

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-T9-20-27)
August 18, 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.

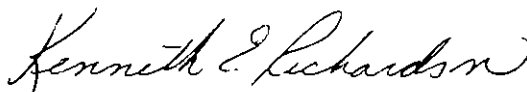
Respectfully submitted,



GAIL WILLETTE

Director

Office of the Consumer Advocate



KENNETH E. RICHARDSON

Attorney

Office of the Consumer Advocate

OCA/USPS-T9-20. Please refer to your exhibit, USPS 9F.

- a. Please confirm that the page 1 footnote reference on the line titled "Debt Repayment" should be corrected from 5/ to 4/. If you do not confirm, please explain.
- b. Please provide a corrected page 3 that locates the footnotes listed at the bottom of the page.

OCA/USPS-T9-21. Please refer to Library Reference H-12, Chapter IIIa, Roll Forward Model Factors and Chapter XII, Rollforward Model Change Reports.

- a. Two different line headings, "Interest on Debt, cost component 217," for three periods (FY97, FY98, and FY98 After Rates) in Chapter IIIa and "Imputed Interest Land/Building and Equip., cost component 587," in Chapter XII, Sections a,d, and f are used to refer to identical dollar amounts. Please indicate which designation is correct, where any conforming adjustments are required, and provide revised schedules as appropriate.
- b. Please explain why the "Interest on Debt, cost component 217," of \$82,152,000 in the "Roll Forward Model Factors for FY 1998," referenced in a, above, differs from those in a similar table sponsored by witness Patelunas (Exhibit 15A, FY 1998, page 4), which cites to LR H-12 and lists \$113,192,000 as "Interest on Debt, cost component 217." Please indicate which amount is correct, where any adjustments are required, and provide revised schedules as appropriate.

OCA/USPS-T-9-22. Please refer to your exhibit USPS 9G, Investment Income. Please show what effect the Postal Service earnings estimated by Mr. Riley, USPS Chief Financial Officer, at the August 5, 1997 meeting of the USPS Board of Governors to be about \$1 billion for FY 1997(meeting transcript page 44), or approximately \$465 million more than estimated in your exhibit 9A for FY 1997, would have upon the "Average Investment Balances" and, concurrently, upon the "Estimated Investment Income" on your exhibit USPS 9G.

OCA/USPSS-T9-23. Please show what impact the additional \$465 million of earnings referred to in OCA/USPS-T9-22 would have upon the balance of debt and interest expenses for FY97 and FY98, before and after rates, projected in Library Reference H-12, Chapter VIb.

OCA/USPS-T9-24. Please refer to Library Reference H-12, Chapter VIb, page 136, table entitled OBRA 1993. Please explain the title and reference to 1993, identify corrections that may be necessary on other schedules, and provide corrected schedules as appropriate.

OCA/USPS-T9-25. Please refer to Library Reference H-12, Chapter VIb.

- a. Please indicate in which subcomponent the note interest expenses, imputed interest expenses and capital interest projections in Chapter VIb are reflected in the "Interest Expense" component of cost segment 20 in Chapter XII of LR H-12 for the appropriate years.

- b. Please show any adjustments and the source of those adjustments to the amounts in Chapter VIb made in order to reach the total for the interest expense components of cost segment 20 in Chapter XII.

OCA/USPS-T9-26. Please refer to Library Reference H-12, Chapter VIb.

- a. Please confirm that the table of FFB Note Interest Expense for GFY 1998 (page 132) lists 13 notes from FFB 06 through FFB 45 with a 9/30/97 balance of \$2,906,305 bearing interest rates between 9.074 percent and 7.367 percent, with most above 8.5 percent. If you do not confirm, please explain.
- b. Please confirm that the new financing on 9/30/97 during FY 1997 (page 130) is estimated at 6.017 percent for thirty years. If you do not confirm, please explain. Please explain why it is shown as thirty years financing on this page and adjusted to a shorter period on the FY 1998 After Rates table (page 132).
- c. Are there any legal restrictions preventing the USPS from refinancing the notes referred to in part a, above, prior to their maturity date?
- d. Are there any financial reasons that would prevent the USPS from refinancing the notes referred to in part a, above, prior to their maturity date?
- e. Does the Postal Service have any plans to refinance current debt which is maturing after FY 1998?

- f. Please confirm that the table below, drawn from the table referred to in part a, above, correctly calculates the weighted interest to be 7.538 percent for all of the notes which are expected to be outstanding at the end of FY 1998. If you do not confirm, please explain.

Note #	Balance 9/30/97	Balance 9/30/98	Interest Rate (%)	Weighted Interest (%)
FFB 06	96,000	64,000	8.075	0.190
FFB 08	60,000	45,000	7.800	0.129
FFB 18	36,000	36,000	8.762	0.116
FFB 19	36,000	36,000	8.761	0.116
FFB 20	36,000	36,000	8.760	0.116
FFB 44	1,500,000	1,500,000	7.367	4.067
FFB 45	1,000,000	1,000,000	7.615	2.804
Total	<u>2,764,000</u>	<u>2,717,000</u>		
Wtd. Int.				<u>7.538</u>

- g. Please confirm that if these notes referred to in part f, above, were refinanced as of 9/30/97 at the rate of 6.0 percent, the FY 1998 savings on the amounts still outstanding on 9/30/98 would be the difference between the current weighted interest rate of 7.538 percent on the refinanced notes and 6.0 percent multiplied by \$2,717,000,000. If you do not confirm, please explain.
- h. Please confirm that for every 1.5 percent reduction in interest by refinancing the notes listed in f, above, the savings would be \$40.76 million annually. If you do not confirm, please explain.
- i. Please confirm that by refinancing the notes listed in f, above, at the beginning of the year there would be additional interest savings on the \$497 million of payments scheduled during FY 1998. If you do not confirm, please explain.

Please provide the additional amount of interest savings on those amounts assuming a 1.5 percent reduction in the interest rate due to refinancing.

OCA/USPS-T9-27. Please refer to Library Reference H-12, ChapVIb. Please show the impact upon the "FFB Note Interest Expense" schedules if interest rate quotations are updated to the current Telerate quotations for the source of the yield curve.

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.



KENNETH E. RICHARDSON
Attorney

Washington, D.C. 20268-0001
August 18, 1997