

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES  
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005-1

RESPONSES OF POSTAL SERVICE WITNESS TAYMAN  
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T6-15-18)

The United States Postal Service hereby provides the responses of witness Tayman to the following interrogatories of the Office of the Consumer Advocate, filed on May 16, 2005: OCA/USPS-T6-15-18.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE  
By its attorneys:

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May 31, 2005

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN  
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**OCA/USPS-T6-15.** Please refer to the “Equity” column in your Exhibit 6I and your response to OCA/USPS-T6-1h.

- a. Please confirm that the difference between the total Equity of \$5,574.636 million and the sum of the initial equity of \$1,685.717 million and “Cumulative Net Income” of \$2,540.712 million of the Postal Service is made up solely of appropriations.
- b. Please confirm the total appropriations included in the Equity column of that exhibit are a total of \$1,348.207 million.
- c. Please list separately all of the appropriations included in the Equity column and the dates those appropriations were received by the Postal Service.
- d. Please confirm that the Postal Reorganization Act Amendments of 1976 (PL94-421) authorized to be appropriated \$500 million for each of two years to be applied against the accumulated operating indebtedness of the Postal Service as of September 30, 1976 and 1977.
- e. Please indicate whether any of the appropriations other than those referred to in d, above, were authorized by Congress with the requirement that the funds must be used to reduce operating indebtedness.
- f. Does the Postal Service currently have “operating indebtedness?” If so, what is it now and what will it be by the end of FY 2005?
- g. Please identify where the appropriations included in the Equity column, cited above, were taken into account in determining the Postal Service’s revenue requirement.

**Response:**

- a. Not confirmed. Property transfers to and from the Postal Service are also included in total equity.
- b. Not confirmed. Net property transfers would also be reflected in this total.
- c. Appropriations received by the Postal Service are documented in the footnotes to Postal Service Annual Reports
- d. Confirmed. PL 94-421 also placed restrictions on raising rates, reducing service, and closing post offices.

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- e. I am not aware that any other capital contributions had such a requirement.
  
- f. The Postal Service currently has no operating debt and does not anticipate any at the end of FY 2005.
  
- g. Equity is not a component of the revenue requirement.

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**OCA/USPS-T6-16.** Please refer to your response to OCA/USPS-T6-1j where you state that if Postal Service rates are not increased in FY 2006 the outstanding debt would increase to \$1.999 billion. You also state that increasing the debt would be inconsistent with the Public Law 108-18 requirement to reduce outstanding debt.

- a. If the Postal Service makes the required escrow payment in FY 2006 of \$3.1 billion as required by the Public Law 108-18, what are the foregone escrow payment savings in FY 2006?
- b. Please explain why the Postal Service is bound in FY 2006 by the terms of Public Law 108-18 providing that foregone escrow payment savings are to reduce outstanding debt in FY 2006.
- c. Once the Postal Service recommences paying the escrow amount in FY 2006, why is it still bound by the requirement in Public Law 108-18 to reduce outstanding debt?
- d. Is the Postal Service prohibited from increasing outstanding debt in FY 2006 by the terms of Public Law 108-18? If so, please cite to the language or the legislative history to support your conclusion.

**Response:**

- a. I do not know what is meant by "foregone escrow payment savings."
- b. Public Law 108-18 does not require the reduction of outstanding debt beyond FY 2005.
- c. See my response to b.
- d. See my response to b.

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**OCA/USPS-T6-17.** Please refer to your response to OCA/USPS-T6-4a. Your response discusses the fact that there are currently no prior year's losses. The question is intended to focus rather on the current situation where there are prior years gains, "cumulative net income." Please confirm that in calculating the Postal Service's revenue requirement, if the Commission wishes to reduce accumulated past years gains smoothly and to conform the timing of the recovery of those gains more nearly in time with mailers who were responsible for the gains, the Commission could reverse the methodology used for handling past year's losses and insert in USPS 6A, line 27, a negative number (rather than a positive number) to reduce the revenue requirement so as to reduce accumulated past year gains at a measured pace over a particular period of time.

**Response:**

Not confirmed. The type of mechanism that was applied to recover prior years' losses in the context of accumulated net deficits cannot simply be inverted and applied to gains and be assumed to be consistent with the policy of break-even over time. For example, the cost of land has not been included in the revenue requirement even though all mailers have benefited from use of facilities located on the land, and, at the same time, gains from the sale of land have been recognized as reductions to the revenue requirement. Since 1971 the Postal Service's investment in land has increased from \$155 million to \$2,810 million. Accordingly, it is appropriate for the Postal Service to maintain cumulative net income.

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**OCA/USPS-T6-18.** Please confirm that an alternative method of providing for returning the Postal Service's cumulative net income to zero, rather than adjusting the revenue requirement as suggested in OCA/USPS-T6-17, is for the Postal Service to defer implementing a rate increase beyond the date that the test year may demonstrate an annual loss until such time as the cumulative net income will be drawn down to approximately zero.

**Response:**

See my response to OCA/USPS-T6-17.

## **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.

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