

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

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POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

NOTICE OF UNITED STATES POSTAL SERVICE  
OF ERRATA TO LIBRARY REFERENCES I-126 AND I-127

The United States Postal Service hereby gives notice that it is filing errata to  
Library References I-126 and I-127. The changes are as follows:

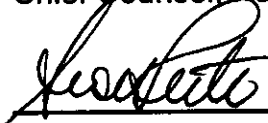
- LR-I-126 p. 6 Corrects number of machines and hours per machine for AFSM  
p. 28 Adds lines missing from and corrects page number on errata filed  
1/28/00
- LR-I-127 p. 312 Corrects column B note to refer to 1998-2002 Capital Investment  
Plan  
pp. 716, 736, 737  
Revise balance sheet to reflect POD workers' compensation liability

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking



Scott L. Reiter

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.

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2999 Fax -5402  
February 18, 2000



Scott L. Reiter

DEPRECIATION COMPUTATION  
 FY 1999-2001  
 COMPUTED

Revised 2/18/00

FILE NAME:

UPDATED:

Asset Type	Column A	Column B	Column C	Col D	Column E (B-C)*D)	Column F (B-C*(1-D))	Column G	Col H	Column I (E+G)/H)	Col J	Column K	Column L (A + I*J + K)	Column M (A + I + N)	Column N
	GFY 1998 Actual	FY 1999 Cash Flow	Less Land Cost	% Added	Amount Added	Add to Next Year	Actual Last Year	Avg Years	Full Year Deprec	1st Yr Factor	Undeprec. Write-Offs	FY-1999 Depreciation	Adjusted Base	Retired Depreciation
Mail Processing	\$553,946,080	\$934,076,570		100%	\$934,076,570			10	\$93,407,657	0.5	\$29,896,470	\$630,646,379	\$481,987,419	(165,366,318)
Cust. Service	\$9,438,821	\$241,050,332		100%	\$241,050,332			9.5	\$25,373,719	0.5		\$22,123,681	\$30,419,934	(4,390,606)
Postal Support	\$225,105,383	\$699,827,692		100%	\$699,827,692			5	\$139,965,538	0.5	\$3,674,251	\$298,662,403	\$278,403,387	(86,667,534)
Real Property	\$469,976,139	\$978,279,700	\$111,595,570	50%	\$433,342,065	\$433,342,065		32	\$13,541,940	1		\$483,518,079	\$482,922,763	(595,316)
Lease Improve.	\$143,481,203	\$696,511,170		75%	\$522,383,378	\$174,127,793		7	\$74,626,197	0.5		\$180,794,301	\$216,490,638	(1,616,762)
Motor Vehicle	\$210,172,519	\$74,317,246		100%	\$74,317,246			11	\$6,756,113	0.5		\$213,550,576	\$185,089,804	(31,838,828)
<b>Total</b>	<b>\$1,612,118,145</b>	<b>\$3,624,062,710</b>	<b>\$111,595,570</b>		<b>\$2,904,997,283</b>	<b>\$607,469,858</b>	<b>\$0</b>		<b>\$353,671,164</b>		<b>\$33,470,721</b>	<b>\$1,829,195,418</b>	<b>\$1,675,313,945</b>	<b>(\$290,475,364)</b>
Asset Type	Adj Base From FY 99	FY 2000 Cash Flow	Less Land Cost	% Added	Amount Added	Add to Next Year	Actual Last Year	Avg Years	Full Year Deprec	1st Yr Factor	Undeprec. Write-Offs	FY-2000 Depreciation	Adjusted Base	Retired Depreciation
Mail Processing	\$481,987,419	\$1,472,042,232		100%	\$1,472,042,232			10	\$147,204,223	0.5	\$20,000,000	\$575,589,531	\$618,375,766	(10,815,876)
Cust. Service	\$30,419,934	\$178,415,691		100%	\$178,415,691			9.5	\$18,780,599	0.5		\$39,810,234	\$49,056,414	(144,119)
Postal Support	\$278,403,387	\$494,819,689		100%	\$494,819,689			5	\$98,963,938	0.5		\$327,885,356	\$350,744,719	(26,622,606)
Real Property	\$482,922,763	\$1,124,835,138	\$96,696,055	50%	\$514,069,542	\$514,069,542	\$433,342,065	32	\$29,606,613	1		\$512,529,375	\$511,809,061	(720,314)
Lease Improve.	\$216,490,638	\$100,000,000		75%	\$75,000,000	\$25,000,000	\$174,127,793	7	\$35,589,665	0.5		\$234,265,480	\$251,393,606	(686,716)
Motor Vehicle	\$185,089,804	\$194,165,503		100%	\$194,165,503			11	\$17,651,409	0.5		\$193,915,509	\$186,818,162	(15,923,052)
<b>Total</b>	<b>\$1,675,313,945</b>	<b>\$3,584,278,253</b>	<b>\$96,696,055</b>		<b>\$2,928,512,657</b>	<b>\$539,069,542</b>	<b>\$607,469,858</b>		<b>\$347,796,467</b>		<b>\$20,000,000</b>	<b>\$1,884,015,485</b>	<b>\$1,968,197,729</b>	<b>(\$54,912,683)</b>
Asset Type	Adj Base From FY 2000	FY 2001 Cash Flow	Less Land Cost	% Added	Amount Added	Add to Next Year	Actual Last Year	Avg Years	Full Year Deprec	1st Yr Factor	Undeprec. Write-Offs	FY-2001 Depreciation	Adjusted Base	Retired Depreciation
Mail Processing	\$618,375,766	\$1,603,316,018		100%	\$1,603,316,018			10	\$160,331,602	0.5	\$8,501,470	\$707,043,037	\$738,874,379	(39,832,989)
Cust. Service	\$49,056,414	\$149,790,056		100%	\$149,790,056			9.5	\$15,767,374	0.5	\$189,107	\$57,129,208	\$64,609,895	(213,894)
Postal Support	\$350,744,719	\$491,324,327		100%	\$491,324,327			5	\$98,264,865	0.5	\$3,574,251	\$403,451,403	\$439,832,555	(9,177,030)
Real Property	\$511,809,061	\$1,244,129,476	\$66,846,651	50%	\$588,641,413	\$588,641,413	\$514,069,542	32	\$34,459,717	1		\$546,266,779	\$545,930,241	(338,538)
Lease Improve.	\$251,393,606	\$100,000,000		75%	\$75,000,000	\$25,000,000	\$25,000,000	7	\$14,285,714	0.5		\$258,536,464	\$264,206,631	(1,472,690)
Motor Vehicle	\$186,818,162	\$157,654,529		100%	\$157,654,529			11	\$14,332,230	0.5		\$193,984,277	\$187,673,322	(13,277,063)
<b>Total</b>	<b>\$1,968,197,729</b>	<b>\$3,746,214,406</b>	<b>\$66,846,651</b>		<b>\$3,065,726,343</b>	<b>\$613,641,413</b>	<b>\$539,069,542</b>		<b>\$337,441,503</b>		<b>\$12,264,828</b>	<b>\$2,166,413,167</b>	<b>\$2,241,327,028</b>	<b>(\$64,312,204)</b>

