

UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate Commission
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Postal Rate and Fee Changes

Docket No. R2005-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 10

(July 8, 2005)

The United States Postal Service is requested to provide the information described below to assist in developing a record for the consideration of the Postal Service's request for changes in rates and fees. In order to facilitate inclusion of this material in the evidentiary record, the Postal Service is to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers. The answers are to be provided within 14 days.

1. Please provide the latest version of the Handbook F-8, The USPS Chart of Accounts.
2. During Witness Tayman's oral cross-examination, he noted that the Escrow Requirement of \$3.081 billion will not be disbursed to the Treasury but will be held by the Postal Service as an asset on the balance sheet. Tr. 2/237 at 17-24. This can be seen in the cash flow statements provided in LR-K-50 as an increase in cash and cash equivalents for FY 2006. See the electronic file from USPS LR-K-50, filename IntIncExp_R05_corrected at worksheet "Cash Flow", line 47.

Witness Tayman also states that "...in the aspects of financial reporting, a company usually can't pay itself an expense and record it as an expense on their income statement." So, he states that there will be a "unique situation" in regards to how the escrow requirement will be reported on the Postal Service's monthly and annual financial statements for FY 2006. Tr. 2/238 at 1-4.

- a. Do you agree that a depreciation expense, while based on a tangible value of a balance sheet asset, is an expense on the income statement in which a company is paying itself and recording it on the income statement? Do you agree that this generates a cash flow from a stream of revenues that will eventually enable the company to replace that asset in the future? If you don't agree, please explain the reasons for your disagreement.
 - b. If you do agree, generally, why would not the escrow requirement be considered in the same vein, especially since the Postal Service is mandated by law to recognize the escrow as an operating expense.
3. Please refer to USPS-LR-K-77, FY 2004 Billing Determinants. On Page L-2, it shows "Pieces for First-Class QBRM with Quarterly" at 161,404,598 and "First-Class QBRM without Quarterly" at 224,243,133. This sums to a total of 385,647,731.
Now refer to pages A-1 and A-5. On page A-1 it shows QBRM Pieces at 340,003,000 for "First Ounce." On Page A-5 it shows "QBRM Post Cards" at 41,775,000. This gives a sum of 381,778,000.
Please reconcile the difference between the total calculated from L-2 (385,647,731) and the total calculated from A-1 and A-5 (381,778,000.)
4. Please refer to USPS-LR-K-115, workbook USPS-T-28C spreadsheets, sheet "SS-9 Business Reply Mail." On that sheet, please refer to cells C1 and C2, which show the proportion figures for "new" and "old." Please confirm that that this represents the same issue that was addressed in the response to POIR No. 8, question 12, about "SS-26 Permit Imprint Per," which stated, "The old fee and new fee references are to FY 2002, when there were two fees charged for the service, but these references should not have been in this work paper." Also, please make any necessary corrections.

5. Please refer to USPS-LR-K-115, workbook USPS-T-28C spreadsheets, sheet "SS-17 Media Mail Presort Per." Please refer to cell Y32, where 2004 Base Year volume is calculated. Cell Y32 is set to equal Y27 (which contains the value for "Special" volume). However, the volumes for 2006 TYBR and 2006 TYAR include the sum of "Special" and "Library" volumes. Please reconcile these calculations, i.e., please explain why "Library" volume is included in Test Year volumes but is excluded from the calculation of 2004 Base Year volume.

George Omas
Presiding Officer