

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

NOTICE OF UNITED STATES POSTAL SERVICE CONCERNING PROVISION OF
INFORMATION PURSUANT TO RULE 54(a)(1)
(July 10, 1997)

With the filing of Docket No. R97-1 made today, the Postal Service has provided USPS LR-H-196, "Rule 54(a)(1) Alternate Commission Cost Presentation (Base Year)," containing the Postal Service's first attempt to provide a base year (FY 1996) alternate cost presentation under revised Rule 54(a)(1). The Postal Service intends to supplement this information within approximately ten to twelve days with alternate interim (FY 1997) and before and after rates test year (FY 1998) cost presentations.

On May 27, 1997, in Docket No. RM97-1, the Commission issued Order No. 1176, which revised Rule 54(a)(1). Under the revision, the Postal Service is to provide "an alternate cost presentation . . . that shows what the effect on attribution would be if it did not propose changes in attribution principles" in instances where the Postal Service proposes to "change the cost attribution principles applied by the Commission in the most recent general rate proceeding in which its recommended rates were adopted." *Order No. 1176, Attachment.*

When the rule was revised, the Postal Service already was well advanced along a tight schedule for filing Docket No. R97-1. Consequently, it has not been possible for the Postal Service to complete all steps which appear to be necessary to provide

the information described in the rule, and still adhere to the schedule contemplated by the Board of Governors for filing this case.¹ In these circumstances, the Postal Service has filed USPS LR-H-196, which contains an alternate cost presentation for the base year. The Postal Service will file cost presentations for the interim year and the test year before and after rates in approximately ten to twelve days when its analysis is completed.

As the Commission has implicitly recognized, substantial efforts are necessarily involved in this, the Postal Service's initial attempt to produce the alternate cost presentation described in the rule.² In preparing the base year cost presentation contained in USPS LR-H-196, the Postal Service has attempted to replicate, as closely as possible, the Commission's cost model from Docket No. MC96-3 in PC SAS and

¹ In this regard, as the Postal Service noted in its comments on the proposed revision to Rule 54(a)(1), the practical effect of the rule is particularly troubling, since adding extra, burdensome elements to already substantial documentation requirements could "encroach upon the prerogative of postal management to control the timing of rate requests and the implementation of rate changes." *Comments of United States Postal Service, Docket No. RM97-1, January 31, 1997, at 5.*

² In adopting revised Rule 54(a)(1), the Commission stated:

The 10 to 15 person days to which the Postal Service refers appears to be an estimate of the effort that preparing an alternate cost presentation would initially require. Once its data processing programs were set up to regularly produce alternate cost presentations, it is likely that the 10 to 15 person days of effort would be greatly reduced. For these reasons, complying with amended Rule 54(a) should add only marginally to the lead time required to prepare rate filings.

in C language. The Postal Service also has attempted to provide documentation similar to that provided by the Commission in Docket No. MC96-3.

In order to provide the cost model in PC SAS and C language, the Postal Service obtained PC SAS software, C language software, and a C language compiler. The Postal Service then performed several iterations, replicating the Commission's FY 1995 results from Docket No. MC96-3. These steps were required before the Postal Service could begin to develop the Commission's model to incorporate FY 1996 data. At present, the Postal Service is continuing to work on the interim and test year cost presentations which require that the model be modified to incorporate future developments not anticipated in the Commission's Docket No. MC96-3 model.

By providing this material, the Postal Service does not abandon the objections to the newly revised Rule 54(a)(1) that it expressed in Docket No. RM97-1. Nor does the Postal Service waive the positions it has taken in previous Commission proceedings concerning the Commission's lack of authority to compel production of disputed costing or other analyses or presentations that have not been lawfully developed on the record, in accordance with the statutory scheme governing postal ratemaking and applicable judicial precedent.³ Furthermore, the Postal Service continues to have concerns about

³ In particular, the Postal Service does not agree with the Commission's view of the status of its approach to attributing city carrier costs, in light of the Postal Service's objections to it, the repeated rejection of it in several Governors' decisions, and the decision of the Court of Appeals in *Mail Order Association of America v. United States Postal Service*, 2 F.3d 408 (D.C. Cir. 1993). In this regard, the Postal Service continues to reject the proposition that a costing or other methodology or approach, created off the record or in violation of parties' rights to due process, becomes binding legal precedent by virtue of a Postal Service Governors' decision adopting a rate or classification recommendation based in part on the defective methodology or approach.

the burden of preparing such information, considering the substantial burdens already imposed by the Commission's rules, the Postal Service's willingness to make available the data and information that would enable a party to analyze the Postal Service's proposals using the Commission's approach, and the Commission's superior capability to replicate and execute its own methodologies and cost models.

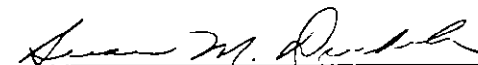
The interim and test year before and after rates alternate cost presentations should be ready in approximately ten to twelve days, and will be supplied as a further Library Reference.

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
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