- Column A: Actual from A/P 14-98 Trial Balance; following year is Adjusted Base from previous year (column M)
- Column B: Cash flow projection model representing expenditure of funds for capital commitments and resources on order based on the approved FY 1998-2002 Capital Investment Plan.
- Column C: Planned site costs (assumes all land cost commitments will be paid in the planned fiscal year)
- Column D: For facility projects, where progress payments prevail, cash flow is not directly related to the delivery of an asset; therefore, assume 50% of Real Property payments coincide with asset delivery and 75% of Leasehold Improvement payments
- Column E: Percentage of cash flow representing assets to be added to depreciation base
- Column F: Balance of Amount Added (Column E) to be included in next fiscal year computation
- Column G: To provide for a full year, the (Column D) reciprocal of previous year's Real Property and Leasehold Improvement payments are included
- Column H: Average service life based on historical trends
- Column I: Sums Amount Added (Column E) and Actual Last Year (Column G) and divides by Average Years to compute Full Year Depreciation
- Column J: Equipment is depreciated beginning in the accounting period following delivery and facilities depreciation begins in the first accounting period following fiscal year of acceptance. The 1st Year Factor calculates how much of the Full Year Depreciation will actually occur in the first year of the cash flow.
- Column K: Estimated write-offs of undepreciated remaining balances based on FY 1998 actual.
- Column L: Sums carryover depreciation (Column A), Full Year Depreciation (Column I) for new fiscal year after applying the First Year Factor (Column J) to new depreciation, and write-offs (Column K).
- Column M: Provides the starting point for the next fiscal year computation by summing Columns A, I, and N.
- Column N: Retired Depreciation represents the final year's depreciation/amortization for all asset categories (same concept as explained for Column J).

