

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

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS TAYMAN TO INTERROGATORIES OF
THE DIRECT MARKETING ASSOCIATION, INC.
(DMA/USPS-T9-35, 37-47)

The United States Postal Service hereby provides the responses of witness Tayman to the following interrogatories of the Direct Marketing Association, Inc.: DMA/USPS-T9-35, 37-47, filed on February 17, 2000. An objection to interrogatory 36 was filed today.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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March 2, 2000

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
DIRECT MARKETING ASSOCIATION, INC.**

DMA/USPS-T9-35. Please confirm that there are no cost reduction programs affecting C/S 16 in FY 2000 or TYAR. If you do not confirm, please provide details.

RESPONSE:

There are no cost reduction programs affecting C/S 16 in FY 2000 or TYAR reflected under the cost reduction column. However, there are \$35 million of cost segment 16 cost reductions reflected under the other program column for FY 2000. These cost reduction programs, which are labeled "absorb additional inflation", can be found on page 200 of LR I-127.

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
DIRECT MARKETING ASSOCIATION, INC.**

DMA/USPS-T9-37. Please refer to your response to ANM/USPS-T9-7. Please explain how the six factors you list provide the basis for determining asset lives.

RESPONSE:

It is my understanding that the six factors are general guidelines that are judgmentally employed in determining asset lives. In general, USPS records of the same or similar type of assets and postal expert opinion are used to determine equipment lives; industry standards are used to determine facility lives; and, manufacturer's recommendation, gain/loss on sale, and maintenance standards are used to support motor vehicle life estimates. This activity is subject to annual audit and review by internal auditors and our independent CPA firm.

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
DIRECT MARKETING ASSOCIATION, INC.**

DMA/USPS-T9-38. Please provide all information you have on manufacturer's recommendations concerning asset lives.

RESPONSE:

Please see my response to ANM/USPS-T9-34.

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
DIRECT MARKETING ASSOCIATION, INC.**

DMA/USPS-T9-39. Please provide all information you have on industry standards pertaining to asset lives.

RESPONSE:

I am informed that the last study conducted on asset lives in relation to industry standards was completed with our auditors in the late 1980's. We were unable to locate a copy of this study. It is further my understanding that our auditors review our service life estimates as part of their audit process and that they would inform us of any inconsistencies with industry standards.

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
DIRECT MARKETING ASSOCIATION, INC.**

DMA/USPS-T9-40. Please provide all USPS records, which support your selection of asset lives.

RESPONSE:

Please see my response to ANM/USPS-T9-34 and DMA/USPS-T9-37 and 39.

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
DIRECT MARKETING ASSOCIATION, INC.**

DMA/USPS-T9-41. Please provide all maintenance standards pertaining to asset lives.

RESPONSE:

Please see my response to DMA/USPS-T9-37. Maintenance standards are used to support asset life estimates. The Postal Service has various handbooks and manuals that describe required maintenance procedures for vehicles and equipment.

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
DIRECT MARKETING ASSOCIATION, INC.**

DMA/USPS-T9-42. Please refer to your response to DMA/USPS-T9-12. Is the Postal Service a subscriber to DRI. If so, how often does DRI update the forecasts they supply to you? May we infer from your response that you have not received a more recent forecast?

RESPONSE:

The Postal Service is a subscriber to DRI. On a monthly basis, DRI forecasts are updated using the latest Bureau of Labor Statistics (BLS) release of economic indicators.

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
DIRECT MARKETING ASSOCIATION, INC.**

DMA/USPS-T9-43. Are there sources of change other the ones you describe on page 11, lines 21-24 of your testimony? If so, please describe them and provide documentation and citations for each.

RESPONSE:

No.

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
DIRECT MARKETING ASSOCIATION, INC.**

DMA/USPS-T9-44. Does the Postal Service consider salvage value in estimating depreciation for a newly purchased asset? If so, please explain where this is reflected in the spreadsheets used to estimate depreciation.

RESPONSE:

The Postal Service only considers salvage value in estimating depreciation for motor vehicles. Each vehicle make/model is assigned a salvage value percentage. This percentage is multiplied by the total cost of the vehicle and then subtracted from total cost. This net cost is used to calculate depreciation. Accordingly, it is reflected in the depreciation amounts in our spreadsheets.

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
DIRECT MARKETING ASSOCIATION, INC.**

DMA/USPS-T9-45. Please confirm that there are no "Other Programs" for Y2K in FY 2000 and in TYAR. If you do not confirm, please provide references to where they are described in LR-I-126 and where they appear in PRG ANAL-revised.XLS.

RESPONSE:

Not confirmed. For the amounts related to Y2K reflected in the revenue requirement, please see my response to DMA/USPS-T9-13. The amounts for Y2K are included under Miscellaneous HQ Programs and CWA's. Miscellaneous HQ Programs and CWA's is described on page 31 of LR I-126.

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
DIRECT MARKETING ASSOCIATION, INC.**

DMA/USPS-T9-46. Please refer to your response to DMA/USPS-T9-9. Please define the term "Work Related Work Years."

RESPONSE:

Work related workyears represent that portion of workyears related to hours worked. Total workyears also reflect leave hours. Please refer to page 510 of LR I-127 for additional information.

**RESPONSE OF WITNESS TAYMAN TO INTERROGATORIES OF
DIRECT MARKETING ASSOCIATION, INC.**

DMA/USPS-T9-47. On page 45 of your testimony you say "The Postal Service's financial performance is under much greater pressure and is subject to substantially greater risks than it was at the time of the last two omnibus rate cases." Did you perform any studies which quantified "greater pressure" or "greater risks"? Please list all factors with respect to which the Postal Service is under "greater pressure" or "subject to substantially greater risks."

RESPONSE:

The statement is subjective and intuitive. I did not perform any studies relative to greater risk in this rate case than the last two rate cases. Some of the factors which I believe lead to greater risk and financial pressure are discussed on pages 43 and 44 of my testimony.

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: 3-2-2000

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.

A handwritten signature in black ink, appearing to read "Scott L. Reiter", is written over a solid horizontal line.

Scott L. Reiter

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