

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, 2000

Docket No. R2000-1

MOTION FOR LATE ACCEPTANCE OF AND
RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS TAYMAN TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T9-4-6)

The United States Postal Service hereby provides the responses of witness Tayman to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T9-4-6, filed on February 9, 2000. Each interrogatory is stated verbatim and is followed by the response.

The Postal Service moves that this response be accepted two business days late. The delay was caused by the need to collect information from disparate sources and was exacerbated by computer failures.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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February 24, 2000

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-T9-4. Please refer to USPS-LR-I-127, pages 287 through 291. Please update the "CSRS Annuitant COLA and Annuitant Health Benefit Expense Estimation Model Input Section" to reflect OPM's bill for FY99.

RESPONSE:

For similar reasons to those discussed in the response to OCA/USPS-T-9-1 the CSRS Annuitant COLA and Annuitant Health Benefit Expense Estimation Model should not be updated to reflect OPM's bill for FY 99 without updating all other models which are part of and/or drive the Comprehensive Rollforward Factor Development Model. Also refer to the model updating notes page 308 of LR I-127 which explains the manual adjustments required when changing the base year. For the reasons discussed above and in the response to OCA/USPS-1 updating the base year and the rollforward cost factors is more than a mechanical process.

The FY 99 OPM billing for annuitant cola is \$902,735,000 and the FY 99 cola layer is \$49,295,000. This compares to estimates in the R2000-1 filing of \$901,278,000 and \$47,838,000, respectively. These differences are minor.

The number of retired and survivor annuitants participating in the FEHBP as reported on the September 1999 bill from OPM is 422,408. The September 1999 bill from OPM for the USPS share of annuitant health benefits is \$56.653 million. The number of annuitants compares to an estimate of 421,749. The model does not estimate monthly billings so a direct comparison of the September 1999 bill to the model cannot be made.

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OCA/USPS-T9-5. Please refer to USPS-LR-I-127, filename "SPTDC_00.xls." In the worksheet titled "HQ Pers Other Prog," cells A29 through A43 there are several alpha-numeric identifiers. For each of the fifteen alpha-numeric identifiers listed, please provide a descriptive title.

RESPONSE:

The alpha-numeric identifiers in question represent budget/accounting system reporting codes for the field areas. Since the individual area amounts were not used in the calculation of area administration personnel costs (i.e. the workhour amounts of the field areas were summed outside the model) this information is not relevant.

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OCA/USPS-T9-6. Please refer to USPS-LR-I-127, pages 218 through 221. Please provide a description for each of the following headers:

- (a) BA 7G,
- (b) BA 7Y,
- (c) BA 7X, and
- (d) BA's.

RESPONSE:

a-d. BA's are Budget Authorization codes which represent the sum of a subset of finance numbers. As explained on pages 218 and 228 of LR I-127, BA's 7G and 7Y are used for Headquarters Programs and BA 7X is used for Corporatewide Activities.

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OCA/USPS-T9-7. Please refer to USPS-LR-I-127, pages 172 and 173.

- (a) On page 172, part 2, the section titled, "Calculation of Weighted Heating Fuel Factor," provides Base Year actual amounts by account for "oil/other" and "gas." Please update each amount to reflect FY99 actuals.
- (b) On page 173, part 2, the section titled, "Calculation of Weighted International Transportation Factor," provides Base Year actuals by account for "Int. Air," "Int. Water" and "Term. Dues." Please update each amount to reflect FY99 actuals.

RESPONSE:

a-b. Please see the response to OCA/USPS-T-9-1 regarding the risks and complications involved with selective updating and the need to revise and validate computer models when updating. The FY 99 actual expenses by account used to calculate the weighted factors in question are reflected in the attachment.

FY 99 ACTUAL USED TO CALCULATE WEIGHTED HEATING FUEL FACTOR

Account	FY 99 Actual		
	Oil/Other	Gas	Total
54142	1,593,479		1,593,479
54142.561	1,814,471		1,814,471
54142.565	5,338		5,338
54143		30,301,788	30,301,788
54143.566		8,122,142	8,122,142
54143.570		149,977	149,977
54144	4,359,218		4,359,218
54144.576	134,231		134,231
54144.580	9,667		9,667
Total	7,716,404	38,573,907	46,290,311
% Of Total	16.7%	83.3%	100.0%

FY 99 ACTUAL USED TO CALCULATE WEIGHTED INTERNATIONAL TRANSPORTATION FACTOR

Account	FY 99 Actual			
	Int. Air 1/	Int. Water	Term. Dues 1/	Total
53201, 53206, 53208, 53212, 53225, 53226, 53264	228,929,126			228,929,126
53281, 53282, 53283, 53284		9,111,101		9,111,101
53281, 53262, 53283, 53268, 53269			417,096,451	417,096,451
Total	228,929,126	9,111,101	417,096,451	655,136,678
% of Total	34.9%	1.4%	63.7%	100.0%

1/ Excludes prior yr adjustments (see response to OCA/USPS-T-9-1d).

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OCA/USPS-T9-8. Please refer to USPS-LR-I-127, filename "SPTDC_00.xls," worksheet titled "Non Pers Cost Reductions."

- (a) Please explain what the FY00 incremental amount for "Air Sys Contracts – loose pack term hand" of \$70,163,000 (\$21,000,000 + \$49,163,000) in account 53511, segment 14, component 142, cell F8, represents. Then, explain why none were listed for FY99 and FY01.
- (b) Cell 13G indicates a "Parcel Dropship Volume Shift" of \$44,206,000 for FY01, in segment 14, component 143. Please explain what is precipitating this shift, and provide the rationale used by the logistics program managers to arrive at the estimate.

RESPONSE:

a. Cost reductions in the amount of \$70.163 million for domestic commercial air costs include two (2) components (\$21.0 million and \$49.163 million). The \$21.0 million contract negotiation savings for dedicated air segments such as Eagle (\$6.6 million), W-Net (\$5.1 million) and other segments (\$9.3 million). The \$49.163 million is a management initiative to reduce expenses for FY 2000. This saving was based on reviews of existing rail, highway, and air transportation capacities and schedules to identify opportunities to divert mail from the commercial air network without adversely impacting service.

Savings were fully annualized in FY 2000 and no additional savings are anticipated for FY 2001. These initiatives were not undertaken until FY 2000 and accordingly had no impact on FY 99.

b. For an explanation of the Parcel Dropship Volume Shift please refer to USPS-T-26, Exhibit X.

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OCA/USPS-T9-9. Please refer to USPS-LR-I-127, filename "SPTDC_00.xls", worksheet titled "Cost Red & Other Prog." The source of the information is program managers (see cell A216). In cell A218, the following statement appears "Amounts estimated by Program managers may be adjusted as a result of the budget catchball process."

- (a) Please explain what the budget catchball process is and how it operates.
- (b) If any of the amounts listed in the worksheet were adjusted due to the "budget catchball process," please provide the adjusted amounts. If the adjusted amounts were calculated, please provide the derivation and cite all source documents referenced.

RESPONSE:

- a. The budget catchball process is a component under the "Deploy" phase of our *CustomerPerfect!* management cycle of planning, implementation and review. Under "Deploy", the catchball process is used to negotiate resource requirements to achieve goals, subgoals, indicators, and targets.
- b. None of the amounts in question were changed as a result of the catchball process.

DECLARATION

I, William P. Tayman, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

William P. Tayman

Dated: 2.24.2000

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.



Scott L. Reiter

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