

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-T6-19-37)

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 25, 2005: OCA/USPS-T6-19-37.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

Daniel J. Foucheaux, Jr.
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June 8, 2005

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T6-19 Please confirm that Table 10, page 15, of your testimony indicates the Postal Service had debt outstanding to the Federal Financing Bank of \$1,800 millions at the end of FY 2004. If you do not confirm, please explain.

Response:

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
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OCA/USPS-T6-20 Please confirm that Table 10, page 15, of your testimony indicates the Postal Service is projected to have debt of \$1,000 millions, as of September 30, 2005, the end of FY 2005. If you do not confirm, please explain.

Response:

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
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OCA/USPS-T6-21. Please confirm that Table 10, page 15, of your testimony indicates the Postal Service is projected to have before rates debt of \$1,999 millions, as of September 30, 2006, the end of FY 2006. If you do not confirm, please explain.

Response:

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
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OCA/USPS-T6-22. Please confirm that in Library Reference R2005-1-K-50 at Chapter XII, page 536, titled "BORROW," the Borrowing and Repayment Schedule shows, as of the end of FY 2004, the only Postal Service debt was short-term notes payable to the Federal Financing Bank bearing a final maturity date of May 6, 2005, in the amount of \$1,800 million. If you do not confirm, please explain.

Response:

Confirmed. However, it should be understood that these notes are short-term, floating rate, revolving credit facilities that have a final expiration date of May 6, 2005. Loans against these facilities varied. The last day to draw funds was on May 5, and any May 5 draws would have had to mature on May 6.

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OCA/USPS-T6-23. Please confirm that as of the end of FY 2004, the Postal Service had no debt outstanding to the Federal Financing Bank or other U.S. government entity, other than the debt cited in the above interrogatory.

Response:

Confirmed.

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OCA/USPS-T6-24. Please confirm that the Postal Service's Financial and Operating Statements for FY 2005, Accounting Period 1, ending October 31, 2004 indicate outstanding Postal Service debt of \$200 million. If you do not confirm, please explain.

Response:

Confirmed.

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OCA/USPS-T6-25. Please confirm that your prepared testimony filed with the Commission on April 8, 2005, states at page 16, lines 4-5, with respect to debt, "The Postal Service plans to continue debt reduction in FY 2005...."

Response:

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
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OCA/USPS-T6-26. Please explain with detailed documentation how the estimated year end FY 2005 Postal Service debt of \$1.000 billion was calculated.

Response:

Please see USPS LR.K-50, Rollforward Expense Factors, Chapter VI, Section a., page 256 for the factors that were considered in determining FY 2005 end-of-year debt of \$1.0 billion.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
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OCA/USPS-T6-27. Please confirm that each of the six monthly Postal Service Financial and Operating Statements from November 30, 2004 through April 30, 2005 indicate a Postal Service debt of zero.

Response:

Confirmed.

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OCA/USPS-T6-28. Please confirm that the Postal Service currently has no outstanding debt to the Federal Financing Bank. If you do not confirm, please explain.

Response: Confirmed.

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OCA/USPS-T6-29. Please cite to the portion of the testimony or exhibits in the April 8, 2005 Postal Service application in this docket which indicates the fact that the Postal Service had eliminated all debt to the Federal Financing Bank approximately six months earlier, during November, 2004, and discusses the implications of that fact upon your estimate in Table 10 that debt will be outstanding at the end of FY 2005 year. If there is no such discussion, please explain.

Response:

As demonstrated in USPS LR.K-50, Rollforward Expense Factors, Chapter VI, Section a., page 259, the elimination of outstanding debt was anticipated in October 2005. Also, see response to OCA/USPS-T6-22.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
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OCA/USPS-T6-30. Please confirm that the budgeted net income for FY 2005 was the basis on which you estimated the borrowing needs of the Postal Service for FY 2006 and FY 2007. If you cannot confirm, please explain.

