

for the same size dwelling in the COLA survey area and the Washington, DC, area.

(b) OPM applies the following six-step process to compute a cost index(es) for heating and cooling a standard home to a given ambient temperature and to combine the cost index(es) by energy type (*e.g.*, electricity and natural gas) with cost indexes for other energy uses.

(1) *Step 1.* OPM obtains technical information about the requirements by major energy type for heating and cooling a standard size dwelling, built according to current local building practices and codes in each area, given local climatic conditions (*e.g.*, seasonal temperature and humidity). OPM also obtains similar information for use of energy types in other household operations (*e.g.*, hot water, cooking, cleaning, recreation).

(2) *Step 2.* OPM obtains from the shelter survey, a survey of Federal employees, or other appropriate sources, information on dwelling size and the types and prevalence of heating and cooling equipment and energy types (*e.g.*, electricity, gas, and oil) in each area.

(3) *Step 3.* OPM computes estimates of total home energy requirements by energy type attributable to heating and cooling plus all other household energy uses for the COLA survey area and the Washington, DC, area.

(4) *Step 4.* OPM surveys utility prices for each major energy type appropriate to the area.

(5) *Step 5.* OPM combines the above data to produce for each COLA survey area the cost of maintaining the standard size dwelling at a given ambient temperature and the cost of other household energy uses.

(6) *Step 6.* OPM compares the COLA survey area cost with the DC area cost to produce a price index.

§ 591.221 How does OPM compute the consumer expenditure weights it uses to combine price indexes?

OPM uses the following ten-step process to compute consumer expenditure weights:

(a) *Step 1.* OPM obtains the latest BLS tabulated CES data nationwide and for the Washington, DC, area.

(b) *Step 2.* In both the nationwide and DC area tabulated data, OPM replaces the homeowners' expenditures for shelter with estimated rental values of owned homes that are available elsewhere in tabulated CES data. Note: These replacements are consistent with the rental equivalence approach described in § 591.219.

(c) *Step 3.* OPM selects the central income groups in the nationwide CES tabulation.

(d) *Step 4.* OPM calculates the expenditure shares (*i.e.*, percentages) for each central income group by dividing each of its DEC expenditures by total expenditures for the income group. OPM also calculates expenditure shares for total nationwide expenditures by dividing each nationwide DEC expenditure by total nationwide expenditures.

(e) *Step 5.* OPM computes a democratic distribution of expenditure shares by averaging the central income groups' shares at each DEC and higher level of aggregation.

(f) *Step 6.* OPM computes a set of ratios by dividing each expenditure share of the nationwide democratic distribution by the corresponding expenditure share of the total national distribution.

(g) *Step 7.* OPM computes estimated expenditures for Washington DC for each DC DEC and higher level of aggregation that BLS reported by multiplying the reported expenditure by the corresponding ratio derived in Step 6.

(h) *Step 8.* For each DC DEC and higher level of aggregation that BLS did not report, OPM computes expenditures for DC by distributing the DC expenditure calculated in step 7 using the distribution of expenditure shares derived in step 5.

(i) *Step 9.* As described in § 591.211(c), OPM classifies each DEC and aggregate into PEGs.

(j) *Step 10.* OPM computes expenditure weights by dividing each DEC or aggregate by the total expenditure derived from the DC expenditure computed in step 8. Therefore, the sum of the MEGs, PEGs, and DEC's, will separately total 100, *i.e.*, so that all consumer expenditures in the original tabulation are accounted for.