

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

UNITED STATES POSTAL SERVICE  
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO  
DIRECT MARKETING ASSOCIATION ET AL. WITNESS BUC  
(USPS/DMA-T1-1-12)

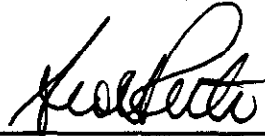
Pursuant to rules 25 and 26 of the Rules of Practice and procedure, the United States Postal Service directs the following interrogatories and requests for production of documents to Direct Marketing Association et al. witness Buc: USPS/DMA-T1-1-12.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking



Scott L. Reiter

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2999; Fax -5402  
June 2, 2000

USPS/DMA-T1-1. Please confirm that over the course of almost 30 years of ratemaking under the Postal Reorganization Act, the Postal Rate Commission has accepted the level of all but one of the Postal Service's contingency amounts. If you do not confirm, please explain fully.

USPS/DMA-T1-2. On page 2, line 27, of your testimony, you state that "witness Tayman provides little support for a contingency of 2.5 percent and that this request is neither reasoned nor reasonable given the Commission's past decisions."

- (a) With reference to past contingency amounts proposed by the Postal Service and accepted by the Commission, please explain which ones were reasoned and which ones were not reasoned and why.
- (b) For any previous contingency amounts considered by you to be reasoned, please explain how the support provided by the Postal Service for such contingency amounts differs from the support provided for the contingency in this docket which you say is not reasoned.

USPS/DMA-T1-3. Please refer to USPS-T-15, Direct Testimony of Charles Holder in Docket No. R90-1.

- (a) Please confirm that six potential uncertainties are listed on page 11: potential adverse impacts from 3 legislative proposals, a possible change in accounting standards, the outcome of a labor arbitration, and the possibility that inflation could be greater than projected. Please also confirm that these uncertainties are reiterated on pages 47 and 48, along with an additional uncertainty related to interest rates. If you do not confirm, please explain fully.
- (b) Do you consider the support provided for the contingency in USPS-T-15, Direct Testimony of Charles Holder in Docket No. R90-1 to be reasoned? If your answer is other than yes please explain why.

USPS/DMA-T1-4. Please refer to Table 3 on page 15 of your testimony. Please confirm that projected FY 2000 equity is negative. If you do not confirm, please explain.

USPS/DMA-T1-5. Please refer to the table below and to Table 3 at page 15 of your testimony:

DOCKET NO.	USPS CONTINGENCY	PRC CONTINGENCY	EQUITY AT END OF YEAR BEFORE FILING (\$000)
R84-1	3.5%	3.5%	112,000
R87-1	3.5%	3.5%	362,000
R90-1	3.5%	3.5%	-402,000

Sources: USPS-T-9; PRC Op., R84-1, R87-1, and R90-1, App. A.

Please confirm that equity was more favorable in all three of the years prior to the filing of Docket Nos. R84-1, R87-1, and R90-1 than equity was in the year prior to filing the current case. If you do not confirm, please provide the correct data and your source.

USPS/DMA-T1-6. Please refer to page 15, lines 24 and 25, of your testimony where you state that "if projected inflation is high, there is a greater need for a contingency since the future is less certain." Please define high inflation as you have used the term.

USPS/DMA-T1-7. Please refer to Table 4 on page 16 of your testimony. Please confirm that the ECI forecast for Docket No. R2000-1 is higher than the forecast for both the previous two test year forecasts. If you do not confirm please explain.

USPS/DMA-T1-8. Please refer to page 16 lines 3 through 6 of your testimony where you state that "the CPI-W is an important measure of inflation because changes in it trigger changes in craft cost of living adjustments: the ECI may be important if projections of increases lead to higher wage demands from crafts whose contracts are expiring." Please also refer to USPS-9Q, page 3 of 3.

- (a) Please confirm that new COLAs effective in the test year are only reflected for city carriers and amount to only \$32 million and that pay costs for other bargaining unit crafts are much greater than \$32 million. If you do not confirm, please provide explain fully and provide the COLA amounts you assume to be effective in the test year for other employee groups and provide your sources.
- (b) Please refer to USPS-T-9, page 19, and confirm that the ECI was used to estimate wage changes in the test year for all bargaining units except city carriers. If you do not confirm, please explain why.
- (c) Please refer to LR-I-127, Chapter 1, pages 8 and 9, and Chapter 12, page 644. Please confirm that the WPI was applied only to cost components 168, 169, and 171. If you do not confirm please provide the components to which the WPI was applied and provide documentation. Please confirm that the test year cost level changes applicable to components 168, 169, and 171 is only \$1.628 million.

USPS/DMA-T1-9. Please refer to Table 4 in your testimony.

- (a) Please confirm that the only information you have provided related to the state of the economy is reflected in Table 4 in you testimony. If you do not confirm please provide all other information you have provided to document the state of the economy and provide all sources.
- (b) Is it your testimony that the indices reflected in your Table 4 provide a comprehensive view of the state of the economy? If your answer is other than yes, please explain fully what other factors should be considered in understanding the state of the economy.

USPS/DMA-T1-10. Refer to Exhibit USPS-9J, page 1 of 8. Please confirm that actual FY 98 supervisor personnel costs of \$3.512 billion were within 0.1% of the original Postal Service estimate of \$3.515. If you do not confirm, please explain and provide the correct amount and your source.

**USPS/DMA-T1-11.** Please refer to Appendix C of the PRC Docket No. R97-1 Opinion and Recommended Decision.

- (a)** Please confirm that the amount recommended by the Commission for test year (FY 98) supervisor costs was \$3.420 billion or \$95 million less than estimated by the Postal Service.
- (b)** Please confirm that the Commission reduced the Postal Service's test year estimate by \$101 million to correct an alleged flaw in the rollforward model related to the calculation of supervisor costs. If you do not confirm, please explain and provide the correct amount and your source.
- (c)** Please confirm that had the Commission not made this adjustment, its recommended amount would have been \$3.521 billion or only \$9 million and 0.3% more than the actual cost.

**USPS/DMA-T1-12.** On page 18 of your testimony, you quote the following section from the Summary Description of USPS Development of Costs by Segments and Components, Fiscal Year 1998, USPS LR-I-1, at 2-2. "Mail processing supervisors have a span of control that is essentially constant in a given work organization structure. It is recognized that a change in employees workhours, caused by a change in mail volume, may not be accompanied immediately by a corresponding change in first line supervisory workhours."

- (a)** Please confirm that the section quoted specifies two conditions that must exist concurrently in order for supervisor workhours to change in direct relation to supervised craft workhours: the "organization structure" is constant, and the change in employee workhours is caused by a "change in mail volume...." If you do not confirm, please explain.
- (b)** Please confirm that your testimony on page 18, in citing the section above in support of your position, implies your belief that changes in workhours due to cost reductions and other programs are due to changes in mail volume. If you do not confirm, please explain.
- (c)** Please confirm that your testimony on page 18, in citing the section above in support of your position, implies your belief that cost reductions and other programs, including those that have significant changes in processing methodologies and equipment, would not produce changes in the "organizational structure" in the mail processing plant environment. If you do not confirm, please explain.

**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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Washington, D.C. 20260-1137  
June 2, 2000