

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
BRADLEY (USPS-T-17) TO INTERROGATORY OF  
OFFICE OF CONSUMER ADVOCATE [OCA/USPS-T17-25]  
(July 27, 2006)

The United States Postal Service hereby provides the response of Postal Service witness Michael D. Bradley to the above-listed interrogatory of Office of the Consumer Advocate, filed on July 13, 2006.

The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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**OCA/USPS-T17-25.** The purpose of this interrogatory is to obtain an improved understanding of the FTESTREGRESSION table in the EViews work file.

- (a) Please state the hypothesis being tested.
- (b) Please state the meaning of the "Value" column, how it is computed, and how it is used.
- (c) Please state the meaning of the Standard Error column, how it is computed, and how it is used.
- (d) Please state how the Chi-square statistic is used.
- (e) Please state how the F-statistic is used.
- (f) Please provide a reference to the test in the literature or a textbook.
- (g) Please provide a reference to the relevant pages and chapters/headings in the EViews manual.

**Response:**

- a. The hypothesis being tested is that site-specific dummy variables are required in the econometric equation. This hypothesis is tested by running a regression with an intercept and 26 dummy variables (the dummy for the first site -- D1 -- is omitted) and testing whether the estimated coefficients on the dummy variables are jointly equal to zero. An F-test is used to test this hypothesis.
- b. The entries in the "Value" column are the estimated coefficients for the dummy variables D2 through D27 in the above described regression. They are not used in the calculation of the F-statistic but they represent the values of restriction be tested.
- c. The entries in the "Standard Error" column are the standard errors of the estimated coefficients for the dummy variables D2 through D27. They are not used in the calculation of the F-test.

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- d. It is not used in the F-test.
- e. The F-statistic is used to test the null hypothesis that the coefficients on the dummy variables are equal to zero. Given the calculated value for the F-statistic of 14.338, the probability that the dummy variable coefficients are actually equal to zero, given their estimated values, is calculated to be 0.0000.
- f. Econometric Models and Economic Forecasts, by Robert Pindyck and Daniel Rubinfeld, McGraw-Hill, New York, 1981 at 117.
- g. Please see Chapter 19, "Specification and Diagnostic Tests," at 556.