

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

RECEIVED
AUG 2 4 40 PM '00
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS PATELUNAS TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-ST44-13-32)

The United States Postal Service hereby provides the responses of witness Patelunas to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T4-ST44-13-32, filed on July 20, 2000.

Each interrogatory is stated verbatim and is followed by the response.
Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2990 Fax -5402
August 2, 2000

**RESPONSE OF WITNESS PATELUNAS TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-ST44-13. Please refer to the Attachment to this interrogatory. The Attachment compares the "after-rates" effects on costs for the "Statements of Revenue and Expense" filed by witness Tayman as Exh. USPS-9A on January 12, 2000, with the "Statements of Revenue and Expense" filed by you as Exh. USPS-ST-44A on July 7, 2000. This question focuses on the marked difference in the "after-rates" effect on the "Clerks and Mailhandlers" cost segment as compared to all the other segments.

- (a) Please explain in full why the "after-rates" effect on Clerks and Mailhandlers costs is so slight in your exhibit (a 0.9% after-rates effect) versus a 1.7% after-rates effect in witness Tayman's exhibit. (Observe from the Attachment that no other cost segment displays this phenomenon.)
- (b) If this effect is due to a non-volume-variable "cost reduction" or "other program" change, please so state. Also, provide citations to your testimony or exhibits, or any Postal Service library references, that shed light on this phenomenon.
- (c) If this effect is due to a "cost reduction" or "other program" change, explain what distribution key was used to distribute the change to the classes and subclasses.

RESPONSE:

- (a) The major cause of the difference is the larger after rates workyear mix adjustment in the updated filing. In the original filing, the difference between before and after rates was only -\$3.0 million. In the updated filing, this difference is \$144 million. Without this difference, the before rates to after rates change would be same in the updated filing as in the original filing. The reason for the changes in workyear mix are explained on page 7 of my testimony.
- (b) See the response to part a.
- (c) See the response to part a.

**Attachment to Interrogatory
OCA/USPS-ST-44-13**

	PATELUNAS				TAYMAN			
	TYBR	TYAR	Difference	%	TYBR	TYAR	Difference	%
Postmasters	1839.5	1832.8	6.7	0.4%	1876.3	1869.4	6.9	0.4%
Managers, Supervisors & Technical	3830.5	3790.9	39.6	1.0%	3822	3782.6	39.4	1.0%
Clerks & Mailhandlers	19269.6	19088.3	181.3	0.9%	19442.5	19118.1	324.4	1.7%
Cag K Clerks	8.7	8.6	0.1	1.1%	9.7	9.6	0.1	1.0%
City Carriers	13716.2	13571	145.2	1.1%	13787.1	13638.1	149	1.1%
Vehicle Service Drivers	529.9	518.3	11.6	2.2%	523	511.9	11.1	2.1%
Spec. Delivery Messengers	0	0	0		0	0	0	
Rural Carriers	4507.9	4462.7	45.2	1.0%	4399.9	4355.6	44.3	1.0%
Custodial & Maintenance	2799.9	2788.6	11.3	0.4%	2791.9	2780	11.9	0.4%
Motor Vehicle Services	738.3	736.6	1.7	0.2%	724.3	722.7	1.6	0.2%
Miscellaneous Local Operations	361.4	361.2	0.2	0.1%	328	327.8	0.2	0.1%
Contract Transport	4774.9	4635	139.9	2.9%	4755.1	4619.6	135.5	2.8%
Building Occupancy	1582.7	1582.7	0	0.0%	1633.7	1633.7	0	0.0%
Research & Developmt	45.3	45.3	0	0.0%	45.3	45.3	0	0.0%
Equip. Maint. & Mgmt Training Support	52.5	52.5	0	0.0%	48.5	48.5	0	0.0%
Supplies & Services	4077.4	4070	7.4	0.2%	3814.2	3807.5	6.7	0.2%
HQ, Adminis., Corp. Personnel	5883.5	5883.5	0	0.0%	5767.2	5767.2	0	0.0%
Depreciation, Write-Offs, Claims, Interest	4330.2	4205.4	124.8	2.9%	4274.8	4150	124.8	2.9%
Final Adjustments	9.2	8.6	0.6	6.5%	3	2.8	0.2	6.7%
TOTAL ACCRUED COSTS	68357.5	67642.1	715.4	1.0%	68046.6	67190.6	856	1.3%

