

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

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POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS PATELUNAS TO INTERROGATORIES OF  
THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T4-ST44-5-7, 9-10, and 11(a)-(d))

The United States Postal Service hereby provides the responses of witness Patelunas to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-ST44-5-7, 9-10, and 11(a)-(d), filed on July 20, 2000. Interrogatories OCA/USPS-ST44-8, 11(e) and 12 were redirected to the Postal Service.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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August 1, 2000

**Response of United States Postal Service witness Patelunas  
to Interrogatories of  
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**OCA/USPS-ST44-5.** USPS-LR-I-410, workpaper A references a file identified as "FY99XTCM." A review of USPS-LR-I-406 and USPS-LR-I-277 indicates that while both contain several electronic data files, "FY99XTCM" is not among them. Please provide electronic copies of all control and data files used in preparing your supplemental testimony, USPS-LR-I-410, and USPS-LR-I-277. In your response, please provide copies of all the electronic files used to create the FY 99 CRA, FY 00 and FY 01 forecasts, in a format similar to that provided in USPS-LR-I-6, subdirectories "CNTLFILE" and "DATAFILE." If a complete copy of the "control" and the "data files" has been previously provided, please identify the applicable USPS library reference(s).

**Response:**

The hardcopy version, USPS-LR-I-410, uses the file identification "FY99XTCM" only in report titles. The file identification in the electronic format, USPS-LR-I-406, is "FY99TCM". The electronic files used in the creation of my supplemental testimony, including FY 99 CRA, can be found in USPS-LR-I-406. It should be noted that some of the requested files were inadvertently omitted from the CD-rom initially included as USPS-LR-I-406 and a supplemental CD-rom has been filed as an addition to USPS-LR-I-406.

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**OCA/USPS-ST44-6.** Did you incorporate into your FY 00 cost forecast any actual FY 00 data?

- (a) If so, please specify what data has been incorporated into your forecast, the accounting periods for which it is incorporated, and the total cost impact the data had on the updated FY 00 forecast. Please cite the sources you used and provide in your response a copy of the relevant page of the source document cited if not previously filed.
- (b) If not, please explain why no actual data was incorporated.
- (c) In your FY 00 forecast, for each cost level effect, cost reduction program and other program that changed, please cite the sources you used and provide in your response a copy of the relevant page of the source document cited if not previously filed.
- (d) For each cost level effect, cost reduction program and other program that changed in your FY 00 forecast, please itemize those changes and provide the most current year-to-date actual expenditures. Please cite the sources you used and provide in your response a copy of the relevant page of the source document cited if not previously filed.

**Response:**

Partial year FY 00 actual data was utilized only on a limited basis for a number of reasons. In most cases, the rollforward factor models are not designed to utilize partial year actual data. Therefore, the possibility of using additional partial year FY 00 actual data was not considered in view of the workload and time constraints involved. Additionally, the use of part year actual data does not necessarily provide a better estimate of that year's total costs than estimates using the prior year as the base. In cases where accounting period expenses are seasonal, reflect changing trends, or are otherwise erratic, the use of partial year actual to project year end costs can produce distorted results.

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**Response continued:**

- a) Please refer to LR's I-127 and I-421. A limited application of actual part year data was used by the rollforward factor model in the original filing for FY 99. The same approach was also used in the updated filing for FY 00. For example, the workyear mix model utilized available accounting period actual paid employee data to estimate TE workyears. Other examples are the use of partial year actual monthly CPI data to estimate COLA's, the reflection of partial year actual monthly indexes in annual DRI index estimates and the reflection of the impact of the health benefits open season effective in January 2000 on personnel costs.
- b) See the general response above.
- c) Please refer to the machine readable copy of LR I-127. All inputs to the rollforward factor model that were updated are highlighted in lavender. Each input change can be traced through the model to determine its impact on rollforward sources of change factors.
- d) See the response to part c regarding changes. Actual sources of change by cost component for cost levels and cost reductions are not available on either a part or total year basis. Year-to-date other program expense changes for those costs components whose only source of change is reflected in the other program column can be calculated by comparing year to date actual for that account or group of accounts that

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**Response continued:**

make up a specific component to the prior year total. Examples of such cost components are interest expense and corporate-wide personnel costs such as workers' compensation. This information can be calculated using the latest trial balance reports filed at the Commission each accounting period.

