

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 OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-ST44-35-39, 40(a)-(i), 42 and 45)

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-T4-ST44-35-39, 40(a)-(i), 42 and 45, filed on July 21, 2000. A partial objection to interrogatory OCA/USPS-ST44-44 was filed on July 31, 2000. Interrogatories OCA/USPS-ST44-33, 34 and 40(j) and (k) were redirected to the Postal Service. Interrogatories OCA/USPS-ST44-41, 43 and 44 are still being prepared and will be filed later.

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


Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2990 Fax -5402
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**Response of United States Postal Service witness Patelunas
to Interrogatories of
Office of the Consumer Advocate**

OCA/USPS-ST44-35. Please confirm that your FY 2000 estimate of "Miscellaneous Local Operations" is \$30 million higher than witness Tayman's (i.e., \$344.3 million - 314.7, from USPS-ST-44A and USPS 9A, respectively). Explain all underlying assumptions and changes that cause this increase. Cite to testimony, exhibits, or library references that shed light on this phenomenon; also provide any other primary or intermediate sources for the determination of this cost.

Response:

Confirmed. Please see my response to AAP/USPS-ST44-9(b).

**Response of United States Postal Service witness Patelunas
to Interrogatories of
Office of the Consumer Advocate**

OCA/USPS-ST44-36. The following interrogatory refers to USPS-LR-I-421 at 96, USPS-LR-I-410, and Exhibit USPS-ST44AA.

- (a) USPS-LR-I-421 at 96, indicates that total Other Program costs for FY 01 AR are \$918,232,000. USPS-LR-I-410, Volume F, indicates that total Other Program costs for FY 01 are \$918,232,000. Exhibit USPS-ST-44AA indicates that total Other Program costs for FY 01 are \$1,042,232. Please explain the apparent discrepancy between your Exhibit USPS-ST-44AA, USPS-LR-I-410 and USPS-LR-I-421.
- (b) Please identify the cause of the discrepancy and update documents as appropriate.

Response:

- (a) The \$1,042,232 shown on Exhibit USPS-ST-44AA is the Test Year Before Rates amount. The Test Year Before Rates total Other Programs differs from the After Rates total Other Programs by \$124,000. This is the Before Rates and After Rates difference in Interest on Debt. Exhibit USPS-ST-44L is the best place to see this.
- (b) There is no discrepancy.

**Response of United States Postal Service witness Patelunas
to Interrogatories of
Office of the Consumer Advocate**

OCA/USPS-ST44-37. At pages 6-7 of your testimony, you state that:

Updated test year costs were reflected at the same level as [the] updated FY 2000 estimate . . . consistent with the proposed FY 2001 Operating Budget . . . Plans are being formulated to reduce the modeled level of workers' compensation costs back to the amount budgeted for FY 2001.

You also indicate at page 8 of your testimony that "additional revenue reflected in the proposed FY 2001 Operating Budget" has been incorporated into test year revenue estimates. Please provide the FY 2001 Operating Budget in the same format used in the Postal Service's response to interrogatory OCA/USPS-T9-27.

Response: The final FY 2001 Operating Budget is not available.

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OCA/USPS-ST44-38. At page 7 of your testimony you state that , "The overtime assumption was updated to reflect the overtime planned in the FY 2000 operating budget and the fact that overtime is currently over plan." Please state the new "overtime assumption" and how it differs from the overtime assumption contained in the Postal Service's original filing. Also cite the locations in you exhibits and library references where the new overtime

RESPONSE:

As reflected in Table 12 of USPS-T-9 and detailed in Chapter X e. of LR I-127, FY 2000 overtime workyears as a percentage of straight time workyears were assumed to be 8.6% for clerks, 10.3% for city carriers, and 11.5% for mail handlers. This was based on performance to the PFY 99 operating plan as of A/P 12 of PFY 99.

As reflected in Chapter IX e. of LR I-421, the updated overtime percentages are 8.9% for clerks, 11.3% for city carriers, and 11.5% for mail handlers. This is based on performance to the PFY 00 operating plan as of A/P 8 PFY 00.

**Response of United States Postal Service witness Patelunas
to Interrogatories of
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OCA/USPS-ST44-39. Are the changes to the revenue estimates for FY 2000 and the TYBR and TYAR limited to those described at page 8 of your testimony, lines 12-17? If not, please explain in detail any other changes made to revenue estimates.

Response: Yes.