**RESPONSE OF WITNESS PATELUNAS TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-ST44-14. Please confirm that your FY 2000 estimate of "Supplies & Services" is \$255 million higher than witness Tayman's (\$3805.6 million – 3550.6 million; from Exh. USPS-ST-44A and Exh. USPS 9A, respectively). Explain all underlying assumptions and changes that cause such a dramatic increase in this cost. Cite to testimony, exhibits, or library references that shed light on this phenomenon; also provide any other primary or intermediate sources for the determination of this cost.

RESPONSE:

Confirmed. In the original filing, Headquarters Administered Programs and Corporate wide Activities costs for FY 2000 and FY 2001 were allocated to component using the same percentage distribution as the FY 1999 line item operating budget (internal format) and FY 1998 actual expenses. That is, the FY 2000 total operating budget was first allocated to line item using the FY 1999 plan distribution, and then, within line, to account number using the actual FY 1998 distribution. Account number amounts were then rolled up to component totals. See HQPRO_00, Library Reference I-127, Section VIa. In the update, the FY 2000 operating budget by line item was used, and distribution to account numbers was based on FY 1999 actual expenses. See HQPRO_0r, Library Reference I—421, Section Va. The shift between cost segment 16 (Supplies and Services) and other cost segments in the update is due to the differences in the calculated FY 2000 plan distribution, based on the FY 1999 operating budget, used in the original filing and the FY 2000 operating budget used in the revised filing. The total amount allocated for Headquarters Administered Programs and Corporate Wide Activities in the original filing and the update is the same.

**RESPONSE OF WITNESS PATELUNAS TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-ST44-15. Please confirm that your TYBR estimate of "Supplies & Services" is \$263.2 million higher than witness Tayman's (\$4077.4 million – 3814.2 million, from Exh. USPS-ST-44A and Exh. USPS 9A, respectively). Explain all underlying assumptions and changes that cause such a dramatic increase in this cost. Cite to testimony, exhibits, or library references that shed light on this phenomenon; also provide any other primary or intermediate sources for the determination of this cost.

RESPONSE:

Please see my response to OCA/USPS-ST44-14. In addition, FY 2001 supplies and services costs are affected by several new and updated programs shown in lavender in Library Reference I-421, Section IVb, SPTDC_0r, Non Pers Other Programs.

**RESPONSE OF WITNESS PATELUNAS TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-ST44-16. Please confirm that your FY2000 estimate of "HQ & Area Admin. & Corporate Personnel Costs" is \$96 million higher than witness Tayman's (\$5510.7 million – 5414.7 million, from Exh. USPS-ST-44A and Exh. USPS 9A, respectively). Explain all underlying assumptions and changes that cause such a dramatic increase in this cost. Cite to testimony, exhibits, or library references that shed light on this phenomenon; also provide any other primary or intermediate sources for the determination of this cost.

RESPONSE:

The increase in FY 00 cost segment 18 costs relates mainly to the other programs column. All changes from the original filing are highlighted in lavender in the machine readable copy of LR I-421. The updated amounts can be compared to the original amounts reflected in LR I-127 to determine the differences. The major cause of the increase in FY 00 is workers' compensation which increased by \$112 million from the original filing.

**RESPONSE OF WITNESS PATELUNAS TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-ST44-17. Please confirm that your TYBR estimate of "HQ & Area Admin. & Corporate Personnel Costs" is \$116.3 million higher than witness Tayman's (\$5883.5 million – 5767.2 million, from Exh. USPS-ST-44A and Exh. USPS 9A, respectively). Explain all underlying assumptions and changes that cause such a dramatic increase in this cost. Cite to testimony, exhibits, or library references that shed light on this phenomenon; also provide any other primary or intermediate sources for the determination of this cost.

RESPONSE:

Please see my response to OCA/USPS-ST44-16. The major cause of the increase in TYBR is workers' compensation which increased by \$83 million from the original filing.