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**OCA/USPS-ST44-7.** The following interrogatory refers to your FY 01 updated forecast. For each cost level, cost reduction and other program change that was updated in your testimony, please cite the sources you used and provide in your response a copy of the relevant page of the source document cited if not previously filed.

**Response:**

Please refer to the machine readable copy of LR-421, Rollforward Expense Factors in Response to Order No. 1294 for updated rollforward expense factors and sources. All updated inputs have been highlighted in lavender. Input changes can be traced through the model to determine their impact on rollforward cost factors.

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**OCA/USPS-ST44-8.** Please confirm that the Postal Service is not proposing to alter any of the proposed rates or cost coverages originally requested. If you are unable to confirm, please provide updated rate schedules as well as a revised cost coverage table.

**Response:**

Redirected to the Postal Service.

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**OCA/USPS-ST44-9.** Exhibit USPS-ST-44AB provides a comparison of a number of key inflation indices that were updated. The sources you cite in general for those revisions are (1) @ussim/trend25YR 0200, and (2) @cissim/control 0500.

- (a) If a copy of each of the sources has not been previously submitted, please file one. If one has been filed, please indicate the applicable USPS library reference. If the source is intended to represent an Internet address, please provide the full Internet address needed to access a copy of the information.
- (b) For each inflation index listed in your exhibit, please identify the applicable source.
- (c) For each index listed in Exhibit ST44-AB, please provide the date of the applicable updated forecast. In your response, please provide a table similar to that presented in Exhibit ST44-AB. Please note, that the column labeled "Difference" should be excluded.

**Response:**

- (a) Please see Chapter VIII of LR I-421 for the source indexes in question. Also see Chapter VIIa. of LR I-421 for the derivation of the lagged ECI index.
- (b) The ultimate sources are as noted on the Exhibit, i.e., the DRI Control 0500 forecast (CPI, supplies & materials) and the DRI Trend 25Yr0200 forecast (all other indices reflected on Exhibit).
- (c) I am informed that the Control forecast was released on or about May 8 and the Trend forecast was released on or about February 29. Please note however that the Trend forecast was re benchmarked to the most recent historical data points which in this case would be those available through April. The Trend forecast, which is updated quarterly, was not yet available for May.



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**OCA/USPS-ST44-10.** The following interrogatories refer to page 2 of your testimony.

(a) You indicate that the non-personnel cost level change factors were updated to reflect the most current forecasts available. For FY 00 and FY 01, please indicate by segment and mail cost category the total cost impact of non-personnel cost level changes.

(b) You indicate that the personnel cost level change factors were updated. For FY 00 and FY 01, please indicate by segment and mail cost category the total cost impact of the personnel cost level changes.

(c) When the personnel cost level change factors were updated for FY 00, did you incorporate any actual data from the USPS payroll summary reports? If so, please identify the accounting period data used. If not, please indicate why the year-to-date actual USPS payroll summary reports were not relied upon in your testimony.

(d) For FY 00 and FY 01 and each non-personnel cost level factor that was updated in your testimony, please provide the following information:

- (i) An itemized list of each factor updated;
- (ii) The total amount incorporated for each factor identified in part (i) of this interrogatory;
- (iii) The change in the current versus the prior forecasted amount; and
- (iv) The date each non-personnel cost level factor was updated. If the specific date is not known, please confirm that you used the most current data available.

(e) For FY 00 and FY 01 and each personnel cost level factor that was updated in your testimony, please provide the following information:

- (i) An itemized list of each factor updated;
- (ii) The total amount incorporated for each factor identified in part (i) of this interrogatory;
- (iii) The change in the current versus the prior forecasted amount; and
- (iv) The date each personnel cost level factor was updated. If the specific date is not known, please confirm that you used the most current data available.

**Response:**

(a) The amounts requested can be calculated by subtracting the cost level change amounts reflected on the FY 00 and FY 01 rollforward change reports included in the original filing (Kashani Workpapers) from the cost level change amounts reflected

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on FY 00 and 01 rollforward change reports included in the updated filing ( Table A, LR I-410) for each non-personnel cost component.

