

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

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OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

STATUS REPORT OF THE UNITED STATES POSTAL SERVICE  
REGARDING FY 1999 DATA IN RESPONSE TO  
NOTICE OF INQUIRY NO. 1

On February 2, 2000, the Commission issued Notice of Inquiry No. 1 (NOI) in this docket, in which it requested the Postal Service to provide a status report on the availability of certain FY 1999 data. The Postal Service provides the requested information below. In addition, however, it may be useful to clarify some of the comments made in the NOI.

First, although the NOI correctly states that FY 1998 was generally used as the base for cost analysis, and also notes that FY 1999 data were used in the volume forecasting process, the reader may not fully appreciate the extent to which certain FY 1999 data are already reflected in the filing. For example, detailed information from FY 1999 (including the quarters *after* the Docket No. R97-1 rate changes) were utilized in the process by which Dr. Tolley and Mr. Thress forecast the shares of workshared mail. Similarly, Dr. Musgrave worked with FY 1999 data to estimate the shift between First-Class letters and Priority Mail associated with the Docket No. R97-1 change in the breakpoint between the two categories. Because these types of volume information are then provided to the rate design witnesses at such a high level of disaggregation, the absence of explicit reliance on FY 1999 billing determinant information may have, in these contexts, very little substantive effect. Therefore, the Postal Service wishes to emphasize the point, partially made in the NOI in footnote 3 on page 3, that the Postal Service has not ignored the types of shifts potentially caused by the rate and classification changes implemented in January of 1999, and that, to the extent possible,

has already employed available data from FY 1999 to estimate the effects of those changes.

Additionally, the Postal Service would like to focus on the following portion of the NOI:

The Commission also recognizes, and parties should be aware, that it is likely that the FY 1999 data at issue may not meld effortlessly into the Postal Service's filing. Updating the base year is largely a mechanical process, but it is probable that some adjustments would have to be made to integrate FY 1999 data.

NOI at 4. Clearly, the thrust of these comments is to put parties on notice that updating might not be as easy as some may assume, and the Postal Service commends the Commission for injecting this cautionary tone into the discussion. In point of fact, moreover, FY 1999 data would not "meld effortlessly" into the filing. While there would be large portions of the process that could indeed be properly described as "mechanical," other significant portions would not fit that description. Moreover, like the initial development process of a rate filing, updating would require a series of sequential tasks. No matter how "mechanical" one particular aspect of the process may be, it could not be initiated until all of the necessary inputs were available.

#### FY 1999 Billing Determinants

As parties may or may not be aware, the ultimate responsibility for preparing the billing determinants rests with the same individuals who are appearing in this case as the rate design witnesses. The only apparent extraordinary effort that could be taken to hasten production of the FY 1999 billing determinants would be to excuse those witnesses from all other aspects of their jobs, including the obligation to respond to

discovery requests. In that case, most of the billing determinants could be provided in several weeks.

More realistically, given the expected press of discovery over the coming time period, the Postal Service anticipates that it could have the FY 1999 billing determinants for all the classes of mail ready by sometime in the vicinity of the week of March 27. Some of the special services might trail by several weeks, due to the highly disparate sources of inputs necessary to construct billing determinants for them. The accuracy of this estimate, of course, is highly dependent on the intervening discovery load. A lighter-than-expected load could advance availability, a heavier-than-expected load could delay it.

#### FY 1999 CRA Report

Based on our efforts so far, as well as the terms of the contract with its independent certified public accounting firm, the Postal Service anticipates that it should have the report available the week of April 3, 2000. All identified steps have been taken, and will continue to be taken, to keep the process on target for that time frame. Obviously, however, the nature of the audit review process is to seek to identify potential flaws, investigate those that are identified, and adjust results to account for those that cannot otherwise be resolved. The time required to complete that process is dependent upon the number and magnitude of the unforeseen issues that arise, and, given that uncertainty, is not amenable to precise estimation. For planning purposes, a mid-April time frame seems most reasonable, and, under the best-case scenario, could be advanced to early April. The Postal Service will make all possible efforts to meet the earlier date.

In the context of the CRA Report, the NOI also refers to “supporting cost data.” The NOI specifically mentions Base Year Workpapers A and B. With one important caveat, the Postal Service anticipates that it could have those workpapers available within a week or less of providing the CRA Report. The caveat would be that while the substance of the workpapers could be provided on such a schedule, complete citation footnotes and cross-references could not be. To file versions of Workpapers A and B that were cross-referenced to the same degree as those already filed in this case for BY 1998 would add several months to the expected availability date. Bear in mind, however, that the structure of those workpapers would very closely track the materials already provided for BY 1998. Therefore, using the BY 1998 materials as a guide, with a little effort, interested parties should be able to locate necessary information without significant difficulty, even in the absence of updated cross-referencing.

#### Desirability of Utilizing FY 1999 Data

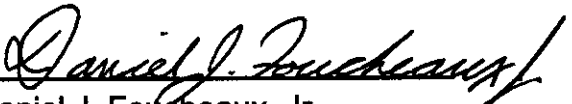
The NOI sets February 23rd as the date for written comments addressing the desirability of utilizing FY 1999 data. The Postal Service intends to file its comments on that and related subjects on that date. As requested by the NOI, the purpose of this status report is to provide parties with accurate knowledge regarding the availability of further FY 1999 data. Nothing in this status report should be construed as a statement of position on the part of the Postal Service with regard to the distinct issue of the

desirability of utilizing FY 1999 data, beyond that already incorporated into the filing.

Respectfully submitted,

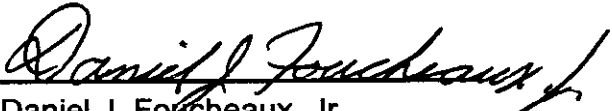
UNITED STATES POSTAL SERVICE

By its attorney:

  
Daniel J. Foucheaux, Jr.

**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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