Response:

Not confirmed. As explained in response to OCA/USPS-T6-33, the FY 2005 budget does not reflect the net income that is reflected in the rate case filing. Please note that there are numerous factors that impact the estimated borrowing needs of the Postal Service. For FY 2006, these are on listed on page 256 of USPS LR.K-50, Rollforward Expense Factors, Chapter VI, Section a. There are no borrowing needs estimated for FY 2007 in this filing.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
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OCA/USPS-T6-31. Please confirm that the most recently available FY 2005 Financial and Operating Statement, as of April 30, 2005, page 1, indicates year-to-date budgeted earnings of \$701.6 million and actual earning of \$2,025.3 millions which are in excess of the budgeted amount by \$1,323.7 million. If you do not confirm, please explain.

Response:

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
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OCA/USPS-T6-32. Please state whether you expect the Postal Service to incur any debt during the remainder of this fiscal year, FY 2005. If so, please explain and provide your assumptions and calculations.

Response:

See responses to OCA/USPS-T6-20 and 26.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAYMAN
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OCA/USPS-T6-33. If current postal rates are not modified or changed in FY 2006, and taking into account the Postal Service's unanticipated earnings of over \$1.3 billion as of April 30, 2005, when do you estimate the Postal Service will again need to borrow funds from the Federal Financing Bank?

Response:

The \$1.3 billion in net income over plan as of April 30, 2005 was not anticipated in our FY 2005 Operating Budget, but it was anticipated in this filing. The FY 2005 Postal Service operating budget assumed a net loss of \$192 million, this filing assumes a FY 2005 net income of over \$1.6 billion. Any need for borrowing in FY 2006, either with or without a rate increase in 2006, would occur in September, 2006. September 30, 2006 is the date that the Postal Service is required to fund the \$3.1 billion escrow amount.

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OCA/USPS-T6-34. If the proposed rate changes are implemented as anticipated by the Postal Service in this Docket No. R2005-1 during early 2006, when do you estimate the Postal Service will again need to borrow funds from the Federal Financing Bank?

Response:

After the Test Year.

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OCA/USPS-T6-35. In your Exhibit No. USPS 6I, the Postal Service's net accumulated earnings as of the end of FY 2005 are estimated to be \$2,540.712 millions. Your Exhibit No. USPS-6A indicates a test year, before rates loss of \$3,041.9 millions. Please confirm that if the FY 2005 net income exceeds the budgeted amount by an amount which at least makes up the difference between those two numbers, or \$501.188 millions, then, the accumulated net income would be at least \$3,041.9 millions at the end of FY 2005. If you do not confirm, please explain.

Response:

Not confirmed. See response to OCA/USPS-T6-33. The \$2,540.712 accumulated earnings as of the end of FY 2005 include the FY 2005 estimated net income of \$1.6 billion. The budgeted FY 2005 net loss is \$192 million. Therefore, the FY 2005 estimated net income included in this filing exceeds the budgeted amount by \$1,835 million, not \$501.188 million. However, if actual FY 2005 net income were \$2.1 billion instead of \$1.6 billion, then the accumulated net income at the end of FY 2005 would be \$3,041.9.

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OCA/USPS-T6-36. Please confirm that with five months remaining in the fiscal year and Postal Service year-to-date income of \$1.325 billion greater than the budgeted amount, it is now probable the Postal Service will have a net income for FY 2005 of at least \$501.188 millions greater than the budgeted net income. If you do not confirm, please explain.

Response:

As stated in response to OCA/USPS-T6-35, this level of net income performance, rather than the FY 2005 budget net income, is included in this filing.

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OCA/USPS-T6-37. Please confirm that, hypothetically, even if the Postal Service rates were not increased during the FY 2006 test year, if the Postal Service's retained earnings at the beginning of FY 2006 exceed the test year FY 2006 losses currently estimated at \$3.042 billion and that, in fact, the test year losses are actually that amount or less, then the Postal Service would still have accumulated net income at the end of FY 2006. If you do not confirm, please explain.

Response:

Confirmed.

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.

Scott L. Reiter

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June 8, 2005