

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

RECEIVED

AUG 15 4 35 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-ST44-48-50)

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-ST44-48-50, filed on August 4, 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 15, 2000

**Response of United States Postal Service witness Patelunas
to Interrogatories of
Office of the Consumer Advocate**

OCA/USPS-ST44-48. Please refer to your response to OCA/USPS-ST44-10(d)(iv) and (e)(iv) indicating that in updating non-personnel and personnel cost level factors, respectively, you used "the most recent DRI data available in time to incorporate in the update...."

- (a) Did you apply without modification the DRI indices utilized in your update?
- (b) If not, please explain which DRI indices were modified, the manner in which they were modified, and whether similar modifications were made to the same DRI indices in the Postal Service's initial request.

In responding to this interrogatory, please relate your response to the indices listed in the OCA cross-examination exhibit, OCA-XE-ST44-1 at Tr. 35/16818-21.

Response:

- (a) None of the indices provided by DRI were modified and most of the annual fiscal year indices were directly applied. However, the application of the DRI data varied in some cases as appropriate. For example, the change in the ECI used to estimate test year wage costs was based on the year to year change in the September monthly ECI index lagged by one year. The monthly private transportation index was used to calculate Rural Equipment Maintenance Allowance. The calculation of the lagged change in the ECI is shown on page 275 of LR I-421. The calculation of the Rural Equipment Maintenance Allowance is shown on page 145 of LR I-421. Additionally, the cost level factors used for two non-personnel cost components, Fuel and International Transportation, represent weighted averages of different DRI indices. The index for Fuel is calculated by weighting the DRI indexes for Fuel/Oil/Coal and Gas using base year costs in related accounts. The index for International Transportation is calculated in a similar manner using the DRI Air Transportation and

Transportation Services indexes. These calculations are reflected on page 112 and 113 of LR I-421.

(b) Please see the response to part (a).

**Response of United States Postal Service witness Patelunas
to Interrogatories of
Office of the Consumer Advocate**

OCA/USPS-ST44-49. Please refer to your response to OCA/USPS-ST44-10(d)(iv) and (e)(iv) indicating that in updating non-personnel and personnel cost level factors, respectively, you used "the most recent DRI data available in time to incorporate in the update...."

- (a) Does DRI provide the Postal Service only one forecast estimate for a particular time period for each of the indices used in your update?
- (b) If DRI provides more than one estimate in recognition of differing economic scenarios for the indices used in your update, please indicate (1) which type of DRI estimate is used by the Postal Service and (2) whether the indices were uniformly utilized from the same scenario or whether indices from different DRI scenarios were used for the various applications.
- (c) If DRI indices were used based upon different scenarios, please explain the reasons for not utilizing indices based upon a uniform economic scenario for all of the applications.

Please relate your response to the indices listed in the OCA cross-examination exhibit, OCA-XE-ST44-1 at Tr. 35/16818-21.

Response:

- (a) Typically, and in this case in particular, DRI provides the Postal Service with only one forecast for use in developing cost level factors.
- (b) See the response to (a).
- (c) See the response to (a).

**Response of United States Postal Service witness Patelunas
to Interrogatories of
Office of the Consumer Advocate**

OCA/USPS-ST44-50. Please refer to your response to OCA/USPS-ST44-31.

- (a) On the second page you state, "I have also been advised that this assumption is consistent with the proposed FY01 Operating Budget which did not exist when the case was originally filed." Is the assumption referred to in that sentence to use the ECI ("Employment Cost Index for Wages and Salaries for Private Industry") estimate of wages rather than the ECI minus 1 as applied by witness Tayman? If not, please provide the assumption.
- (b) The response also indicates the effective test year change in wages is "equal to the one year lagged forecast for the ECI." Please explain your understanding of the phrase "one year lagged forecast for the ECI."
- (c) What is the date of the original ECI estimate used by witness Tayman and the date of the ECI estimate used in your update?

Response:

- (a) Yes.
- (b) The change in the ECI applied to FY 2001 represents the change in the ECI estimated to occur between September of 1999 and September of 2000, i.e. a one year lag. This calculation is shown on page 275 of LR I-421.
- (c) As explained in my responses to OCA/USPS-ST44-9 and OCA/USPS-ST44-30, the original ECI forecast used by witness Tayman was taken from the DRI Trend forecast issued on or about November 28, 1999. The ECI forecast used in the update was taken from the DRI Trend forecast released on or about February 29, 2000.

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", written over a horizontal line.

Dated: 8/15/00

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.

A handwritten signature in black ink, appearing to read "Susan M. Duchek", is written over a solid horizontal line.

Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2990 Fax -5402
August 15, 2000