

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 PATELUNAS TO INTERROGATORIES OF  
THE ASSOCIATION OF AMERICAN PUBLISHERS  
(AAP/USPS-ST44-27-33)

The United States Postal Service hereby provides the responses of witness Patelunas to the following interrogatories of the Association of American Publishers: AAP/USPS-ST44-27-33, filed on July 28, 2000.

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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August 2, 2000

**Response of United States Postal Service witness Patelunas  
to Interrogatories of  
Association of American Publishers**

**AAP/USPS-ST44-27** Exhibit USPS-ST-44A shows that in FY 1999, the Postal Service's total actual accrued costs increased from \$59,566.5 million in FY 1998 to \$62,391.8 million in FY 1999. These totals also appear in USPS Exhibit 11-A, at page 8 (FY 1998) and in Table I of USPS-LR-I-410, at page 20 (FY 1999). These two exhibits in turn report that in the same period, total Postal Service "volume variable costs" declined from \$35,951.5 million in FY 98 to \$31,831.8 million in FY 99 while total Postal Service "other" costs increased from \$23,615.0 million to \$30,560.0 million.

(a) Please confirm that the total increase in the USPS' actual accrued costs of \$2,825.3 million that occurred in FY 1999 resulted from a decline of \$4,119.7 million in total Postal Service "volume variable costs" and an increase of \$6,945.0 million in total USPS "other" costs.

(b) Please explain any answer other than a confirmation.

**Response:**

- a) Confirmed that there was an increase in USPS' actual accrued costs of \$2,825.3 million, a decline of \$4,119.7 million in total Postal Service "volume variable costs" and an increase of \$6,945.0 million in total USPS "other" costs between FY 1998 and FY 1999.
- b) Not applicable.

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**AAP/USPS-ST44-28** Page 7 of Exhibit USPS-11A shows that the total volume variable costs for Bound Printed Matter in Base Year 1998 were \$394.443 million. Page 19 of Table 1 of USPS-LR-I-410 to shows that total volume variable costs for Bound Printed Matter in Base Year 1999 were \$361.655 million.

(a) Please confirm that total volume variable costs for Bound Printed Matter declined by \$32.788 million (8.31%) in Base Year 1999.

(b) Please explain any answer other than a confirmation.

**Response:**

a) Confirmed that Bound Printed Matter total volume variable costs declined 8.31% between FY 1998 and FY 1999.

b) Not applicable.

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**AAP/USPS-ST44-29** Table C of USPS-LR-I-410 shows the "B" Report (PESSA Detail) for FY 1999. Please provide the comparable "B" Report (PESSA Detail) for FY 1998 and for Test Year 2001.

**Response:**

The "B" Report (PESSA Detail) for FY 1998 is presented as USPS-T-11 witness Meehan's' Workpaper WP-A, Table 4. The "B" Report (PESSA Detail) for Test Year 2001 is presented as USPS-LR-I-410, Table C, of the following volumes: Volume D (Test Year Before Rates before Workyear Mix Adjustment), Volume E (Test Year Before Rates after Workyear Mix Adjustment), Volume F (Test Year After Rates before Workyear Mix Adjustment) and Volume G (Test Year After Rates after Workyear Mix Adjustment).

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**AAP/USPS-ST44-30** Table D of USPS-LR-I-410 shows the "C" Report (including PESSA) for the USPS in FY 1999. Please confirm that at page 8, this report (including PESSA) shows total Postal Service "volume variable costs" of \$37,507.5 million in FY 99 which reflects a shift of \$5,675.2 million from the "other cost" category (that was reported in Table I of USPS-LR-I-410) to the volume variable cost category.

**Response:**

Confirmed that the "C" Report reflects a distribution of \$5,675.2 million of "A" Report "Other" costs to volume variable costs; this is accomplished in the "B" Report.

**Response of United States Postal Service witness Patelunas  
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**AAP/USPS-ST44-31** Table D of USPS-LR-I-410 shows the "C" Report (including PESSA) for FY 1999.

(a) Please provide the comparable "C" Report (including PESSA) for FY 1998 and for Test Year 2001.

(b) Please state the full meaning of the acronym PESSA as reported in the "C" and "D" reports of USPS-LR-I-410.

