

RECEIVED

FEB 7 11 28 AM '00

POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

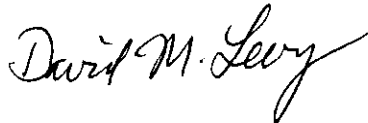
—  
Docket No. R2000-1  
—

Postal Rate and Fee Changes, 2000  
—

**FIRST INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS  
TO USPS WITNESS SMITH (ANM/USPS-T21-1-9)**

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 Marc A. Smith (USPS-T-21). ANM incorporates by reference the instructions in OCA interrogatories OCA/USPS-1-14 (filed Jan. 24, 2000).

Respectfully submitted,



David M. Levy  
Christopher T. Shenk  
Sidley & Austin  
1722 Eye Street, N.W.  
Washington, DC 20006-3704  
(202) 736-8214

*Counsel for Alliance of Nonprofit Mailers*

February 7, 2000

## QUESTIONS

**ANM/USPS-T21-1.** Attachment 6 to your testimony, at line 18, shows a total of 4,061,004 square feet allocated to, or occupied by, flat sorting machines (“FSMs”) in FY 1998, with annual rental value of \$30,978,000.

a. What was the total number of FSMs that occupied the above-indicated total FSM space in FY 1998?

b. Please provide the breakdown, or count of FSMs, as between FSM 881s, FSM 1000s, and any other FSMs included in the total number supplied in response to preceding part a.

c. What was the average square footage occupied by a FSM 881 in FY 1998?

d. What was the average square footage occupied by a FSM 1000 in FY 1998?

e. What was the average square footage occupied by each other type of FSM in FY 1998?

f. Confirm that in FY 1998 the annual rental value of real estate for FSMs amounted to \$7.63 per square foot. If you do not confirm, please explain fully.

**ANM/USPS-T21-2.** In attachment 7 to your testimony, you show at line 18 a total of 6,126,832 square feet occupied by FSMs in FY 2001, with annual rental value of \$51,477,000.

a. What is the total number of FSMs that will occupy the above-indicated total FSM space in FY 2001?

b. Please disaggregate this total number among FSM 881s, FSM 1000s, AFSM 100s, and each other model of FSM that is projected to occupy FSM space in FY 2001.

c. What is the average square feet assumed to be occupied by an FSM 881 and an FSM 1000 in FY 2001? If these figures differ from those provided in response to ANM/USPS-T1-1(c) and (d), please explain fully and produce documents sufficient to verify your explanation.

d. How many square feet is an average AFSM 100 projected to occupy in FY 2001?

e. Does the number of AFSM 100s planned for deployment by FY 2001 account fully for the increase of 2,065,828 square feet allocated to FSMs between FY 1998 and FY 2001? If not, please explain fully what accounts for this approximate 50 percent increase in space attributed to FSMs.

f. Confirm that in FY 2001 the annual rental value of real estate for FSMs is projected at \$8.40 per square foot. If you do not confirm, please explain fully.

g. Please explain the increase in rental value from \$7.83 in FY 1998 to \$8.40 in FY 2001. In particular, please explain the extent to which the increase results from an increase in the rate for existing space and higher-than-average rental value for new space added between FY 1998 and FY 2001.

**ANM/USPS-T21-3.** In attachment 2 to your testimony, equipment group 6, you show depreciation costs (CS 20.1) for FSMs of \$31,607,001 in FY 1998.

a. Of the total number of FSMs which the Postal Service owned in FY 1998 (see your response to ANM/USPS-T21-1a), how many were still being depreciated on the Postal Service's books?

b. Of the total number supplied in response to the preceding part, how many of those FSMs will be fully depreciated on the Postal Service's books by (i) the end of FY 2000, and (ii) the end of FY 2001?

**ANM/USPS-T21-4.** In attachment 3 to your testimony, equipment group 6, you show depreciation costs (CS 20) for FSMs of \$78,599,672 in FY 2001.

a. What is the total number of FSMs that the Postal Service will be depreciating in FY 2001?

b. What is the average expected cost of an AFSM 100 that was used for estimating depreciation in FY 2001?

c. Over how many years will the AFSM 100 be depreciated, what method of depreciation will be used, what survivor curves are assumed, and what is the estimated salvage value (if any)?

d. Do the AFSM 100s planned for deployment by FY 2001 account fully for the \$36,992,671 increase in depreciation between FY 1998 and FY 2001? If not, please explain fully what accounts for the more than 100 percent increase in FSM depreciation between FY 1998 and FY 2001?

**ANM/USPS-T21-5.** For FY 1998 and FY 2001, please provide the total equipment and facility-related volume variable costs attributable to FSMs (or FSM cost pools) for

each of the following components (see your testimony at page 2):

- a. Rents (component 15.1)
- b. Depreciation (component 20.3)
- c. Interest (component 20.5)
- d. Fuel and Utilities (component 15.2)
- e. Custodial Services Labor (component 11.1)
- f. Contract Cleaners (component 11.1.2)
- g. Building Equipment Maintenance Labor (component 11.3)
- h. Custodial Services and Supplies (component 16.3.1)
- i. Building Security (component 18.1.2)

**ANM/USPS-T21-6.** Please identify and quantity any other costs, including any indirect and piggy-backed costs, that are included in total volume variable costs attributable to FSMs in FY 1998 and FY 2000.

**ANM/USPS-T21-7.** Please refer to your testimony at pages 9-10, where you mention that the AFSM 100 is an example of an equipment deployment that is anticipated to reduce the manual sorting of flats.

a. Are you the witness responsible for developing the estimate of anticipated cost savings from deployment of the AFSM 100 that witness Kashani used as an input in

the roll-forward model? If not, please identify the witness whose testimony sponsors, or is responsible for, the estimated Test Year cost savings anticipated from deployment of the AFSM 100.

b. Please quantify the gross (or total) cost savings in manual sorting of flats (including all piggy-back and indirect costs) that are anticipated to result from deployment of the AFSM 100 in (i) FY 2000, and (ii) FY 2001. Please explain fully how these figures are derived, and produce sufficient documentation to verify your explanation.

**ANM/USPS-T21-8.** At page 2 you state that "This part of my testimony is supported by LR-I-83, 'Equipment and Facility-Related Costs.'"

a. Was LR-I-83 prepared by you, or under your supervision?

b. Are you sponsoring LR-I-83? If not, what witness is?

**ANM/USPS-T21-9.** Your testimony also references LR-I-127.

a. Was LR-I-127 prepared by you, or under your supervision?

b. Are you sponsoring LR-I-127? If not, what witness is?

**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.

*David M. Levy*  
\_\_\_\_\_

February 7, 2000