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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

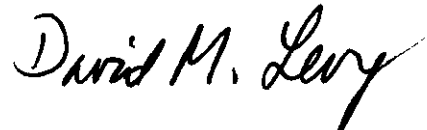
Docket No. R2000-1

Postal Rate and Fee Changes, 2000

**FIRST INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS
TO USPS WITNESS TAYMAN
(ANM/USPS-T9-1-16)**

Pursuant to section 20 of the Commission's Rules of Practice, the Alliance of Nonprofit Mailers ("ANM") respectfully submits the attached interrogatories and document requests to USPS witness Tayman (USPS-T-9). ANM incorporates by reference the instructions in OCA interrogatories OCA/USPS-1-14 (filed Jan. 24, 2000).

Respectfully submitted,



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January 27, 2000

QUESTIONS

ANM/USPS-T9-1. Please refer to your testimony at p. 6, lines 14-16, where you state that “[t]he proposed rate increase will mitigate the level of debt required to fund capital programs.” Please quantify, or explain, the extent to which the proposed rate increase is expected to mitigate the level of debt required to fund capital programs.

- a. Aside from the cash flow that the Postal Service derives from depreciation and amortization, will any revenue from the proposed rate increase be used to fund net investment during the Test Year? Unless your answer is an unqualified negative, please state the amount of revenue expected to be used to fund such net investment.
- b. Please explain fully the rationale for funding capital programs from revenues provided by rate increases.

ANM/USPS-T9-2. Please identify every debt ceiling or other legal restriction that the Postal Service contends prevents it from supporting its capital program in the test year entirely through debt financing? For each such restriction:

- a. Provide a legal citation.
- b. Explain why (and by how much) debt financing of the Postal Service’s entire planned capital program in the test year would exceed the constraint.
- c. Produce documentation sufficient to replicate your analysis.

ANM/USPS-T9-3. Please identify every management policy that the Postal Service contends justifies supporting its capital program in the test year wholly or partly through a revenue increase rather than debt financing. For each such policy, please

produce every directives, decisions, memorandum or other documents establishing such a policy, and the minutes of any management meeting adopting such a policy.

ANM/USPS-T9-4. Please produce every study, analysis or similar document generated by the Postal Service since January 1, 1998, concerning the appropriate level of debt financing for Postal Service capital programs and program initiatives.

ANM/USPS-T9-5. Please produce every study, analysis or similar document, regardless of its vintage, relied upon by the Postal Service in the present rate case in support of the Service's proposed level of debt financing for capital programs and program initiatives.

ANM/USPS-T9-6. At p. 9 of your testimony, you state that "additional cost increases . . . include . . . (2) increased costs associated with major program initiatives designed to continue service improvements, improve responsiveness to customers, maintain and improve our infrastructure and reduce costs in the future."

- a. Please indicate the amount of each cost increased associated with major program initiatives (as referred to in your above-quoted statement) designed to maintain and improve the infrastructure and reduce costs in the future.
- b. Please produce all cost-benefit analyses and other management analyses of each such program initiative.

ANM/USPS-T9-7. Please produce all documents containing any of the following information for each capital investment project or program initiative for which the Postal Service seeks cost recovery in the test year:

- a. A description of the project or initiative.

- b. The total amount that the Postal Service expects to expend for the project or initiative over its entire life.
- c. All cost-benefit analyses of the project or initiative.
- d. All other studies and analyses of the expected costs and benefits of the project or initiative.
- e. The asset lives assumed in determining the annual depreciation or amortization charges included in the Postal Service's revenue requirement.
- f. The justification for those asset lives.
- g. All studies and analyses of the expected period in which the investment will remain in service.

ANM/USPS-T9-8. For each capital program and major program initiative with costs that are included in the test year revenue requirement, please provide the following information:

- a. The date when the program was approved (or is expected to be approved) by the level of Postal Service management with final approval over the program.
- b. The date each vendor contract was executed (or is expected to be executed).
- c. The date of any other action or transaction that you contend creates a binding commitment to incur costs for the project, and the amount of costs thereby incurred.
- d. Business records sufficient to verify your responses to the previous parts of

this question.

ANM/USPS-T9-9. Please identify every change in standards, policies, resources or personnel adopted by the Postal Service since July 1, 1998, to increase the accuracy and reliability of its test year revenue requirement projections, and produce all internal standards, guidelines, directives, orders, meeting minutes, studies, analyses, and similar documents concerning each such change.

ANM/USPS-T9-10. Please supply footnote 10 to your testimony at p. 12, line 6.

ANM/USPS-T9-11. Please refer to your testimony at p. 16, line 7 and confirm that the reference to "Table 8" should be to "Table 10." If you do not confirm, please explain fully how Table 8 supports your statement.

ANM/USPS-T9-12. Please refer to your testimony at page 47, line 5, where you state that "this will improve equity to a negative \$389 billion by the end of FY 2000."

- a. Please confirm that the reference to "billion" should be changed to "million."
- b. Please reconcile the \$389 [m]illion figure with the \$380,389(000) ending equity shown in table 59 at p. 53.

ANM/USPS-T9-13. Please refer to Exhibit USPS-9F and confirm that for fiscal years 1998-2001, net investment by the Postal Service was as shown in the following table (in millions of dollars). If you do not confirm, please supply the correct data for computing annual net investment.

	1998	1999	2000	2001
Purchase of property and equipment	3055	3917	3564	3746
Less: Depreciation and amortization	1579	1795	1864	2154

Net investment	1476	2122	1700	1592
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ANS/USPS-T9-14. Please refer to USPS 9J, p. 3. Under the columns indicated R94-1 you show Total Revenues After Rates Estimated and Actual, respectively, of \$54,569.4 and \$54,509.4 million.

- a. Confirm that estimated total revenue of \$54,569.4 was not 1.2 percent more than actual revenue of \$54,509.4.
- b. Please supply the correct percentage, or revise the underlying data, as appropriate.

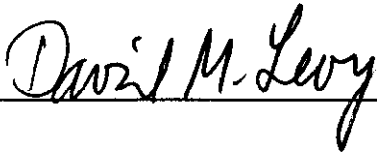
ANM/USPS-T9-15. Please refer to USPS-9J, p. 3. Under the columns indicated R94-1 you show Total Accrued Costs for After Rates Estimated and Actual, respectively, of \$52,582.3 and \$52,738.9 million.

- a. Confirm that estimated total accrued costs of \$52,582.3 were not -2.1 percent of actual accrued costs of \$52,738.9.
- b. Please supply the correct percentage, or revise the underlying total accrued cost data, as appropriate.

ANM/USPS-T9-16. Please refer to USPS-9J, p 3, and for each cost segment under the columns indicated R94-1 confirm all the over/under percentages. If you do not confirm, please supply the correct figures.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document on all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



January 27, 2000