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POSTAL SERVICE
OFFICE OF THE SECRETARY

UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268

Postal Rate and Fee Changes

Docket No. R2000-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 21

(Issued August 23, 2000)

The Postal Service is requested to provide the information described below to assist in developing a record for the consideration of its request for changes in rates and fees. In order to facilitate inclusion of the required material in the evidentiary record, the Postal Service is to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers at out hearings. The answers are to be provided within 7 days.

1. In response to Order No. 1294 the Postal Service provided test year cost estimates rolling forward actual FY 1999 costs. That presentation also revised the final adjustments. LR-I-419, 420. In response to POIR No. 16 the Postal Service provided test year revenue estimates based on hybrid (FY 1999 Qtr. 3 – FY 2000 Qtr. 2) billing determinants. Is it appropriate to use the final adjustments initially provided in response to Order No. 1294 consistent with the hybrid billing determinants provided in response to POIR No. 16? If not, please provide final adjustments to test year costs that would be appropriate assuming the use of hybrid-billing determinants for rate and revenue calculation purposes.

2. Refer to the response of the United States Postal Service to questions raised at the hearing on August 3, 2000 regarding Standard B special mail. The Service explains that the increase in Standard B Special mail unit cost between 1998 and 1999 may be in part due to "a change in endorsement requirements for Special Standard." Please explain in detail what these changes were and how they contributed to an increase in IOCS Special Standard observations.

3. The Postal Service's original filing included Alaskan Air adjustment factors that were calculated in Library Reference I-59 for FY 1998, 1999, 2000, and the Test Year 2001. These adjustment factors were input into the rollforward in Witness Meehan's WP A-1, the base year 1998 manual input requirement. See Meehan W/P A-1 at 159. The base year Alaskan Air adjustment was applied to component 681, Alaskan Air Transportation, in the development of the B report. See Meehan W/P A-4 at 1-2. See also USPS LR-I-4 at 48 and 371.

The process to rollforward component 681 from the base year to the test year as shown in witness Kashani's workpapers, was to use the costs from the A report, in which component 681 was 100% variable. The Alaskan Air adjustment factors from LR-I-59 were then applied in the development of the B report separately for each fiscal year in the rollforward.

The updated rollforward provided by witness Patelunas in the Postal Service's response to Order No. 1294 treated component 681 differently than in the original filing. The update started with component 681, which already included the Alaskan Air adjustment. Witness Patelunas then rolled forward to the test year from FY 1999 the adjusted component 681 rather than rolling forward the component as 100% variable as was

done in the original filing. Additionally, there is no further adjustment of component 681 using updated Alaskan Air factors in the B report as was done in the original filing.


Does the treatment afforded to Alaska Air in component 681 in the USPS response to Order No. 1294 represent a change in the rollforward methodology from the original filing? If so, please provide a justification for this change.

Please provide an update to LR-I-59 using actual FY 1999 costs showing the new Alaska Air adjustment factors for FY 1999, FY 2000, and the Test Year 2001.

4. In the Postal Service's response to Order No. 1294 witness Patelunas presented additional cost reductions from the Postal Service's planned "breakthrough productivity" initiatives. These cost reductions were implemented in the rollforward to the test year using seven new distribution keys, components 1456 through 1462. However, unlike the original cost reductions distribution keys, components 1439 through 1453, these new distribution key components do not receive a mail volume effect for FY 2000 or the test year.

Please describe the sources of the new components 1456 through 1462 and explain the reasons that these components do not receive a mail volume effect in the rollforward from FY 1999 to the test year.

Please provide an update that includes a mail volume effect.


Edward J. Gleiman
Presiding Officer