**Response of United States Postal Service witness Patelunas
to Interrogatories of
Office of the Consumer Advocate**

OCA/USPS-ST44-40. At page 9 of your testimony you state that: "additional cost reductions and other programs were incorporated" as part of the rollforward updates. Please describe in detail all of the changes made to cost reduction and other program estimates. Include in the description:

- (a) The specific change made;
- (b) The reason for making the change;
- (c) The magnitude of the change;
- (d) Citations to your exhibits and library references where the change is applied;
- (e) In preparing your supplemental testimony, did you take a fresh look at all cost reduction and other program estimates made in the Postal Service's initial filing? If not, why not.
- (f) Please list the originally filed cost reduction estimates that were reviewed recently in preparation of your supplemental testimony.
- (g) Please list the originally filed cost reduction estimates that were not reviewed recently in preparation of your supplemental testimony.
- (h) Please list the originally filed other program estimates that were reviewed recently in preparation of your supplemental testimony.
- (i) Please list the originally filed other program estimates that were not reviewed recently in preparation of your supplemental testimony.
- (j) Please confirm that, due to the cost reduction and other program estimates that you present in your testimony, exhibits, and accompanying library references, when one compares the FY 2000 estimate that you present in USPS-ST-44 with the FY 2000 cost estimate found in Exh. USPS 9A, your recent cost estimate is more likely to be accurate. If you do not confirm, please explain fully.
- (k) Please confirm that, due to the cost reduction and other program estimates that you present in your testimony, exhibits, and accompanying library references, when one compares the TYBR and TYAR cost estimates that you present in USPS-ST-44 with the TYBR and TYAR cost estimates found in Exh. USPS 9A, your recent cost estimates are more likely to be accurate. If you do not confirm, explain fully.

Response:

(a), (c) and (d) Please refer to the machine readable copy of USPS-LR-I-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 and be traced through the model to determine their impact on rollforward

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cost factors. The impact can also be seen in USPS-LR-I-410, Volumes A - G, Tables 6 and 7 for cost reductions and other programs, respectively.

(b) The reason for the changes was to reflect more recent information in response to Order No. 1294.

(e - i) I did not personally review any of the cost reductions or other programs used to develop my supplemental testimony. It is my understanding that all of the cost reductions and other programs used in the update reflect Postal management's best view of each at the time the update was being prepared.

(j - k) Redirected to the Postal Service.

**RESPONSE OF WITNESS PATELUNAS TO INTERROGATORIES OF
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OCA/USPS-ST44-42. Please refer to page 6, lines 15-16 of your testimony discussing other programs expenses and stating "interest expense calculations have not been changed." Does your Exhibit USPS-ST-44A reflect a change in the interest expense in FY 2000 of "(3,300)" and FY 2001 of "300" on the "Interest on Debt" line? If so, please confirm that this is an update in the USPS estimate for interest on debt expense. If you do not confirm, please explain.

RESPONSE:

Not confirmed that interest on notes and mortgages was updated. However, interest capitalized was updated and this results in a decrease to total interest on debt (component 587) by \$800,000 in FY 00, and by \$500,000 in FY 01. Please refer to Chapter IV h. in LR I-127 and Chapter III h. in LR I-421.

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OCA/USPS-ST44-45. Please refer to the response to POIR No. 14, Attachment I, and the "Field Reserve" estimate therein of \$200 million that is a reduction in the projected estimate of savings from the Breakthrough Productivity initiatives in the Postmaster General's speech. Is this \$200 million amount, or any other amount, for such a "Field Reserve" included in your test year estimates? If so, please identify the amounts and their location.

Response: Yes, the \$200 million Field Reserve is included in my test year estimates. However, the \$200 million reserve was ratioed across all field cost reduction programs associated with Breakthrough Productivity (Improve Automated Letter Productivity, Improve Manual Letter Productivity, Decrease Manual Letters in Plants, Improve Allied Labor in Plants, Reduce CFS No Record Volume, Improve Manual Flat Productivity, Improve FSM Productivity, Improve SEI through Route Optimization, Reduce Cost/Delivery through Workhour Management, Increase DPS Volumes, Function 4 Manual Distribution Productivity Improvement and Function 4 Retail Productivity Improvement), thus reducing the cost reduction for each of these programs. As such, there is no one location where the \$200 million Field Reserve can be identified.

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 cursive script, appearing to read "Richard Patelunas", is written above a horizontal line.

Dated: 8/4/00

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

Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2990 Fax -5402
August 4, 2000