

Before The  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

Postal Rate and Fee Changes )

Docket No. R2005-1

OFFICE OF THE CONSUMER ADVOCATE  
INTERROGATORIES TO UNITED STATES POSTAL SERVICE  
WITNESS WILLIAM P. TAYMAN, JR. (OCA/USPS-T6-1-10)  
(April 26, 2005)

Pursuant to Rules 25 through 28 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 interrogatory OCA/USPS-T1-1, dated April 12, 2005, are hereby incorporated by reference.

Respectfully submitted,

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OCA/USPS-T6-1. Please refer to your Exhibit USPS 6I.

a. Please confirm that the Postal Service's total net income for the last two complete fiscal years, FY2003 and FY2004, was, in millions, \$6,933.388. If you cannot confirm, please explain.

b. Please confirm that when net income for FY2003 and FY2004 are combined with the Postal Service's estimated net income for FY2005, the total net income for the three years, FY2003, FY2004 and FY2005 will be, in millions, \$8,576.841. If you cannot confirm, please explain.

c. Please confirm that the cumulative net income at the end of any fiscal year for the Postal Service has never been positive from the inception of the present Postal Service in FY1971 until the end of FY2004. If you cannot confirm, please explain.

d. Please confirm that the Postal Service has never filed a rate case before the Postal Rate Commission at a time when its cumulative net income was a positive amount. If you cannot confirm, please explain.

e. Please confirm that the cumulative net income figure in the "Cumulative NI(Loss)" column for FY2005, in millions, is \$2,540.712. If you cannot confirm, please explain.

f. Please confirm that based upon the filing in this proceeding, the total estimated retained earnings of the Postal Service at the end of FY2005, will be the same amount as in subpart e, above, in millions, \$2,540.712. If you cannot confirm, please explain.

g. Please confirm that the total estimated FY2006 cumulative net income figure in the "Cumulative NI(Loss)" column if it were extended to FY2006, would be comprised of, in millions, \$2,540.712, for the estimated FY2005 Cumulative net income plus, in millions, \$112 (Net surplus test year after rates from Exhibit 6A, line 30.) for a total, in millions, of \$2,652.712.

h. Please confirm that the "Equity" column in exhibit 6I is the "Cumulative NI (Loss)" plus cash infusions into the Postal Service authorized by Congress at various times. If you cannot confirm, please explain.

i. Please confirm that since 1970, Congress has authorized cash infusions into the Postal service amounting to the difference between the totals in the Equity and Cumulative NI(Loss) columns in your Exhibit USPS 6I, or approximately \$3.034 billion. If you cannot confirm, please explain.

j. Please confirm, as shown on your testimony in Table 63 at page 54, (Analysis of Changes in Equity, Ending Balance, Test Year Before Rates) that even if the Postal Service does not raise its rates during FY2006, based upon the estimates filed in this proceeding, the Postal Service equity at the end of FY2006 would be, in millions, a positive \$2,532.776 (i.e. \$5,574.636 less the Public Law 108-18 escrow payment, in millions, of \$3,041.860). If you cannot confirm, please explain.

k. Please confirm, as shown on your testimony in Table 63 at page 54, (Analysis of Changes in Equity, Ending Balance, Test Year After Rates) that if the Postal Service raises its rates for FY2006, based upon the estimates filed in this proceeding, the Postal Service equity at the end of FY2006 would be, in

millions, a positive \$5,686.659 (i.e. rounded \$5.7 billion). If you cannot confirm, please explain.

l. In view of the Postal Service's situation regarding retained earnings at the end of FY2005, please confirm that that if rates are not increased in FY2006, then the retained earnings of the Postal Service at the end of FY2006 would be a negative \$501 million. If you cannot confirm, please explain.

m. Please confirm that if rates are not increased during FY2006, based upon the Postal Service's filing and your Table 63 at page 54 of your testimony, the Postal Service's equity position at the end of FY2006 would be a positive, in millions, \$2,532.776. If you cannot confirm, please explain.

OCA/USPS-T6-2. Please refer to your Exhibit USPS 6A, line 27, "Recovery of Prior Year Losses." Please confirm that the amount shown on that line is a zero amount for the Test Year before rates and Test Year after rates. If you cannot confirm, please explain.

OCA/USPS-T6-3. Please confirm that in recent past rate cases, in calculating the revenue requirement, the Postal Service and the Commission have included one-ninth of the prior years' losses on this line in order to recover the prior years' losses. If you cannot confirm, please explain.

OCA/USPS-T6-4. Please refer to your Exhibit USPS 6A, line 27, "Recovery of Prior Year Losses."

- a. Please confirm that, theoretically, if prior year gains were to be accounted for in the revenue requirement, the heading of this line could appropriately be styled "Recovery of Prior Year Losses **(Gains).**" If you cannot confirm, please explain.
- b. Please explain where the prior year gains (retained earnings) are accounted for currently in the revenue requirement, particularly in your Exhibit USPS6A?

OCA/USPS-T6-5. Please refer to your Exhibit USPS 6A, line 27, "Recovery of Prior Year Losses." Please confirm that if the amount shown on line 27 for Test Year Before Rates were the amount of the estimated cumulative net income of the Postal Service at the end of FY 2005, (in millions, \$2,540.712), the amount on line 30, "Net Surplus (Deficiency)," would be reduced by a like amount and, therefore, rather than showing a deficiency, in millions, of \$3,041.9, the deficiency would be \$501.2 million. If you cannot confirm, please explain.

OCA/USPS-T6-6. Please confirm that, because the current rates are estimated to produce a revenue deficiency of \$3.042 billion in FY2006, if the Postal Rate Commission were to recommend rates designed to reduce the cumulative net revenue to zero by the end of FY2006, the Postal Service revenue for FY2006 would need to be increased by only \$501 million, the difference between the estimated Cumulative NI (Loss) at the end of FY2005 and the Public Law 108-18

escrow payment of approximately \$3.1 billion. If you cannot confirm, please explain.

OCA/USPS-T6-7. If revenue were to be increased in FY2006 by \$501 million, by an across the board rate increase in FY2006, what would be the required percentage rate increase? Please provide back-up documentation for your answer.

OCA/USPS-T6-8. Please refer to your testimony at page 16, lines 27-29 where you state, "If borrowing were used to fund the escrow, we would likely exceed the annual borrowing limit of \$3 billion in FY2007.

a. Please confirm that the underlying predicate of your conclusion is that rates would not be also increased in FY2007.

b. How much borrowing would be required by the Postal Service in FY2007 if the rates proposed in this docket became effective at the beginning of FY2007?

OCA/USPS-T6-9. Please refer to your testimony at page 16, lines 27-29 where you state, "If borrowing were used to fund the escrow, we would likely exceed the annual borrowing limit of \$3 billion in FY2007." Please also refer to Table 10, page 15, of your testimony showing the FY2006 before rates total debt increasing by 0.999 billion over the FY2005 total debt of 1.0 billion. Please confirm that if the proposed rates did not become effective during FY2006, the

Postal Service would not exceed the annual borrowing limit of \$3 billion in FY2006.

OCA/USPS-T6-10. Please refer to your testimony at page 16, lines 27-29 where you state, "If borrowing were used to fund the escrow, we would likely exceed the annual borrowing limit of \$3 billion in FY2007." Please provide your calculations supporting this conclusion.