

DOCKET SECTION

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, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MOELLER TO INTERROGATORY OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T36-27)

The United States Postal Service hereby provides the response of witness Moeller to the following interrogatory of the Office of the Consumer Advocate: OCA/USPS-T36-27, filed on September 17, 1997.

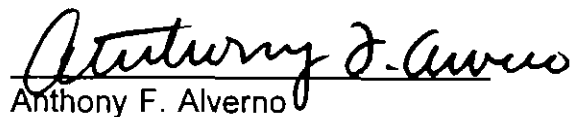
The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


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October 1, 1997

U.S. POSTAL SERVICE WITNESS MOELLER RESPONSE TO INTERROGATORIES
OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T36-27. This interrogatory follows up on your response to OCA/USPS-T36-25, parts e. and i. You state that: "A better comparison could be drawn using the figures in Exhibit USPS-29C, page 3 rather than . . . page 2, although this would still not be a direct comparison."

- a. Explain in full why page 3 makes for a better comparison than page 2.
- b. Explain in full why this still would not be a "direct comparison."
- c. Making the substitution you suggest in part e., [i.e., the unit cost differential between Basic ECR letters and Basic ECR flats would be equal to 1.8804 cents; i.e., 8.2324 cents (unit mail processing and delivery cost for basic ECR non-letters) — 6.352 cents (unit mail processing and delivery cost for basic ECR letters) = 1.8804 [Source: USPS-29C, page 3]]; then isn't it true that the Basic ECR letter/non-letter unit differential of 1.3563 (PRC Op. MC95-1, page V-265, Table V) has grown to at least 1.8804 cents? If you do not agree, please explain.
- d. In response to part i. of OCA/USPS-T36-25 you express a reluctance to agree that there is a "growth in the differential."
 - i. Isn't it true, however, that in response to NAA/USPS-T36-10, you state that the attribution of fewer mail processing costs underlying rates in the current proceeding leads to a reasonable expectation that presort-related cost differentials tend to be smaller in this case than they would be if the mail processing costs were attributed at roughly the same levels as Docket No. MC95-1? If you do not agree, please explain.
 - ii. Isn't it equally true that the attribution of fewer mail processing costs in this case than, say, in Docket MC95-1, tends to reduce the Basic ECR letter/non-letter differential in a like manner? If you do not agree, please explain.
 - iii. If you do agree with the tendency posited in subpart ii. above, then hasn't there been even greater growth in the Basic ECR letter/non-letter differential than was noted in part c. above? If you do not agree, please explain.

RESPONSE:

- a. It is my understanding that the costs on page 2 of Exhibit USPS-29C are adjusted for destination-entry differences, whereas the costs on page 3, like those in Docket No. MC95-1, are not.
- b. The figures would still not be directly comparable because of changes in the costing methodology for determining mail processing cost differences between Basic ECR and High-Density/Saturation ECR. Please note that in Docket No.

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MC95-1, the mail processing costs are the same for all three tiers in ECR (Docket No. MC95-1, USPS-T-12C, page 2). By contrast, in this docket, mail processing costs have been disaggregated into Basic and High-Density/Saturation (USPS-29C, page 2).

- c. This is the result of the more direct comparison; however, as described in subpart b, this is still not a direct comparison.
- d. The citation to my response to NAA/USPS-T36-25 omits the qualifying phrase "all else equal." As discussed in subpart b, "all else" is not equal. My response to NAA/USPS-T36-10, moreover, refers to presort-related differentials; I cannot confirm that shape-related differentials would be affected in a like manner due to relative differences in volume variability. Even if a direct comparison were to be made and it were shown that the differential had grown, other factors, as described in my response to OCA/USPS-T36-25 subparts g and i, warrant a reconsideration of the continuation of a separate rate for ECR Basic letters.

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: October 1, 1997

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 F. Alverno

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