

# DOCKET SECTION

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

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POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

UNITED STATES POSTAL SERVICE  
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO  
THE COALITION OF RELIGIOUS PRESS ASSOCIATIONS WITNESS STAPERT  
(USPS/CRPA-T1-1-3)

Pursuant to rules 25 and 26 of the Rules of Practice and Procedure and rule 2 of the Special Rules of Practice, the United States Postal Service directs the following interrogatories and requests for production of documents to the Coalition of Religious Press Associations witness Stapert: USPS/CRPA-T1-1-3.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking



Scott L. Reiter

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January 12, 1998

**Witness Stapert (CRPA-T-1)**

USPS/CRPA-T1-1.

Please refer to page 10, line 12 where you quote PMG Runyon's statement that "over the past three years 'we have improved the equity of the Postal Service by \$4.7 billion'". Also refer to the financial statements in the 1997 Annual Report of the United States Postal Service, a copy of which is attached.

- (a) Confirm that despite recent improvements, the level of the Postal Service's equity (net capital deficiency) remained negative as of the end of FY 1997 at a minus \$1.4 billion. If you do not confirm please explain your answer.
- (b) Please provide your understanding of negative equity.

USPS/CRPA-T1-2.

On page 10, line 15 of your testimony you contrast the \$55 million net income that was reflected in the Postal Service's FY 97 plan to the actual FY 97 net income of \$1.3 billion. You also state on line 18 that "income had been underestimated, and expenses had been overestimated in every category" and that "Porras also reported that Postal Service revenue is currently growing faster than expenses (3.08% vs. 3.03% per year)." Please also refer to the Testimony of William P. Tayman, Exhibit USPS-T-9A, and the responses of witnesses Tayman and McDonald to DMA/USPS-T9-27.

- (a) Please confirm that the FY 97 net income estimated by the Postal Service in this Docket was \$636 million, not \$55 million. If you do not confirm please explain fully.
- (b) Please confirm that a discussion of the variances from the FY 97 \$636 million net income estimated in this Docket is more relevant to this rate proceeding than to

the FY 97 variance from the \$55 million plan. If you do not confirm please explain why?

- (c) Please provide a copy of the source of your statement on page 10 line 19 that "Postal Service revenue is currently growing faster than expenses (3.08% vs. 3.03%) per year. Please confirm that as reflected in the 1997 Annual Report of the United States Postal Service, operating expenses grew faster (3.3%) than operating revenue (3.2%). If you do not confirm please explain why?
- (d) Please confirm that as reflected in the 1997 Annual Report of the United States Postal Service, total expenses (\$57.067 billion versus \$54.977 billion) grew by 3.8% and total revenue (\$58.331 billion versus \$56.544 billion) grew by 3.2%. If you do not confirm please explain why?
- (e) Have you analyzed the causes of the difference between the FY 97 estimated net income used in this Docket and actual FY 97 net income? If your answer is yes please discuss the major differences and provide the results of your analysis.
- (f) Is it possible that some of the differences between FY 97 actual net income and the estimate used by the Postal Service in this Docket may not carry forward into the test year requirement was developed? (i.e. may not impact test year net income)? If your answer is other than yes, please explain why?
- (f) Please confirm that in their responses to DMA/USPS-T9-27, witnesses Tayman and McDonald identified several significant variances which favorably impacted FY 97 results which will not impact the test year. If you do not confirm please explain your answer fully.

USPS/NDMS-T2-3

On page 10, line 21 of your testimony you state that “CRPA is aware that under the Commission’s understanding of the statutes, the Postal Service has the exclusive right to determine its revenue requirement”. Please state whether this awareness is based on any source other than the Commission’s written opinions and recommended decisions.

# Statements of Operations

(dollars in millions)

|  | Years ended September 30, |                 |                 |
|--|---------------------------|-----------------|-----------------|
|  | 1997                      | 1996            | 1995            |
| Operating revenue — Note 8   | \$ 58,216                 | \$ 56,402       | \$ 54,293       |
| Operating expenses:  |                           |                 |                 |
| Compensation and benefits — Notes 2, 6, and 7  | 43,835                    | 42,676          | 41,931          |
| Transportation   | 4,026                     | 3,736           | 3,476           |
| Other  | 7,012                     | 6,701           | 5,323           |
| Total operating expenses   | 54,873                    | 53,113          | 50,730          |
| Income from operations   | 3,343                     | 3,289           | 3,563           |
| POD workers' compensation expense- Note 3  | (258)                     | -               | -               |
| Interest and investment income   | 115                       | 142             | 216             |
| Interest expense on deferred retirement liabilities — Note 6                                       | ( 1,597)                  | ( 1,449)        | ( 1,364)        |
| Interest expense on borrowings   | ( 307)                    | ( 368)          | ( 566)          |
| Imputed interest on OBRA 1990 and OBRA 1993 retroactive assessments for employee benefits — Note 4 | ( 32)                     | ( 47)           | ( 79)           |
| Net income   | <u>\$ 1,264</u>           | <u>\$ 1,567</u> | <u>\$ 1,770</u> |

See accompanying notes to financial statements.

