.3 cents). If you do not confirm, please explain.

OCA/USPS-T36-14. Please confirm that the 5.3 cents set forth in Worktable D of WP 1, page 11, was calculated as follows:

26.1585 cents (from WP1, page 10) — 12.8452 cents (id.) =

13.3133 cents (from Worktable B, WP 1, page 11) x 40% = 5.3

- a. If you do not confirm, please provide the derivation of the 5.3-cent basic letter/flat differential unit cost passthrough.
- b. Is the non-letter basic presort rate of 30 cents, that you propose, the result of adding 5.3 cents to the proposed basic presort letter rate of 24.7 cents, i.e., 24.7 + 5.3 cents = 30 cents? If this is not correct, please show how the 30-cent basic presort non-letter rate was developed.
- c. Is it correct that the proposed rate for 3/5 digit presort non-letter Standard Mail, Regular was derived as follows:
30.6 cents (current rate for basic presort non-letter) — 22.5 cents (current rate for 3/5 digit non-letter presort) = 8.1 cents x 75.6% (from USPS-T-36-17, line 15) = 6.12 cents; and

6.12 cents was rounded to 6 cents as set forth in Worktable E of WP 1, page 11; and the 6-cent presort flat discount was subtracted from the proposed basic presort non-letter rate of 30 cents to arrive at the 3/5 digit presort non-letter rate of 24 cents?

If the calculations set forth in this subpart are not correct, then please provide all necessary corrections and citations to sources relied upon.


- d. Please confirm that the 75.6-percent passthrough of the basic/3-5 digit presort differential was assumed, as noted in Worktable C, WP1, page 11. If you do not confirm, please explain.
- e. You note at page 17, lines 17-19, that the proposed presort passthrough for non-letters is only 74 percent of the current discount. Was that percentage calculated in the following manner:
- 30.6 cents (current basic presort non-letter rate) — 22.5 cents (current 3/5 digit presort non-letter rate) = 8.1 cents; and
- 30 cents (proposed basic presort non-letter rate) — 24 cents (proposed 3/5 digit presort non-letter rate) = 6 cents; and
- 6-- 8 = 74 percent? If this is not correct, please explain.
- f. Was the 75.6 percent passthrough assumed in order to maintain a non-letter 3/5 digit discount of 74 percent of the current discount? If not, please explain how you chose the 75.6-percent passthrough.
- g. Please confirm that a 100-percent passthrough of the letter/flat differential of 13.3133 cents would result in a basic presort non-letter rate of approximately 38

cents, i.e., 24.7 cents (basic presort letter rate) + 13.3 cents = 38 cents. If you do not confirm, please explain.

- h. Also confirm that a 38-cent rate for basic presort non-letters is approximately a 24-percent increase from the current rate of 30.6 cents. If you do not confirm, please explain.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.


for
SHELLEY S. DREIFUSS
Attorney

Washington, D.C. 20268-0001
July 31, 1997