

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

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POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PATELUNAS TO
QUESTIONS RAISED AT HEARINGS ON AUGUST 3, 2000

The United States Postal Service hereby provides the responses of witness Patelunas to questions raised at the hearings on August 3, 2000 at Tr. 35/16779 and 16786.

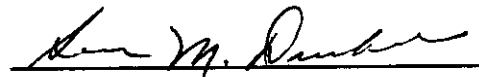
Each question is stated verbatim and is followed by the response.

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 9, 2000

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PATELUNAS
TO QUESTIONS POSED DURING ORAL CROSS EXAMINATION

Counsel for the Office of the Consumer Advocate asked for an explanation of why the use of a general population life table would result in higher workers' compensation costs than the use of a life table for a disabled population. The Postal Service was also asked to confirm that while the immediate impact of the change was to lower costs there would be no cost increase in later years as a result of using the disabled population life tables. Tr. 35/16779.

RESPONSE:

The Social Security Administration disabled population life tables in general reflect higher mortality rates than the old life tables based on the general population. The life table for the disabled population is a much better mathematical fit with the experience of Postal Service workers' compensation claimants. It results in lower costs due to the recalculation of the aggregate liability for future payments on behalf of current claims. No additional costs in future years result from the change in life tables.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PATELUNAS
TO QUESTIONS POSED DURING ORAL CROSS EXAMINATION

Counsel for the Office of the Consumer Advocate asked for an explanation of how wage changes were calculated for FY's 00 and 01 and how a change in wages of 1.7 % less than the Employment Cost Index was accounted for in the test year. Tr. 35/16786.

RESPONSE:

FY 00 wage costs for bargaining unit employees are based on the provisions of labor contracts currently in force. As explained on page 3 of my testimony, the effective change in wages for the test year has two components. The first is the carryover cost from wage increases effective in FY 00 under existing labor contracts. For example, a hypothetical wage change of \$100 with an effective date in the middle of FY 00 would add \$50 to FY 00 expenses and an additional \$50 to FY 01 expenses. The second test year wage change component is a new wage change assumed to be effective under the new labor contracts in the test year. The total of these two components has been limited to the forecasted growth in the ECI for the 12 month period prior to the test year. For clerks the total effective wage change indicated by the ECI for FY 01 is \$1,733.85 (4.63% multiplied by the average FY 2000 base salary of \$37,469.27). The carryover from the general increase and COLAS effective in FY 00 under the existing labor contract is \$771.92 (\$68.22 for pay and \$703.70 for COLA). Subtracting the carryover amounts from the total indicated by the ECI leaves a residual of \$961.93 available for effective new wages under the new labor contract in FY 01. Because the new wage increase is assumed to be effective on 11/18/00, an annual increase of \$1,107.58 is implied, which results in

\$961.93 effective in FY 01 and a carryover of \$145.65 effective in FY 02. The \$1,107.58 new annual wage increase is 2.96% of the FY 00 base salary and 2.96% is roughly 1.7% less than the forecasted change in the ECI. Thus the wage costs assumed to result from the new contract are more than one percentage point less than the ECI. These calculations are detailed on page 266 of USPS-LR-I-421.

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.

Richard Patelunas

Dated: 8/9/00

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

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