

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

POSTAL RATE AND FEE CHANGES

Docket No. R2006-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS O'HARA
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 16,
QUESTION 12

The United States Postal Service hereby provides the response of witness O'Hara to Question 12 of Presiding Officer's Information Request No. 16, issued September 28, 2006. The question is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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**RESPONSE OF POSTAL SERVICE WITNESS O'HARA TO
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POIR No. 16, Question 12

Please refer to: (1) USPS-LR-L-174 "Workpapers of Witness O'Hara," filed August 25, 2006; (2) Exhibit USPS-31A "Summary of Estimated TYBR Finances (O'Hara)," revised August 25, 2006; (3) Exhibit USPS-31B "Summary of Estimated TYAR Finances (O'Hara)," revised August 25, 2006; (4) Exhibit USPS-31C "Summary of Estimated Revenues, Interim Fiscal Years 2007BR and 2007AR (O'Hara)," revised August 25, 2006; (5) Exhibit USPS-6A "Statements of Revenue and Expense (Loutsch)," revised July 31, 2006; and (6) Exhibit USPS-6D "Mail and Special Services Revenue, Fiscal Year 2005–Test Year (Loutsch)," revised July 31, 2006.

- a. Please confirm that the individual revenue entries in the second column "TYBR Revenue" of Exhibit USPS-31A add up to the 2008 TYBR total revenue figure of \$73,632,163 (000), which is different from the pasted (hard coded) figure of \$73,580,134 (000).
- b. Please confirm that the following five different numbers currently exist in the record for 2008 TYBR total revenue: (1) \$75,779,424 (000) in the column numbered 2; (2) \$75,674,351(000) in the column numbered 4 of the sheet "BR 2008 Vol & Rev" in USPS-LR-L-174; (3) \$73,580,134 (000) in the sheet "BR 2008 Rev & Cost" of USPS-LR-L-174; (4) \$73,632,163 (000) in Exhibit USPS-31A; and (5) \$73,568 (000,000) in Exhibits USPS-6A and USPS-6D.
- c. If (a) and (b) above are confirmed, please revise USPS-LR-L-174 and Exhibits USPS-31A, USPS-6A and USPS-6D, as well as any other relevant document, as needed, in order to produce one and only one estimate of 2008 TYBR total revenue that is consistent with the record. Please show step-by-step how 2008 TYBR total revenue is calculated. Please ensure that the mail category and special service revenue entries in all spreadsheets of USPS-LR-L-174 are electronically linked to the workpapers of pricing witnesses or provide detailed citations to the sources. Make sure that the figures in the workpapers of pricing witnesses agree with the revenue entries in all spreadsheets of USPS-LR-L-174.
- d. Please refer to the following six spreadsheets in USPS-LR-L-174: (1) "BY 2005 Vol \$ Rev;" (2) "BR 2006 Vol \$ Rev;" (3) "BR 2007 Vol \$ Rev;" (4) "BR 2008 Vol \$ Rev;" (5) "AR 2007 Vol \$ Rev;" and (6) "AR 2008 Vol \$ Rev." These spreadsheets are designed so that the calculated total revenue in columns (2) and (4) are equal. Both columns contain the same information—postage and fees of mail and special services. Column (2) contains postage plus unallocated fees and column (4) shows postage plus allocated fees to mail categories. Please confirm that in the following four spreadsheets, from the above six, the calculated total revenue figures in columns (2) and (4) are not the same:

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(1) "BY 2005 Vol \$ Rev;" (2) "BR 2006 Vol \$ Rev;"
(3) "BR 2008 Vol \$ Rev;" and (4) "AR 2008 Vol \$ Rev." If the above is confirmed, please correct the four spreadsheets so that the calculated total revenue in columns (2) and (4) are equal.