**RESPONSE OF WITNESS PATELUNAS TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-ST-44-18. Please refer to Exhibit USPS-ST-44AB. In the table comparing "Key Inflation Indices" in the original filing versus the revised filing, the % change in annual index for FY 2000, "CPI-Urban Wage and Clerical Workers," has been an increase of 0.56%, *i.e.*, 3.29% for the revised filing versus 2.73% in the original filing. Please give a ballpark estimate for the percentage of the \$65.1715 billion total accrued cost figure for FY 2000 that is directly affected by the CPI-Urban Wage and Clerical Workers index. Also state all cost segments/components directly affected by use of the CPI-Urban Wage and Clerical Workers index.

RESPONSE:

The non-personnel cost components directly impacted by the CPI are documented in Chapter I Appendix 2, and Chapter IV Section c. of LR I-127 and Chapter III Section c. of LR I-421. The impact of the updated CPI forecast can be determined by subtracting the cost level change column for the impacted cost components on updated rollforward change reports from the cost level change amounts for the same cost components in the original filing. The CPI also impacts personnel costs indirectly through Cost of Living Allowances. The impact of the updated CPI forecast on COLAs can be determined by comparing the COLA amounts on Exhibit USPS ST-44J to the COLA amounts on Exhibit 9Q. The CPI also impacts Annuitant COLA. The impact of the updated CPI forecast on annuitant cola can be determined by changing the CPI inputs in the Annuitant COLA model (Chapter V Section d. of LR I-421) back to the CPI inputs reflected in the original filing (Chapter VI Section d. of LR I-127). Repricing of Annual Leave and CSRS Unfunded Liability are also impacted by COLAs. The impact of updated COLAs on these expense item can also be determined

**RESPONSE OF WITNESS PATELUNAS TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

RESPONSE:

by substituting the original COLA estimates in the model in question for the current ones. This procedure can be followed for any expense item which is driven by the CPI or cola wage increases.

**RESPONSE OF WITNESS PATELUNAS TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-ST-44-19. Please refer to Exhibit USPS-ST-44AB. In the table comparing "Key Inflation Indices" in the original filing versus the revised filing, the annual index for FY 2000, "ECI—Wages and Salaries—Private Industry," has not been changed, *i.e.*, a 3.22 % index figure is used both in the revised filing and the original filing. Please give a ballpark estimate for the percentage of the \$65.1715 billion total accrued cost figure for FY 2000 that is directly affected by the ECI—Wages and Salaries—Private Industry index. Also state all cost segments/components directly affected by use of the ECI—Wages and Salaries—Private Industry index.

RESPONSE:

The estimation of FY 2000 labor costs was not directly impacted by the ECI. As I stated on page 2 of my testimony, "Postal Service wages represent the Postal Service's largest single expense, and the ECI is a key index because it was used as a benchmark for estimating changes in test year wage rates for bargaining unit employees whose labor contracts do not extend into the test year." The cost segments and components impacted by the ECI for FY 01 are those components with bargaining unit employees which are specified as applicable to personnel cost level factors in Chapter I, Appendix 1 of LR I-127. Those segments containing bargaining unit employees can be determined from Chapter VIIc of LR I-421.

**RESPONSE OF WITNESS PATELUNAS TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-ST-44-20. Please refer to Exhibit USPS-ST-44AB. In the table comparing "Key Inflation Indices" in the original filing versus the revised filing, the % change in annual index for FY 2000, "Public Transportation," has been an increase of 4.67%, *i.e.*, 7.22% for the revised filing versus 2.55% in the original filing. Please give a ballpark estimate for the percentage of the \$65.1715 billion total accrued cost figure for FY 2000 that is directly affected by the Public Transportation index. Also state all cost segments/components directly affected by use of the Public Transportation index.

RESPONSE:

The non-personnel cost components directly impacted by the DRI indices are documented in Chapter I Appendix 2, and Chapter IV Section c. of LR I-127 and Chapter III Section c. of LR I-421. The impact of the each updated index can be determined by subtracting the cost level change column for the impacted cost components on updated rollforward change reports contained in LR I-410 from the cost level change amounts for the same cost components in the original filing.

**RESPONSE OF WITNESS PATELUNAS TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-ST-44-21. Please refer to Exhibit USPS-ST-44AB. In the table comparing "Key Inflation Indices" in the original filing versus the revised filing, the % change in annual index for FY 2000, "Transportation Services," has been an increase of 2.39%, *i.e.*, 6.17% for the revised filing versus 3.78% in the original filing. Please give a ballpark estimate for the percentage of the \$65.1715 billion total accrued cost figure for FY 2000 that is directly affected by the Transportation Services index. Also state all cost segments/components directly affected by use of the Transportation Services index.

