

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, 1997 )

Docket No. R97-1

OFFICE OF THE CONSUMER ADVOCATE  
INTERROGATORIES TO UNITED STATES POSTAL SERVICE  
WITNESS WILLIAM P. TAYMAN  
(OCA/USPS-T9-1-19)  
August 8, 1997

Pursuant to sections 25 and 26 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits interrogatories and requests for production of documents. Instructions included with OCA interrogatories 1-7 to the United States Postal Service dated July 16, 1997, are hereby incorporated by reference.

Respectfully submitted,

  
GAIL WILLETTE

Director  
Office of the Consumer Advocate



KENNETH E. RICHARSSON  
Attorney  
Office of the Consumer Advocate

OCA/USPS-T9-1. Please refer to your testimony regarding Mail Mix Adjustment.

- a. Please confirm that the mail mix adjustment referred to in your testimony on page 16, lines 6-11, is reflected in your exhibit USPS-9B , page 2, in the column entitled "reclass adjustm" in the total negative amount of \$84,982,000. If you do not confirm, please identify the location of the adjustment and explain the meaning of "reclass adjustm".
- b. Are there any other adjustments for mail mix indicated in your testimony and exhibits? If so, please identify.
- c. Please identify the specific reference source in LR-H-126 where you obtained the mail mix adjustments of \$7,057,000 for cost segment 2 and \$77,925,000 for cost segment 3 referenced on page 2 of your exhibit USPS-9B.
- d. LR-H-126, page II-3, indicates that a number of changes to the rollforward cost adjustment calculation for mail volume mix which were incorporated by witness Patelunas were made too late to make changes in the rollforward. Were these new changes reflected in your exhibits? If not, do you intend to update your exhibit to reflect these changes? Do you know the order of magnitude and the direction which these changes would have on your exhibit?
- e. Please confirm that LR-H-126, which you refer to on page 16 of your testimony, supplements your testimony in addition to the Library References referred to on page 1 of your testimony. If you do not confirm, please explain why it does not.

OCA/USPS-T9-2. Please indicate where the final adjustments to which you refer on pages 16-17 of your testimony appear in your exhibit USPS-9B.

- a. Do the final adjustments you are referring to appear elsewhere in your exhibits?  
If so, where do they appear?
- b. Do these final adjustments relate to witness O'Hara's workpaper WP III? If so, what is the relationship?

OCA/USPS-T9-3. Please refer to your exhibit USPS-9B.

- a. Please confirm that the immediate source of the cost adjustments in your exhibit USPS-9B, page 1 (FY97 Development of costs by segments and components) is Library Reference H-10, Exhibit C, page 1. If not, please indicate the immediate source.
- b. Please confirm that the immediate source of the cost adjustments in your exhibit USPS-9B, page 6 (FY98 proposed, Development of costs by segments and components) is Library Reference H-10, Exhibit C, page 2. If not, please indicate the immediate source.

OCA/USPS-T9-4. Please confirm that the relevant numbers in your testimony from Part II.C. on page 19 through the end of the testimony on page 48, discussing tables of cost segment changes, contingencies, recovery of prior year losses, revenues and

revenue deficiencies from FY 1996 through Test Year, are summarized without adjustment as your exhibit USPS-9A. If you do not confirm, please explain.

OCA/USPS-T9-5. Please refer to Library Reference H-12, Chapter Va, p. 96.

- a. The note at the end of Chapter Va states "Amounts estimated by Program managers may be adjusted as a result of the budget catchall process." Please provide the original managers' estimates for the programs listed in Chapter Va.
- b. Do the workyear conversion factors utilized in calculating cost reductions and other program changes in your exhibit 9B relate back to the workhour conversion factors calculated in LR-12-Chapter Xc, page 323. If so, why did you not use the larger weighted average accrued hours per workyear which also takes into account "part time accrued hours" and "all other accrued hours" to measure the cost reductions?
- c. The notes on LR-H-12, Chapter Xc, p.323, state "Workhours are from Line 10" and "Accrued hours are from Line 30". To what document do these line numbers refer?
- d. Please confirm that all workyears underlying the cost reductions in your exhibit USPS-9B are calculated by dividing the hours shown in Exhibit C of LR-H-10 by the workyear conversion factors for the appropriate cost segment which are derived(except for cost segments 14 and 16) in LR-H-12, Chapter Xc, p 323, and then rounded either up or down in the conventional manner to the nearest whole workyear. If you do not confirm, please explain.

