

DOCKET SECTION

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Docket No. R97-1

POSTAL RATE AND FEE CHANGES, 1997

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS LION TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T24-96, 98)

The United States Postal Service hereby provides responses of witness Lion to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T24-96, 98, filed on October 3, 1997. Interrogatory OCA/USPS-T24-97 was redirected to witness Patelunas.

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

K. N. Hollies
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October 14, 1997

OCA/USPS-T24-96. Please refer to your response to OCA/USPS-T24-87.

- a. Please confirm that the 1.2 [percent] annual growth rate from April 1996 to April 1997 represents a monthly growth rate of 0.0995 percent $((0.012001+1)^{1/12})$. If you do not confirm, please explain and provide the correct figures.
- b. Please confirm that the 1.9 percent growth factor represents the estimated growth for the 18-month period April 1997 to October 1998. If you do not confirm, please explain.
- c. Please confirm that the growth factor, assuming a monthly growth rate of 0.0995 percent for an 18 month period, is 1.8056 percent $(1.000995^{18}-1)$. If you do not confirm, please explain and provide the correct figures.
- d. Please provide the formula and all calculations used to derive the 1.9 percent estimated growth factor from the observed growth rate between April 1996 and April 1997. Please provide citations to any figures used.

RESPONSE:

- a. Confirmed that a monthly rate of .0995 percent, compounded over 12 months is equivalent to 1.2 percent annual growth.
- b. Not confirmed. The 1.9 percent represents the estimated growth from April 1997 to the "implementation date," which has not been determined.
- c. Confirmed that a monthly rate of .0995 percent, compounded over 18 months is equivalent to 1.8056 percent sesquiannual growth.
- d. Please see my response to OCA/USPS-T24-22.

OCA/USPS-T24-97. Please refer to your response to OCA/USPS-T24-87f, wherein you state, "The growth factor used in the rollforward model is an earlier estimate."

- a. Please explain what is meant by the phrase "an earlier estimate."
- b. Please provide the growth factor for post office boxes used in the rollforward model.

RESPONSE:

Redirected to witness Patelunas.

OCA/USPS-T24-98. Please refer to your response to OCA/USPS-T24-87. Suppose that Tables 3-8 of your testimony were produced from the PO Box Survey data and the September 97 DSF data contained in LR-H-278, instead of June 97 DSF in LR-H-188, and that the expansion factors of Table 3 are constructed to adjust data to the September 97 DSF. Please confirm that the 1.9 percent estimated growth factor would still apply for Table 8, developed from LR-H-278. If you do not confirm, please explain. If the 1.9 percent estimated growth factor would no longer apply, please provide the appropriate factor and formulas for computing it.

RESPONSE:

Not confirmed. The growth factor in the instance cited would depend in part on the time interval between September 1997 and the likely implementation date. If the implementation date were to remain the same, one would need to reduce the growth rate to reflect the fact that the growth between April and September 1997 has already been accounted for.

DECLARATION

I, Paul M. Lion, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Paul M Lion

Dated: 10/15/97

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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