(c) Please explain fully why PESSA costs, as reported in Table D ("C" Report) of USPS-LR-I-410 are considered volume variable costs when the same costs in Table I of USPS-LR-I-410 are considered "other" costs.

**Response:**

- a) The "C" Report (including PESSA) for FY 1998 is presented as USPS-T-11 witness Meehans' Workpaper Exhibit 11A. The "C" Report (including PESSA) for Test Year 2001 is presented as USPS-LR-I-410, Table D, of the following volumes: Volume D (Test Year Before Rates before Workyear Mix Adjustment), Volume E (Test Year Before Rates after Workyear Mix Adjustment), Volume F (Test Year After Rates before Workyear Mix Adjustment) and Volume G (Test Year After Rates after Workyear Mix Adjustment).
- b) The acronym PESSA stands for: Plant, Equipment, Servicewide and Selected Administrative costs. See the response of witness Meehan to AMPU/USPS-T11-5.
- c) PESSA costs are assumed to be volume variable over a longer period of time than a particular year or years under consideration. The methodology used in the update is the same methodology employed by witness Meehan, USPS-T-11 and Kashani, USPS-T-14. In addition to their testimonies and related documents, please see USPS-LR-I-1, Summary Description of USPS Development of Costs by Segments

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and Components, FY 1998 and USPS-LR-I-404, Summary Description of USPS  
Development of Costs by Segments and Components, FY 1999.

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**AAP/USPS-ST44-32** Please provide and explain fully any logical or empirical calculations or studies relied on by the Postal Service to conclude that PESSA costs:

(a) within C/S-11 (Cleaning and Protection Personnel, Contract Cleaners and Plant and Building Equipment) should be considered volume variable costs for Bound Printed Matter as suggested on page 9 of Table C ("B" Report Detail) of USPS-I-LR-410.

(d) within C/S-15 (Imputed Rents) should be considered volume variable costs for Bound Printed Matter as suggested on page 11 of Table C ("B" Report Detail) of USPS-I-LR-410.

(e) within C/S-15 (Fuels, Utilities) should be considered volume variable costs for Bound Printed Matter as suggested on page 13 of Table C ("B" Report Detail) of USPS-I-LR-410.

(f) within C/S-18 (CSC Retirement Prior Year) should be considered volume variable costs for Bound Printed Matter as suggested on page 19 of Table C ("B" Report Detail) of USPS-I-LR-410.

(g) within C/S-18 (Retiree Health Benefits, Annuitant COLA/Principal) should be considered volume variable costs for Bound Printed Matter as suggested on page 21 of Table C ("B" Report Detail) of USPS-I-LR-410.

(h) within C/S-20 (Imputed Depreciation Building, Imputed Depreciation Leasehold) should be considered volume variable costs for Bound Printed Matter as suggested on page 31 of Table C ("B" Report Detail) of USPS-I-LR-410.

(i) within C/S-20 (Retirement Interest) should be considered volume variable costs for Bound Printed Matter as suggested on page 33 of Table C ("B" Report Detail) of USPS-I-LR-410.

**Response:**

(a - g) The methodology used in the update is the same methodology employed by witness Meehan, USPS-T-11 and Kashani, USPS-T-14. In addition to their testimonies and related documents, please see USPS-LR-I-1, Summary Description of USPS Development of Costs by Segments and Components, FY 1998 and USPS-LR-I-404, Summary Description of USPS Development of Costs by Segments and Components, FY 1999.



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**AAP/USPS-ST44-33** Please provide reports that are comparable to pages 69-76 of Table D ("C") Report (including PESSA) for FY 1998 and for the Test Year 2001.

**Response:**

The "C" Report (including PESSA) for FY 1998 is presented as USPS-T-11 witness Meehans' Workpaper Exhibit 11A. The "C" Report (including PESSA) for Test Year 2001 is presented as USPS-LR-I-410, Table D, of the following volumes: Volume D (Test Year Before Rates before Workyear Mix Adjustment), Volume E (Test Year Before Rates after Workyear Mix Adjustment), Volume F (Test Year After Rates before Workyear Mix Adjustment) and Volume G (Test Year After Rates after Workyear Mix Adjustment).

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.

A handwritten signature in black ink, appearing to read "Richard Patelunas", with a long horizontal flourish extending to the right.

Dated: 8/2/00

## 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.



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August 2, 2000