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## LIABILITIES

Revised  
2/18/00UNITED STATES POSTAL SERVICE  
Balance Sheet

	Sept. 30, 1999	Sept. 30, 1998	Sept. 30, 1997
	(dollars in millions)		
<b>LIABILITIES AND NET CAPITAL DEFICIENCY</b>			
<b>Current liabilities</b>			
Compensation and benefits	\$ 5,919	\$ 5,290	\$ 5,056
Estimated prepaid postage	1,628	1,673	1,743
Payables and accrued expenses			
Foreign countries	527	780	703
U.S. Government	164	148	181
Other	657	742	940
Total payables and accrued expenses	<u>1,348</u>	<u>1,670</u>	<u>1,824</u>
Deferred Revenue	2,049	1,955	1,924
Outstanding postal money orders	813	692	640
Current portion of debt	<u>3,363</u>	<u>3,633</u>	<u>2,647</u>
Total current liabilities	<u>15,120</u>	<u>14,913</u>	<u>13,834</u>
Long-term debt, less current portion	3,554	2,788	3,225
<b>Other liabilities</b>			
Amounts payable for retirement benefits	29,685	30,138	30,343
Workers' compensation costs	4,901	4,923	4,749
Employees' accumulated leave	2,041	1,959	1,858
Other	839	632	489
Total other liabilities	<u>37,466</u>	<u>37,652</u>	<u>37,439</u>
<b>Commitments and contingencies</b>			
Total Liabilities	<u>56,140</u>	<u>55,353</u>	<u>54,498</u>
<b>Net capital deficiency</b>			
Capital contributions of the U.S. Government	3,034	3,034	3,034
Deficit since reorganization	<u>(3,481)</u>	<u>(3,844)</u>	<u>(4,394)</u>
Total net capital deficiency	<u>(447)</u>	<u>(810)</u>	<u>(1,360)</u>
Total liabilities and net capital deficiency	<u>\$ 55,693</u>	<u>\$ 54,543</u>	<u>\$ 53,138</u>

## COMPENSATION AND EMPLOYEES BENEFITS

	Sept. 30, 1999	Sept. 30, 1998	Sept. 30, 1997
	(dollars in millions)		
Payroll Payable	\$ 2,095	\$ 1,975	\$ 1,510
Withholding Taxes	908	824	764
Retirement Funds	2,055	1,868	1,791
Health Insurance Funds	134	122	113
Workers' Compensation-current-USPS	584	563	534
Workers' Compensation-current-POD	31	32	67
OBRA Liability-current	-	-	330
Other	112	(94)	(53)
Total	<u>\$ 5,919</u>	<u>\$ 5,290</u>	<u>\$ 5,056</u>

## USPS WORKERS' COMPENSATION

	Sept. 30, 1999	Sept. 30, 1998	Sept. 30, 1997
	(dollars in millions)		
Total Workers' Compensation - USPS	\$ 5,306	\$ 5,287	\$ 5,092
Total Workers' Compensation - POD	210	231	258
	<u>5,516</u>	<u>5,518</u>	<u>5,350</u>
Less: Current Liability			
-USPS	584	563	534
-POD	31	32	67
	<u>615</u>	<u>595</u>	<u>601</u>
Other Liabilities-Reserve for Workers' Compensation Claims	<u>\$ 4,901</u>	<u>\$ 4,923</u>	<u>\$ 4,749</u>

1999 were estimated to decrease 188,000 hours for clerks (339 machines x 554.6 hours per site) and costs were estimated to be 21,000 hours for maintenance (339 sites x 61.9 hours per machine). Savings for FY 2000 were estimated to decrease 85,000 hours for clerks (339 machines x 250.7 hours per site) and costs were estimated to increase by 4,000 hours for maintenance (339 machines x 11.8 hours per site).