RESPONSE:

See the response to OCA/USPS-ST44-20.

**RESPONSE OF WITNESS PATELUNAS TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-ST-44-22. Please refer to Exhibit USPS-ST-44AB. In the table comparing "Key Inflation Indices" in the original filing versus the revised filing, the % change in annual index for FY 2000, "Rent," has been a decrease of 0.04%, *i.e.*, 3.29% for the revised filing versus 3.33% in the original filing. Please give a ballpark estimate for the percentage of the \$65.1715 billion total accrued cost figure for FY 2000 that is directly affected by the Rent index. Also state all cost segments/components directly affected by use of the Rent index.

RESPONSE:

See the response to OCA/USPS-ST44-20.

**RESPONSE OF WITNESS PATELUNAS TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-ST-44-23. Please refer to Exhibit USPS-ST-44AB. In the table comparing "Key Inflation Indices" in the original filing versus the revised filing, the % change in annual index for FY 2000, "Supplies & Materials," has been an increase of 1.28%, *i.e.*, 4.42% for the revised filing versus 3.14% in the original filing. Please give a ballpark estimate for the percentage of the \$65.1715 billion total accrued cost figure for FY 2000 that is directly affected by the Supplies & Materials index. Also state all cost segments/components directly affected by use of the Supplies & Materials index.

RESPONSE:

See the response to OCA/USPS-ST44-20.

**RESPONSE OF WITNESS PATELUNAS TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-ST-44-24. Please refer to Exhibit USPS-ST-44AB. In the table comparing "Key Inflation Indices" in the original filing versus the revised filing, the % change in annual index for FY 2000, "Electricity," has been an increase of 2.94%, *i.e.*, 2.69% for the revised filing versus - 0.25% in the original filing. Please give a ballpark estimate for the percentage of the \$65.1715 billion total accrued cost figure for FY 2000 that is directly affected by the Electricity index. Also state all cost segments/components directly affected by use of the Electricity index.

RESPONSE:

See the response to OCA/USPS-ST44-20.

**RESPONSE OF WITNESS PATELUNAS TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-ST-44-25. Please refer to Exhibit USPS-ST-44AB. In the table comparing "Key Inflation Indices" in the original filing versus the revised filing, the % change in annual index for FY 2000, "Gas & Oil," has been an increase of 13.03%, *i.e.*, 30.69% for the revised filing versus 17.66% in the original filing. Please give a ballpark estimate for the percentage of the \$65.1715 billion total accrued cost figure for FY 2000 that is directly affected by the Gas & Oil index. Also state all cost segments/components directly affected by use of the Gas & Oil index.

RESPONSE:

See the response to OCA/USPS-ST44-20.

**RESPONSE OF WITNESS PATELUNAS TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-ST-44-26. Please refer to Exhibit USPS-ST-44AB. In the table comparing "Key Inflation Indices" in the original filing versus the revised filing, the % change in annual index for FY 2000, "Air Freight," has been a decrease of 1.08%, *i.e.*, 0.90% for the revised filing versus 1.98% in the original filing. Please give a ballpark estimate for the percentage of the \$65.1715 billion total accrued cost figure for FY 2000 that is directly affected by the Air Freight index. Also state all cost segments/components directly affected by use of the index.

RESPONSE:

See the response to OCA/USPS-ST44-20.

**RESPONSE OF WITNESS PATELUNAS TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-ST-44-27. Please refer to Exhibit USPS-ST-44AB. In the table comparing "Key Inflation Indices" in the original filing versus the revised filing, the % change in annual index for FY 2000, "Interstate Trucking Costs," has been an increase of 1.16%, *i.e.*, 3.80% for the revised filing versus 2.64% in the original filing. Please give a ballpark estimate for the percentage of the \$65.1715 billion total accrued cost figure for FY 2000 that is directly affected by the Interstate Trucking Costs index. Also state all cost segments/components directly affected by use of the Interstate Trucking Costs index.

RESPONSE:

See the response to OCA/USPS-ST44-20.