- e. Please confirm that the FY 2005 (base year) actual total revenue calculated by witness O'Hara in the sheet "BY 2005 Vol & Rev" of USPS-LR-L-174 does not agree with the FY 2005 actual total revenue reported by witness Loutsch in Exhibits USPS-6A and USPS-6D. If the above is confirmed, please revise sheet "BY 2005 Vol & Rev" of USPS-LR-L-174 and Exhibits USPS-6A and USPS-6B, if needed, so that the actual revenue figures for the individual mail and special services as well as the calculated total revenue for BY 2005 agree in all three documents. Please show step-by-step how BY 2005 total revenue is calculated.
- f. Please confirm that the 2008 TYAR total revenue calculated by witness O'Hara in the sheet "AR 2008 Vol & Rev" of USPS-LR-L-174 and shown in Exhibit USPS-31B does not agree with the TYAR total revenue reported by witness Loutsch in Exhibits USPS-6A and USPS-6D. If the above is confirmed, please revise sheet "AR 2008 Vol & Rev" of USPS-LR-L-174 and Exhibits USPS-31B, USPS-6A and USPS-6B so that the revenue figures for individual mail and special services as well as the calculated total revenue for 2008 TYAR agree in all four documents. Please show step-by-step how 2008 TYAR total revenue is calculated.
- g. Please confirm that the 2008 TYBR net income deficiency calculated by witness O'Hara in the sheet "BR 2008 Rev & Cost" of USPS-LR-L-174 and shown in Exhibit USPS-31A does not agree with the deficiency reported by witness Loutsch in Exhibit USPS-6A. If the above is confirmed, please revise sheet "BR 2008 Rev & Cost" of USPS-LR-174 and Exhibits USPS-31A and USPS-6A so that only one correctly calculated deficiency figure for 2008 TYBR is shown in all three documents. Please show step-by-step how TYBR net income deficiency is calculated.
- h. Please confirm that the 2008 TYAR net income calculated by witness O'Hara in the sheet "AR 2008 Rev & Cost" of USPS-LR-L-174 and shown in Exhibit USPS-31B does not agree with the surplus reported by witness Loutsch in Exhibit USPS-6A. If the above is confirmed, please revise sheet "AR 2008 Rev & Cost" of USPS-LR-174 and Exhibits USPS-31B and USPS-6A so that only one correctly calculated surplus figure for 2008 TYAR is shown in all three documents. Please show step-by-step how 2008 TYAR net income is calculated.
- i. Currently, Exhibits USPS-31A through USPS-31E have been submitted as a PDF file. Please resubmit Exhibits USPS-31A through USPS-31E as

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electronic spreadsheets with the numerical entries electronically linked to or provide detailed citations to their sources.

RESPONSE TO QUESTION 12:

- a. Confirmed.
- b. Confirmed
- c. Revised spreadsheets corresponding to Exhibit 31A and to those in LR-L-174 are contained in CD 1 of the attachment to this response, LR-L-196. CD 2 contains the exhibits to witness Loutsch's testimony and the spreadsheets in LR L-50 that change as a result of the revenue, volume, and final adjustment changes.¹
In the Before Rates spreadsheets for FY 2006 and FY 2007 BR, there are still some hard-coded values for subclass detail. Pricing witnesses last worked on these revenues well before R2006-1 was filed, and, in accordance with previous practice, generally did not include them in their individual workpapers. Any recent changes have been incorporated using links to their sources.
- d. Confirmed; the formulae that generated the inconsistency between columns (2) and (4) have been corrected in the spreadsheets accompanying this response.
- e. R2005 revenue and fees are taken from the USPS-LR-L-20 (FY2005_RPW summary report).
- f. Confirmed. The appropriate changes have been made.
- g. Confirmed. The appropriate changes have been made.
- h. Confirmed. The appropriate changes have been made.

¹ The RF_Rpts_06.xls file should replace the file with the same name in the model directory that was filed on July28 . After all the files in the model directory have been opened, the links to the RF_Rpts_06 file should be updated.

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RESPONSE TO QUESTION 12 (continued):

- i. An Excel file linking Exhibits 31A through 31E to their work-paper sources is included in the attachment to this response, LR-L-196.