OCA/USPS-T9-6. Please refer to Library Reference H-10.

- a. The discussion of the Remote Bar Coding System(RBCS) 120 Sites at page 5 indicates savings were estimated to decrease by 13,289,000 hours. This amount is converted to work years and multiplied by annual labor cost and is, therefore, reflected in your exhibit USPS-9B as a negative amount which reduces costs. Please confirm that the "savings decrease" phrasing as used in the library reference means a decrease in costs and not a reduction in savings which would be the opposite of a decrease in costs. If you do confirm, do you agree that this characterization is also correct for the other programs discussed in LR-H-10?
- b. Similarly, Library Reference H-12, Chapter Va has column headings entitled "Savings". Please confirm that if the amounts in those columns are positive then there is an increase in costs and that they reflect a reduction in cost(i.e. a savings) only when the amount is negative.

OCA/USPS T9-7. Please refer to Library Reference H-12, Chapter XIIa,

- a. At page 375(FY 97, Development of costs by segments and components), the supervisory cost reductions are listed by components. Please indicate the source of the calculation of the cost reduction amounts for the individual component line items that constitute the total supervision cost reduction of \$513,000 for cost segment 2. Please indicate the hours, workyears, and personnel costs utilized in calculating those component line items.

- b. At page 480(FY 98 Proposed, Development of costs by segments and components) the cost reductions for cost segment 3, clerks and mailhandlers are listed. Please confirm that of the \$420,782,000 cost savings in this segment, only \$3,825,000 is attributable to administrative support and only \$6,549,000 is attributable to window services. If you do not confirm, please explain. How are the amounts for administrative support and window services determined and where is their cost calculation in the library references?
- c. Please indicate which of the Programs listed on Exhibit C, p. 2, of LR-10 include cost reductions for the above-stated amounts attributable to administrative support and window services. Please confirm that the remaining \$410,408,000 of after rates cost reduction in cost segment 3 is attributable to mail processing(cost component 0039). If you do not confirm, please explain.

OCA/USPS-T9-8. Please refer to Library Reference H-10, Section 1.

- a. Please provide the source of the information and any calculations including those by program managers for years FY97 and FY98 relating to the estimated savings in hours for each cost segment in each of the 56 programs listed in Section 1 of Library Reference H-10, pp. 1-22.
- b. Please confirm that in LR H-10 the savings in hours are reflected on Exhibit C but that the increase in hours due to these programs are reflected in Exhibits A and B. If not, please indicate for which programs this is not true.

- c. Please indicate if realization of any of the program cost savings decreases or increases have been delayed and indicate the effect this has on the FY97 program costs shown on Exhibits A-C of Library Reference 10.

OCA/USPS-T9-9. Please refer to LR-H-10, Section 1, p.5, Remote Bar Coding System(RBCS) 120 sites.

- a. The cost summary indicates lags of six-months for carrier workhour savings and a four-months lag for clerk/mail processing savings. Please confirm that this means realization of the benefits of the cost savings for this program are estimated to be delayed by these periods of time. If not, please explain.
- b. Please explain why no lag time was built in for cost increases.
- c. Please indicate if lag times were estimated for the other program cost estimates in Section 1 of LR-H-10.

OCA/USPS-T9-10. Please refer to LR-H-10, Exhibit C and LR-H-12, Chap.Va.

Please confirm that the immediate source of the personnel costs for each cost segment used in calculating the program costs and savings is LR-H-12, Chap VIIIc, page 294? If you do not confirm, please identify the source of those costs.