**RESPONSE OF WITNESS PATELUNAS TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-ST-44-28. Please confirm the following statements:

- (a) The Postal Service's revised total accrued cost estimate for FY 2000 reflects more current key inflation indices than the original total accrued cost estimate for FY 2000 filed on January 12, 2000. If you do not confirm, then present all reasons for not confirming.
- (b) As a result of the use of more current key inflation indices in the revised filing (versus the original filing), the revised total accrued cost estimate for FY 2000 is likely to be more accurate than the original estimate. If you do not confirm, then present all reasons for not confirming.

RESPONSE:

- (a) Confirmed.
- (b) Confirmed that the revised cost level changes based on a later DRI forecast are likely to be more accurate. All things being equal the overall estimate is also likely to be more accurate; however, I would note that all things are seldom equal. For example, the Postal Service is still looking for ways to accomplish its FY 2000 financial goal of a \$100 million net income.

**RESPONSE OF WITNESS PATELUNAS TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-ST-44-29. Please confirm the following statements:

- (a) The Postal Service's revised total accrued cost estimate for the FY 2001 test year reflects more current key inflation indices than the original total accrued cost estimate for the FY 2001 test year filed on January 12, 2000. If you do not confirm, then present all reasons for not confirming.
- (b) As a result of the use of more current key inflation indices in the revised filing (versus the original filing), the revised total accrued cost estimate for the FY 2001 test year is likely to be more accurate than the original estimate. If you do not confirm, then present all reasons for not confirming.

RESPONSE:

- (a) Confirmed.
- (b) Confirmed that the revised cost level changes based on a later DRI forecast are likely to be more accurate. However, other updates were made to test year costs such as cost reductions related to breakthrough productivity. I confirm that these cost reductions are a more up to date reflection of Postal Service goals. However, I have been informed that the accomplishment of these cost reductions will be challenging and has a higher degree of risk. Therefore, I am unable to confirm that the updated total test year costs are likely to be more accurate than those in the original filing.

**RESPONSE OF WITNESS PATELUNAS TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-ST-44-30. For each of the Key Inflation Indices set forth in Exh. USPS-ST-44AB, state the date that original filing inflation index was generated, *i.e.*, for (a) CPI—Urban Wage and Clerical Workers, (b) ECI—Wages and Salaries—Private Industry, (c) Public Transportation, (d) Transportation Services, (e), Rent, (f) Supplies & Materials, (g) Electricity, (h) Gas & Oil, (i) Air Freight, and (j) Interstate Trucking Costs. Then state how many months later the revised filing inflation index was generated. Provide this information for all Key Inflation Indices used for FY 2000 and FY 2001 (Test Year).

RESPONSE:

The Trend 11/99 forecast was released on or about 11/28/99 and the Control 11/99 forecast was released on or about 11/15/99. Please see the response to OCA/USPS-ST44-9 for the release dates of the forecasts used in the update. The updated Trend forecast was released 3 months after the release of the original forecast and the updated Control forecast was released 6 months after the original forecast.

**RESPONSE OF WITNESS PATELUNAS TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-ST-44-31. Please refer to USPS-T-9 at 19, lines 3-14. Witness Tayman applied the formula "Employment Cost Index for Wages and Salaries for Private Industry, less one percent, (ECI minus 1) for bargaining units that do not have contracts effective in the test year." Have you applied the same formula, *i.e.*, ECI minus 1, in your revised estimate of bargaining unit wages for the test year (excluding NALC whose contract extends through the test year)? If not, explain fully.

RESPONSE:

No. As stated at page 3 of USPS-ST-44, the test year labor contract assumption has been refined. As I indicated there, after "subtracting the impact of FY 2000 carryover costs, the effective change in wages related to the new contract is 2.8 to 3.0 percent, or 1.7 to 1.8 percent less than the Employment Cost Index." This assumption emphasizes constraining the annualized impact of new wages effective under the new labor contract to less than the ECI. This results in holding the effective impact of wage changes (including carryover from the prior year) for each subsequent year to less than the ECI. For example, the total FY 01 annualized wage increase assumed for clerks under the new labor contract is \$1,108. Because the assumed effective date is 11/18/00, the amount effective for FY 01 is \$962 and the carryover into FY 02 would be \$146. Assuming (hypothetically) an additional increase under the new labor contract of \$1,108 or 3.0% effective on 11/18/01, would result in holding the effective wage change (amount effective in FY 02 from the wage increase assumed to effective on 11/18/01 plus the carryover from the wage increase assumed to be effective on 11/18/00) for FY 02 to less than the forecasted lagged change in the ECI.