**FLAT SORTER MACHINE (FSM) 1000 PHASE II (240)** — The FSM 1000 Phase II program is the second buy and deployment of FSM 1000 machines. In this phase, all mechanical changes are incorporated and the machines come fully integrated with the barcode reader in the production configuration. The machine functionality is the same as defined previously. Savings for FY 1999 were estimated to decrease 996,000 hours for clerks (240 machines x 4,150 hours per machine) and costs were estimated to increase by 87,000 for maintenance (240 machines x 362.5 hours per machine).

**ADVANCED FLAT SORTING MACHINE (AFSM)** — The Advanced Flat sorting Machine (AFSM 100), formerly called the Next Generation Flat sorting Machine, will process mail more efficiently than our existing inventory Flat Sorting Machines (FSM) 881s. These machines will ultimately replace the older FSM 881s. The functionality of the AFSM is based on the state-of-the-art flat technology. Its innovative design offers several features not available on our existing FSM 881s such as an automated feeder, a tray take-away conveyor with adaptability to robotic handling, and on-line video encoding for nonreadable flat mail. Average annual savings for these machines will vary because they are based on automating the processing of incoming secondary flat mail volumes that are currently processed manually and on productivity increases are expected in moving existing non-incoming secondary volumes for the FSM 881 to the AFSM. Savings for FY 2000 were estimated to decrease 129,000 hours for clerks (173 machines x 745.7 hours per machine) and cost was estimated to increase by 51,000 hours for maintenance (173 machines x 294.8 hours per machine). Savings for FY 2001 were estimated to decrease 2,715,000 hours for clerks (173 machines x 15,693.6 hours per machine) and cost was estimated to increase by 410,000 hours for maintenance (173 machines x 2,369.9 hours per machine).

**ADVANCED FACER CANCELER (AFC) OCR** — The AFC OCR is a program to integrate technology from the AFCS/ISS with technology from the MLOCR in an ongoing effort to improve customer satisfaction and reduce labor cost associated with additional mail handling. AFCSs (913) replaced the Micro-Mark II (MMII) machines which were used in the mail processing preparation units to face and cancel mails and were later retrofitted with image lift capability (ISS). The next buy of AFC/ISSs (173) were configured with image lift capability which have a lower reject rate, minimize rehandling and substantially reduce the mail piece damage rate. Savings for FY 2001 were estimated to decrease 613,000 hours for clerks (1,086 machines x 564.5 hours per machine) and cost was estimated to increase by 149,000 hours for maintenance (1,086 machines x 137.2 hours).

**DELIVERY CONFIRMATION** — This portion of the program is to reflect the costs for the supplies and services. The delivery confirmation infrastructure program purchased 310,000 scanners for delivery employees (carriers, box section clerks, and retail clerks). These scanners are used to scan the delivery confirmation barcode at the time of delivery and enhance special service options for expedited and package products. The costs of this program were estimated by the program manager for the costs for supplies and services, information systems maintenance and upgrades, equipment supplies and support, and printing. Costs for FY 1999 were estimated by the program manager to increase by \$1.633 million and FY 2000 were estimated to increase by \$11.275 million. Savings for FY 2001 were estimated to be \$7.398 million.

**TIME AND ATTENDANCE COLLECTION SYSTEM (TACS)** — This project will standardize all time and attendance applications nationally. There will no longer be five time and attendance systems (Postal Source Data System, Electronic Time Clock, Electronic Time Clock Local Area Network, Personal Computer City Time and Attendance Processing System, and City Time and Attendance Processing System). It will provide managers with local information at the performance cluster level through the use of a database. There will be 85 database servers, one for each of the districts and connected to the LAN network. It will allow remote dial-in capability for locations not connected to the LAN. The project will reduce workload as well as provide managers with information to assist them in managing their operations more effectively. The costs and savings were developed based on the difference between the costs of the mainframe application and the resources necessary to support that application and the costs of the placement of a server in a local office and the resources necessary to support it. Savings for FY 1999 were estimated to decrease \$10,000. The non-personnel costs for FY 2000 were estimated by the program manager to increase by \$10,000 in various supplies and services accounts.

**OFFICE OF WORKERS' COMPENSATION PROGRAM (OWCP) COST REDUCTIONS** — The workers' compensation cost reduction is an effort to reduce long term workers' compensation liability. This program supports long-term return-to-work strategies, e.g. the workers' compensation task force and early medical case management efforts. This program also aggressively controls fraud, waste and abuse. Since the program's inception in FY 1994, several