OCA/USPS-T9-11. Please provide the source from USPS-T-15 of the cost reduction data for the Volume Variability Adjustment and DBMC Volume Adjustment which Library Reference H-10, page 33 and its Exhibits A, B, and C ascribe to USPS-T-15.

OCA/USPS-T9-12. Your testimony at page 42, Table 53, calculates an annual increment of \$446,933,000 to recover past year losses by dividing the net prior years' operating losses, less \$1,000,000,000 from Public Law No. 94-421, by a nine year amortization period. You have used the estimated FY97 net income. Do you recommend that this recovery amount should be adjusted to reflect the actual FY97 net income? In not, why not?

OCA/USPS-T9-13. Please refer to your exhibit USPS 9B.

- a. Please confirm that your exhibit USPS-9A demonstrates an overall increase in costs for the two year period from Actual FY 96 to the Test Year Before Rates of about \$5.8 billion, or slightly over 10 per cent and that volume is expected to increase according to your exhibit USPS-9C in those years by 6.7 percent.
- b. Also please confirm that over the same period of time, exhibit USPS-9A shows that cost segment 16, supplies and services, is expected to increase by 47.73 per cent and cost segment 20, depreciation, write-offs, claims, & interest are expected to increase by 24.46 per cent.
- c. Also please confirm that these two cost segments account for \$1.949 billion of the increased expenses of \$5,814,200 over that two year period.
- d. Would you please explain the reason these two cost segments show cost percentage increases so much larger than the percentage of increased volumes forecast over the same period of time?
- e. Are you concerned that the high growth of programs incurring these increased expenses in comparison to the expected growth of the mail volumes may

indicate the programs are not an efficient use of resources. If not, please explain.

- f. Are you concerned that the high growth in cost segment 16 expenses may be indicative of an excessive or inefficient expenditure of funds for supplies and services that is not warranted given the much lower growth in other cost segments and in the forecast volume of mail. If not, please explain.

OCA/USOS-T9-14. Please refer to Library Reference H-10, Section 2

- a. Please provide the escalation factor developed by the program manager for the Remote Bar Coding (RBCS) Keying program.
- b. Please provide the estimated average costs of an RBCS clerk used in the savings decrease calculation for the above program.
- c. Please provide the sources for the actual contract cost for FY 1996 and the forecast of costs for FY 1997 used in determining the saving decrease for the above program.

OCA/USPS-T9-15. Please refer to Library Reference H-10, Section 2, p.23.

- a. Please provide the detailed calculations supporting the \$50 million cost increase in FY 1997 for the Classification Reform program.
- b. Does the cost increase result only from the increase in cardboard trays?
- c. Was a weight adjustment made to account for the decrease in weight for sacks?

OCA/USPS-T9-16. Please refer to Library Reference H-10, Section 2, p.23. Please provide the detailed calculations supporting the \$38.175 million cost increase in

supplies and services accounts for the Augmented Sales Force program. Please indicate when the additional 500 sales people are being hired.

OCA/USPS-T9-17. Please refer to Library Reference H-10, Section 2, p.25.

a Please indicate what amount of the \$59.830 million for FY 1998 for the Stamp Manufacturing program relates to expenses related to a rate change in FY 1998.


b. Please indicate which of the expenses provided in response to a, above, will be one time expenses incurred only in FY 1998 for the rate change.

OCA/USPS-T9-18. Please refer to Library Reference H-10, Section 2, p.28. Please indicate precisely where the Corporate Call Management and Inspector General costs information is contained in the cited reference , LR-H-12, Chap. V, Section F.

OCA/USPS-T9-19. Inasmuch as the Inspector General's office has only recently commenced staffing, please provide the calculations for the estimate of \$10.724 million for FY 1997 costs.

CERTIFICATE OF SERVICE

I hereby certify that I have this date 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 cursive script, appearing to read "Kenneth E. Richardson".

KENNETH E. RICHARDSON  
Attorney

Washington, D.C. 20268-0001  
August 8, 1997