

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

RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
[OCA/USPS-T13-1-3]
(May 20, 2005)

The United States Postal Service hereby responds to the above-listed interrogatories of the Office of the Consumer Advocate, filed on May 6, 2005.

The interrogatories are stated verbatim and are followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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OCA/USPS-T13-1. The following interrogatory refers to your testimony at page 9, line 14. Please provide cites for the \$4,052.9 million for FY 2004 facility-related costs. Provide the derivation of all calculated values, cite all sources relied upon, and if a source has not been previously provided in this docket, please provide one.

RESPONSE:

Please see the attached table showing the calculations and citations for the \$4,052.9 million facility related costs for FY 2004.

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FISCAL YEAR 2004

Facility Space and Related Costs

Line No.	Cost Segment	Expense Component	Accrued Cost (000)	Sources
		Space Related Costs:		
1	11	Custodial	1,042,694	< [a] , page A-12
2	11	Maintenance	503,311	< [a] , page A-12
3		Contract Cleaners	85,282	< [a] , page A-12
4	15	Fuel & Utilities	562,378	< [a] , page A-17
5	16	Custodial & Building Supplies	154,096	< [a] , page A-18
6	18	USPS Protection Force	76,200	< [b] , sheet CS18, cell C48
7		Subtotal Space Related Costs	2,423,961	Sum L1..L6
		Space Costs:		
8	15	Rents	887,241	< [a] , page A-17
9	20	Interest Expense	3,571	< L10 x L13/ L14
10	20	Depreciation	738,148	< [a] , page A-25
11		Subtotal Space Costs	1,628,960	Sum L8..L10
12		Total Space and Space Related Costs	4,052,921	L7 + L11

13 Interest Expense for Capital 10,376 < [b] , sheet CS20, cell R48

14 Total Depreciation 2,144,655 < [b] , sheet CS20, cell Q48

[a] Witness Meehan, USPS-T-9 USPS-9A
 [b] Witness Meehan, USPS-T-9, B Report See LR-K-5, A_Workpapers\A4_BY04.BRpt.xls

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OCA/USPS-T13-2. On page 9 of your testimony, lines 2 through 4, you indicate that the USPS conducted:

the facility space usage study which provides estimates of the amount of square feet and rents by operation and function for the Postal Service as a whole for the end of FY 1999.

On page 12 of your testimony, lines 9 through 11, you state,

Then, rental costs by operation and function is obtained by the development of rental rates by strata and category based on the 1992 facility study rental rate estimates and multiplying these by the amount of space by operation/function.

- a. Please identify where in your testimony and library references you rely upon the FY 1999 study for square feet and rents. Please specifically cite all references to the FY 1999 study.
- b. Please identify where in your testimony and library references you rely upon the FY 1992 facility study rental rate estimates. Please specifically cite all references to the FY 1992 study.
- c. Please fully explain where and why it was necessary to rely on the FY 1992 facility study for parts of your analysis and then rely on parts of the FY 1999 study for your analysis. In other words, why were you unable to rely solely on the FY 1999 study?

RESPONSE:

- A. My testimony provides Attachments 5 and 6 for the base year and test year. Both of these rely on the FY 1999 study results, as provided in USPS-LR-K-62, page 2, as shown in part I of USPS LR-K-54 (see specifically page I-3, I-11 and I-25). I describe the Facility Space Usage Study in part III of my testimony, citing this work numerous times. In addition, Attachment 10, piggy back factors by cost pool, incorporates some results of the USPS LR-K-62 in the determination of equipment costs by cost pool, as described in USPS-LR-K-52, page 65 and also in my testimony at page 56, lines 7 to 9.

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- B. The FY 1992 Facility Space study is an input into the FY 1999 Facility Space Usage Study, as indicated by page 12, lines 9 to 11 and at pages 32 to 33. See also USPS-LR-K-62, pages 38-41 and 51-54.
- C. I relied on the FY 1992 study for obtaining the 1992 imputed rental rates per square foot by strata. This is discussed in the references provided in part B. Valid measures of the FY 1999 imputed rental rates per square foot by strata are obtained by escalating the FY 1992 rates to FY 1999 by use of the Global Insight Rent-Residential Index. The FY 1999 facility space by category and strata provided by the FY 1999 Facility Space Usage Study, USPS-LR-K-62, Volume 2, Schedule 5 are used along with these rental rates per square foot to obtain FY 1999 rents by category as shown in USPS LR-K-62, Volume 2, Schedule 6 and as summarized in column 2 of Table 1 of page 10 of my testimony. It was not in any way “necessary” that I rely on the 1992 rental rates, however, it was entirely appropriate.

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OCA/USPS-T13-3. Please refer to your testimony at page 15, line 14 where you state, "facility space can be directly related to category 15 'LDC 15 – RBCS.'"

- a. At page 15, line 14, are you referring to Table 1 of your testimony?
- b. If your response to part a of this interrogatory is affirmative, should your testimony reference at page 15, be to category 15? If not, please fully explain what you are referring to at page 15, line 14.

RESPONSE:

A. Yes.

B. Yes. Errata will be filed changing "category 15" to "category 14."

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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