(b) The amounts requested can be calculated in the same manner described in part a. except that personnel cost components would be used.

(c) Please see the response to OCA/USPS-ST44-6.

(d) The information requested is as follows:

(i) All non-personnel cost level factors were updated. See Chapter VIII of LR I-421.

(ii) See the rollforward change reports in LR I-410.

(iii) These amounts can be calculated by subtracting the cost level changes in the updated rollforward change reports (LR I-410) from the original rollforward change reports (LR I-127) for each non-personnel cost component.

(iv) Confirmed that the most recent DRI data available in time to incorporate in the update and still meet the filing deadline was used.

(e) The information requested is as follows:

(i) All personnel cost level factors were updated. See pages 328 and 329 of LR I-127 for updated cost level personnel factors.

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**Response continued:**

- (ii) See the rollforward change reports in LR I-410.
- (iii) These amounts can be calculated by subtracting the cost level changes in the updated rollforward change reports (LR I-410) from the original rollforward change reports (LR I-127) for each personnel cost component.
- (iv) Confirmed that the most recent data consistent with the rollforward factor model and available in time to incorporate in the update and still meet the filing deadline were used.

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**OCA/USPS-ST44-11.** The following interrogatory refers to the Postal Service's response to P.O. Information Request No. 14 (June 29, 2000), part d, Attachment I.

- (a) In preparing your supplemental filing, did you incorporate the cost reduction programs listed under the column identified as "Order No. 1294," of Attachment I? If not, for each program listed on Attachment I, please indicate the total amount of the cost reduction you did incorporate.
- (b) For each program identified in the column identified as "Order No. 1294" of Attachment I, please provide the date(s) each forecast was reviewed and/or updated. If the specific date is not known, please confirm that you used the most current data available. If you are unable to confirm, please explain.
- (c) In Attachment I, the column identified as "Order No. 1294" has a line item identified as "Field Reserve" with a value of (\$200) million. Please confirm that the (\$200) million reduces the total cost reduction projection from \$744 million to \$544 million. If you are unable to confirm, please explain.
- (d) In Attachment I, please confirm that the column identified as "POIR 13" has a line item identified as "Field Reserve" with a value of (\$200) million. Please confirm that the (\$200) million reduces the total cost reduction projection from \$750 million to \$550 million. If you are unable to confirm, please explain.
- (e) Is the "Field Reserve" of \$200 million similar to a "contingency provision?" If not, please explain.

**Response:**

- (a) Yes
- (b) Confirmed that the most current data available were used.
- (c) Confirmed.
- (d) Confirmed.
- (e) Redirected to the Postal Service.

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**OCA/USPS-ST44-12.** The following interrogatory refers to USPS-LR-I-419, Table 8, and the exhibit in your testimony titled "Development of Cost By Segment and Component FY01ATM, D Report," hereafter "New D Report" and USPS witness Kashani's exhibit titled "Development of Cost By Segment and Component FY01ATM, D Report," hereafter "Old D Report."

- (a) In Table 8, Priority mail receives a Final Adjustment of \$30.524 million. The New D Report, indicates that Priority mail has a final adjustment of \$88.777 million. Please explain the apparent discrepancy.
- (b) In the FY 01AR Old D Report, Standard Mail (B) Parcels Zone Rate has a "final" reduction of (\$40.604) million, which represents approximately 7 percent of the total volume variable final adjustment cost – (\$543.173). In the FY 01AR New D Report, Standard Mail (B) Parcels Zone Rate has a "final" reduction of (\$100.868) million which represents approximately 17 percent of the total volume variable final adjustment cost of (\$594.323) million. Please explain what changes prompted the large weighted increase in Parcel Zone Rated mail's final adjustment.

**Response:**

Redirected to the Postal Service.

# DECLARATION

I, Richard Patelunas, declare under penalty of perjury that the foregoing answers to interrogatories are true and correct to the best of my knowledge, information, and belief.

Richard Patelunas

Dated: 8/1/00

## 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 dark ink, appearing to read "Susan M. Duchek", is written over a horizontal line.

Susan M. Duchek

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