

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-T9-1-3)

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-T9-1-3, filed on February 8, 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:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Rate-making



Scott L. Reiter

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2997 Fax -5402  
February 24, 2000

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF  
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**OCA/USPS-T9-1.** The following refers to USPS-LR-I-127, filename SPTDC\_00.xls.

- (a) Worksheet "HQ Pers Other Prog," cells F5 through F22 show "FY 99 Operating Budget Pd Years" values. Please update cells F9 through F22 with FY99 actuals.
- (b) Worksheet "HQ Pers Other Prog," cells D58 through D68 show the FY99 budget workhours by area. Please update the cells to reflect FY99 actuals.
- (c) For the worksheet titled "HQ Pers Other Prog," have the FY00 operating "Budget Pd Years" in cells J9 through J22 been updated? If so, please provide the updates for each cell. If not, please provide an update that reflects FY00 year-to-date actuals plus the remaining FY00 budgeted numbers.
- (d) Worksheet "Non Pers Cost Reductions" cells E12, F12 and G12 show incremental costs for prior year adjustments of international mail.
  - 1. Please explain what the \$90,300,000 reduction for FY99 represents. Is the \$90,300,000 an actual amount? If not, please provide the FY99 actual.
  - 2. Please explain what the \$38,200,000 increase for FY00 represents.
  - 3. Please explain what the \$20,000,000 increase for FY01 represents.
- (e) For the "Non Pers Cost Reduction" worksheet, FY00 at cells F14 and F15 contain amounts for absorbing additional inflation. Please provide the assumptions underlying the additional inflation amounts of \$35,000,000 a \$9,000,000. Please explain why no additional inflation amounts were necessary for FY01.

**RESPONSE:**

Your question requests that certain cells be updated in filename SPTDC\_00.xls of USPS-LR-I-127. This file contains Excel spreadsheets that are linked to files in the Comprehensive Rollforward Factor Development Model that produces rollforward cost factors reflected in LR-I-127. These files should not be updated selectively. The model currently produces an estimate of total FY 99

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**OCA/USPS-T9-1. continued**

expense that is within \$8 million of actual FY 99 expense. Updating this file (or any of the other files contained in the Model) to reflect the impact of FY 99 actual without updating all other related files would result in inconsistent FY 99 estimates that could be significantly different than FY 99 actual.

The updating of all rollforward factor files to reflect FY 99 as the base year would also require programming and formatting changes to the model and the verification of internal links and model outputs.

With this caution, the following information is provided as requested:

**(a) Actual FY 99 paid years:**

HQ & Field Service Units	6,647
Security Force	1,451
Inspectors	2,463
Inspection Service Admin.	792
Facility Service Centers	435
Materiel Dist. Centers	265
Label Printing	57
Procurement Service Centers	257
MES	158
MTESC	57
Area Administration	2,309
Total	14,892

**(b) The Area Administration workhour plan, "HQ Pers Other Prog" cells D58 through D68, was used to estimate FY 99 workyears. Actual Area Administration workhours are not relevant since actual FY 99 paid years for Area Administration are provided in the above response.**

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**OCA/USPS-T9-1. continued**

(c) FY 2000 operating budget paid years:

HQ & Field Service Units	6,740
Security Force	1,451
Inspectors	2,435
Inspection Service Admin.	792
Facility Service Centers	414
Material Dist. Centers	247
Label Printing	57
Procurement Service Centers	234
MES	169
MTESC	51
Area Administration	2,223
Total	14,813

As noted on page 210 and explained on page 211 of LR I-127, the paid years taken from the HQ/FSU budgets consist of base workyears only and are used to determine the change in workyears, not the absolute number of workyears calculated by the model.

(d) 1. The FY 99 reduction to expense of \$90.3 million reflects the impact of prior year adjustments recorded in FY 99 (\$58.2 million relates to FY 97 and \$32.1 million relates to FY 98). The actual prior year adjustments booked in FY 99 were \$189.5 million.

(d) 2. The FY 2000 increase of \$38.2 million is composed of two pieces. The first is an increase of \$58.2 million to correct the base year costs for the portion of the adjustment made in FY 99 related to FY 97. Since the base

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year being rolled forward is FY 98, inclusion of the FY 97 adjustments in FY 99 and beyond would understate those costs. The second piece of the FY 2000 amount is a reduction of \$20 million for additional estimated prior year accrual adjustments for Years FY 97 and prior.

(d) 3. The \$20 million increase reflected in FY 2001 corrects the ongoing level of expenses for the prior year adjustment expected to be made in FY 2000 for years FY 97 and prior.

(e) Inflation absorption was one of several extraordinary measures utilized to foster the achievement of a net income for FY 00. The amounts to be absorbed were arrived at judgmentally by management. In my opinion, additional inflation absorption for FY 01 is not feasible.

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**OCA/USPS-T9-2.** Please refer to USPS-LR-I-127, page 316, and filename "REPAL\_00.xls," the worksheet titled "Input."

