

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MACDONALD
TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T10-1(A), (B), (F), 3, 4, 8 AND 9)
AND MOTION FOR EXTENSION OF TIME TO RESPOND
TO REMAINING INTERROGATORIES IN SET

The United States Postal Service hereby provides responses of witness Macdonald to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T10-1(a), (b), (f), 3, 4, 8 and 9, filed on August 27, 1997. Each interrogatory is stated verbatim and is followed by the response.

Interrogatory OCA/USPS-T10-10 was redirected to witness Tayman.

With respect to the remaining interrogatories in this set, OCA/USPS-T10-1(c), (d), (e), (g), 2 and 5-7, the Postal Service moves for an extension of time to respond to them. Due to the staggered absences from the office of the witness and other key personnel, it will not be possible to provide these responses until the end of next week. The Postal Service regrets that this situation had to occur. In order to mitigate any adverse effect of this delay, the Postal Service will endeavor to provide rapid responses to any interrogatories which follow up on the late-provided answers, so that parties would receive responses to follow-ups as close as possible to the time they would have received them if these answers had been timely followed. This effort should result in no party's being prejudiced by the extension requested.

A declaration applicable to the entire set will be provided with the outstanding responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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September 10, 1997

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OCA/USPS-T10-2. Please refer to Library Reference H-115, Calculation sheet (not numbered).

- a. Please confirm that the source of the estimated FY 1998 Base Liability, Medical Portion, of \$1,123,828,097 is the LR-H-115 section titled Estimating Run For 1998ANM, page 21. If you do not confirm, please explain. Does the reference ANM mean annual medical? If not, please explain.
- b. Please confirm that the source of the estimated FY 1998 Base Liability, Compensation Portion, of \$4,300,552,192 is the LR-H-115 section titled Estimating Run For ANC, page 21. If you do not confirm, please explain.
- c. Please confirm that the source of the "Estimated Cash Outlays" for 1998 of \$563,678,814 should be the total of the two amounts calculated in the respective Estimating Runs for ANM and ANC, pages 21. If you do not confirm, please explain.
- d. If you do confirm part c, above, please explain why the sum of \$197,809,060 for medical and \$365,902,748 for compensation do not total the amount on the Calculation page of \$563,678,814?
- e. Please provide "Estimating Runs" for FY 1997 Base Liability like the "Estimating Runs" included in LR-H-115 for FY 1998 ANC and ANM.
- f. Were the discount rates of 0.1 percent for medical and 3 percent for compensation also used in calculating the FY 1997 Base Liabilities? If not, what discount rates were used and why.
- g. Please provide the actual DOL Administration Charge which is estimated at \$20,000,000 on the Calculation sheet.

RESPONSE:

- a. Confirmed. Yes.
- b. Confirmed.
- f. Yes.

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OCA/USPS-T10-3. In this rate request filing has the Postal Service altered the methodology for calculating workers' compensation estimates which was approved and utilized by the Postal Rate Commission in the most recent rate proceeding? If so, please explain.

RESPONSE:

No.

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OCA/USPS-T10-4. In this rate request filing has the Postal Service altered the methodology for calculating the discount rate for either the medical or compensation portion of the workers' compensation estimation which was approved and utilized by the Postal Rate Commission in the most recent rate proceeding? If so, please explain.

RESPONSE:

No.

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OCA/USPS-T10-8. Please explain what you mean by your testimony (page 7) that, "In the opinion of postal management, the discount rates currently used for medical and compensation claims represent a reasonable difference between medical and societal discount rates and the rates of return on government debt instruments of comparable terms to the approximate likely lives of medical and compensation claims."

RESPONSE:

The meaning should be clear if you refer to the correction to my testimony also filed today. The phrase "societal discount rate" has been changed to read "societal inflation rate."

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OCA/USPS-T10-9. Your response to OCA/USPS-T10-1 indicated an estimated FY 1998 charge to be about \$14.3 million attributable to old Post Office Department workers' compensation liabilities. Please confirm that this amount is an expense for FY 1998 in addition to the \$733,148,477 shown in LR-H-115 as the "Estimated Total Expense" for FY 1998 worker's compensation. If you do not confirm, please explain.

RESPONSE:

Confirmed.

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.



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