## Balance Sheets

(dollars in millions)

|   | 1997             | September 30,<br>1996 |
|---|------------------|-----------------------|
| <b>Assets</b>   |                  |                       |
| Current assets:   |                  |                       |
| Cash and cash equivalents   | \$ 403           | \$ 310                |
| Receivables:  |                  |                       |
| Foreign countries   | 441              | 547                   |
| U.S. Government   | 101              | 109                   |
| Consignment   | 48               | 38                    |
| Other   | 159              | 116                   |
|   | 749              | 810                   |
| Less allowances   | 77               | 83                    |
| Total receivables, net  | 672              | 727                   |
| Supplies, advances and prepayments  | 388              | 410                   |
| Total current assets  | 1,463            | 1,447                 |
| Other assets, principally revenue forgone<br>appropriations receivable — Note 8 | 372              | 354                   |
| Property and equipment, at cost:  |                  |                       |
| Buildings   | 13,911           | 12,923                |
| Equipment   | 10,328           | 9,738                 |
| Land  | 2,178            | 2,107                 |
| Leasehold improvements  | 797              | 696                   |
|   | 27,214           | 25,464                |
| Less allowances for depreciation and amortization                               | 9,702            | 9,158                 |
|   | 17,512           | 16,306                |
| Construction in progress  | 1,862            | 1,552                 |
| Total property and equipment, net   | 19,374           | 17,858                |
| Deferred retirement costs — Note 6  | 31,929           | 31,944                |
| <b>Total assets</b>   | <b>\$ 53,138</b> | <b>\$ 51,603</b>      |

See accompanying notes to financial statements.

# Balance Sheets

(dollars in millions)

|   | September 30,    |                  |
|---|------------------|------------------|
|   | 1997             | 1996             |
| <b>Liabilities and Net Capital Deficiency</b>                   |                  |                  |
| <b>Current liabilities:</b>                                     |                  |                  |
| Compensation and benefits                                       | \$ 5,056         | \$ 4,743         |
| Estimated prepaid postage                                       | 1,743            | 1,723            |
| Payables and accrued expenses:                                  |                  |                  |
| Foreign countries   | 703              | 721              |
| U.S. Government   | 181              | 226              |
| Other   | 940              | 878              |
| Total payables and accrued expenses                             | 1,824            | 1,825            |
| Prepaid box rentals, permit and metered mail                    | 1,924            | 1,592            |
| Outstanding postal money orders                                 | 640              | 680              |
| Current portion of debt   | 2,647            | 2,010            |
| <b>Total current liabilities</b>                                | <b>13,834</b>    | <b>12,573</b>    |
| <b>Long-term debt, less current portion — Note 5</b>            | <b>3,225</b>     | <b>3,909</b>     |
| <b>Other liabilities:</b>                                       |                  |                  |
| Amounts payable for deferred retirement benefits — Note 6       | 30,343           | 30,459           |
| Workers' compensation — Note 2                                  | 4,749            | 4,890            |
| Retroactive assessments payable to the U.S. Government — Note 4 | -                | 331              |
| Employees' accumulated leave                                    | 1,858            | 1,622            |
| Other   | 489              | 443              |
|   | <b>37,439</b>    | <b>37,745</b>    |
| <b>Commitments and contingencies — Notes 9 and 12</b>           |                  |                  |
| <b>Net capital deficiency:</b>                                  |                  |                  |
| Capital contributions of the U.S. Government                    | 3,034            | 3,034            |
| Deficit since reorganization                                    | ( 4,394)         | ( 5,658)         |
| <b>Total net capital deficiency</b>                             | <b>( 1,360)</b>  | <b>( 2,624)</b>  |
| <b>Total liabilities and net capital deficiency</b>             | <b>\$ 53,138</b> | <b>\$ 51,603</b> |

See accompanying notes to financial statements.

**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.

A handwritten signature in black ink, appearing to read "Scott L. Reiter", written over a horizontal line.

Scott L. Reiter

475 L'Enfant Plaza West, S.W.  
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January 12, 1998