- (a) For FY99, the "annual rate of change" for merit pay for EAS Non-Bargaining RSC E (see cell G127) and PCES Non-Bargaining RSC S (see cell G128) is \$726.24 each. In FY00, the merit pay is \$1,561.33. Please explain the basis for a change in merit pay of 115 percent  $((\$1,561.33 - \$726.24) / \$726.24)$ .
- (b) In FY01, the "annual rate of change" for merit pay for the EAS Non-Bargaining RSC E (see cell G136) and PCES Non-Bargaining RSC S (see cell G137) is \$1,658.55 each. Please explain the basis for a change in merit pay of 6 percent  $((\$1,658.55 - \$1,561.33) / \$1,561.33)$ .
- (c) For FY99, the City Carriers RSC Q "annual rate of change" in pay is \$82.72 (see cell D124). In FY00, the "annual rate of change" in pay is \$1,485.99 (see cell D133). In FY01, the "annual rate of change" in pay is \$1,478.47 (see cell D142). Please explain the basis for the large "annual rate of change" in pay from FY99 to FY00 (FY99-\$82.72 to FY00-\$1,485.99). Then, explain the basis for the "annual rate of change" in pay of \$1,478.47 for FY01.
- (d) For FY99, the City Carriers RSC Q "annual rate of change" in COLA is \$45.64 (see cell E124). In FY00, the "annual rate of change" in COLA is \$666.66 (see cell E133). In FY01, the "annual rate of change" in COLA is \$541.00 (see cell E142). Please explain the basis for the large increase in the COLA for FY00 (FY99-\$45.64 to FY00-\$666.66). Then, explain the basis for a FY01 COLA of \$541.00.

**RESPONSE:**

(a) The non-bargaining pay process is driven by consultations with the supervisor and postmaster associations. Under the previous consultation process, the non-bargaining salary schedules were not increased for FY 99. As a result, employees at the top of the salary schedule did not receive a merit pay increase in base pay and those near the top only received a portion of the

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**OCA/USPS-T9-2. continued**

increase in base pay. This effectively lowered the average merit increase for FY 99. FY 2000 and 2001 are covered by the most recent pay consultations under which the salary schedules were increased for FY 2000 and will be increased again for FY 2001. Accordingly, the merit increase in these years reflects these increases.

(b) See response to (a) above.

(c) As reflected on USPS Exhibit 90, the annual rate of the 11/21/98 (FY 99) pay increase is actually \$715.85. \$82.72 represents that portion of the \$715.85 applicable to retiree eligible only. This increase was effective for retiree eligible only on 11/21/98 and is not effective until 11/20/99 (FY 2000) for non-retiree eligible. The inclusion of the non-retiree eligible portion of this pay increase, and the non-retiree eligible portion of the 3/13/99 and 9/11/99 (FY99) COLAs in the 11/20/99 (FY 2000) increase, results in effective amounts which total \$1,485.99. The basis for the FY 2001 annual pay increase of \$1,478.47 is the impact of an upgrade to level 6 in addition to the scheduled increase in pay. Please refer to pages 19 and 20 of USPS-T-9 for a discussion of the labor contracts.

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**OCA/USPS-T9-2. continued**

(d) The COLA pattern for FY's 1999 and 2000 is also explained by the fact that FY 99 COLAs are effective for retiree eligibles only. FY 99 COLAs for non-retiree eligibles are not effective until FY 2000 (11/20/99) and are included in the 11/20/99 effective pay increase amounts. The FY 2001 annual rate for the 3/10/01 and 9/8/01 COLAs of \$208 and \$333 is \$541. Please refer to pages 19 and 20 of USPS-T-9 and USPS Exhibit 90 for details.



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**OCA/USPS-T9-3.** Please refer to USPS-LR-I-127, page 312, worksheet "Depcal00.xls." "[The] [c]ash flow projection model representing expenditure of funds for capital commitments and resources on order is based on the approved FY 1998-2003 Capital Investment Plan" (see cell A45).

- (a) For each asset type listed, provide the FY99 actuals for columns B, C, D, G, and K.
- (b) For each asset type, please provide the most recently approved Capital Investment Plan amounts (see column B) for FY00 and FY01.
- (c) In column K, undepreciated write-offs for mail processing are \$33,470,721 (see cell L17). Please specifically identify those items that were actually written off to arrive at FY99 depreciation.
- (d) In column K, undepreciated write-offs for mail processing are \$20,000,000 (see cell L22). Please identify those items the USPS anticipates writing off to arrive at the FY00 depreciation. If you are unable to specify the items being written off, please provide the basis for the \$20,000,000. If the \$20,000,000 is a calculated value, please provide its derivation and cite all source documents.
- (e) In column K, undepreciated write-offs for mail processing are \$8,501,470 (see cell L34); write-offs for customer service are \$189,107 (see cell L35); and, write-offs for postal support are \$3,574,251 (see cell L36). Please identify those items that the USPS anticipates writing off to arrive at the FY01 depreciation. If you are unable to specify the items that will be written off, please provide the basis for the undepreciated write-off totaling \$12,264,828. Please provide the derivation of each amount and cite all source documents.

**RESPONSE:**

(a) The FY 99 cash flow (Column B) reflects actual data. The actual land cost (Column C) is \$135,362,468 and the actual write-offs (Column K) is \$31,494,104. Column D reflects estimation factors, which do not require updating. Column G contains no data for FY 99.

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**OCA/USPS-T9-3. continued**

(b) Although the Capital Investment Plan does not appear on page 312 of LR-I-127, a copy of the most recently approved Capital Investment Plan for FY 2000 is provided as part of my response to ANM/USPS-T10-17. The FY 2001 Capital Investment Plan has not been finalized. The cash flow reflected in Column B, consistent with the FY 2000 approved Capital Investment Plan, has not changed.

(c) The undepreciated write-off amounts reflected in Column K for mail processing is \$29,896,470. The items written off were for DBCS Phase I equipment.

(d) The anticipated \$20 million write-off in FY 2000 reflected in Column K relates to mail processing bar code sorters. Through Accounting Period 6 of FY 2000, \$16.4 million in write-offs for this equipment have been recorded.

(e) As reflected in Column K, the \$8,501,470 write-off for mail processing equipment relates to Multi-Line OCR's. The \$189,107 write-off of customer service equipment relates to IRT's and the \$3,574,251 write-off of postal support equipment is for ADP equipment relating to upgrading the Delivery Confirmation System.

**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.

  
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Scott L. Reiter

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
February 24, 2000