**RESPONSE OF WITNESS PATELUNAS TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

RESPONSE continued:

I have also been advised that this assumption is consistent with the proposed FY 01 Operating Budget which did not exist when the case was originally filed. The refined assumption results in an effective test year change in wages, including carryover from the previous labor contract, equal to the one year lagged forecast for the ECI instead of ECI-1 which was the effective amount that resulted from the method used in the original filing.

**RESPONSE OF WITNESS PATELUNAS TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

OCA/USPS-ST-44-32. Please refer to the following news item published in *PostCom Bulletin*, July 14, 2000:

STRASSER REVEALS NET LOSS, BOG APPROVES FUNDING. At the July 11 USPS Board of Governors meeting, Acting Chief Financial Officer and Executive Vice President Richard J. Strasser, Jr. . . . that a big portion of the unplanned costs in fiscal year 2000 was due to workers' compensation increases of \$100 million, transportation and fuel cost increases of \$240 million, and cost of living raises of \$50 million. Every penny increase in the price of gasoline adds \$5 million to annual transportation costs.

- (a) Has PostCom accurately reported Mr. Strasser's statements to the Board of Governors? If not, please provide the correct figures and state their source.
- (b) Have the cited \$100 million of workers' compensation increases been directly incorporated into the FY 2000 total accrued cost estimate presented in USPS-ST-44A? If so, explain how it has been incorporated, including citations to testimony, other exhibits, and library references. If this increase has not been incorporated, explain why not.
- (c) Have the cited \$240 million of transportation and fuel increases been directly incorporated into the FY 2000 total accrued cost estimate presented in USPS-ST-44A? If so, explain how it has been incorporated, including citations to testimony, other exhibits, and library references. If this increase has not been incorporated, explain why not.
- (d) Have the cited \$50 million of cost of living raises been directly incorporated into the FY 2000 total accrued cost estimate presented in USPS-ST-44A? If so, explain how it has been incorporated, including citations to testimony, other exhibits, and library references. If this increase has not been incorporated, explain why not.

RESPONSE:

Please note that the numbers quoted by Post Com represent estimated cost impacts relative to selected expense categories in the FY 00 Operating Budget, not the FY 00 estimates reflected in the Docket No. R2000 rate filing. The rate case and the Operating Budget were developed at different times, used different methodologies

**RESPONSE OF WITNESS PATELUNAS TO INTERROGATORIES OF
OFFICE OF THE CONSUMER ADVOCATE**

RESPONSE continued:

and processes, have different formats, and were developed for different purposes. As a result, some expense categories may be difficult to reconcile.

- (a) To the best of my knowledge, yes.
- (b) As stated on page 6 of my testimony, FY 2000 workers' compensation costs have been increased to \$848 million or \$112 million. The changes are highlighted in lavender in the machine readable version of LR I-421 and documented in LR I-422.
- (c) The DRI indexes related to transportation and fuel have been updated to reflect more recent actual data and more recent trends in these costs. Please see the response to OCA/USPS-ST44-20 for an explanation of how the impact of these changes can be calculated.
- (d) The CPI-W index has been updated to reflect more recent actual data and more recent trends in consumer prices. The impact of the updated CPI-W forecast has been reflected in the updated COLA calculations which are detailed in Chapter VII of LR I-421. The FY 2000 cost level impact of wage changes due to COLA can be determined by comparing the total reflected in the COLA columns in Exhibit USPS-ST-44J page 1, to the total reflected in the COLA columns in Exhibit USPS-9Q page 2.

DECLARATION

I, Richard Patelunas, declare under penalty of perjury that the foregoing answers to interrogatories are true and correct to the best of my knowledge, information, and belief.

A handwritten signature in black ink, appearing to read "Richard Patelunas", with a horizontal line underneath it.

Dated: 8/2/00

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.



Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2990 Fax -5402
August 2, 2000