

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, 2000

Docket No. R2000-1

INITIAL COMMENTS OF THE UNITED STATES POSTAL SERVICE
IN RESPONSE TO
NOTICE OF INQUIRY NO. 1

On February 2, 2000, the Commission issued Notice of Inquiry No. 1 (NOI), requesting comments on the appropriate role of FY 1999 data in this proceeding, and its potential impact on the procedural schedule. As the NOI acknowledged, and the Postal Service also emphasized in its status report filed February 14th, the Postal Service's filing in this case already incorporated a substantial amount of information from FY 1999. Not reflected in the filing, however, is cost information which will be developed and reported in the FY 1999 CRA report. Most relevant in this regard would be the cost distributions by subclass and service.¹ Likewise not used directly in the filing are the FY 1999 billing determinants, although similar information for FY 1999 was used indirectly for some purposes. In the February 14th status report, the Postal Service indicated that both the CRA report and the billing determinants can reasonably be expected to be available in or before the early-to-mid April time frame. The Postal Service hereby provides its initial comments on how such information should be utilized in this proceeding.

To begin, we make the ineluctable observation that the ratemaking exercise could never be concluded if the record were continually updated with all new

^{1/} With respect to overall accrued costs (as opposed to the costs distributed by subclass and service), as witness Tayman notes in his response to DMA/USPS-T9-7 (filed Feb. 11, 2000), the FY 1999 total expense amount estimated by the rollforward process was only \$8 million more than the actual FY 1999 total expense, a difference of 0.01 percent or, in practical terms, no difference at all.

information as it became available. Ratemaking cannot be accomplished if it must be based on a moving target. At some point, a line must be drawn, and the determination made to proceed with the information available at that time, and to abandon attempts to incorporate any further new information. While these basic ratemaking principles are true in the abstract, they are even more noteworthy in the context of a statutory scheme in which control over the timing of postal rate filings is vested exclusively in the Board of Governors of the Postal Service, and the statute allows only ten months from the date of such a filing for the completion of proceedings and the issuance of a recommended decision by the Commission. Given these considerations, the interest of the Commission in soliciting the views of the parties on the matters raised by the NOI are both understandable and commendable.

In developing its case, the Postal Service strove to balance its customary preference for using the most recently available data with the determination of the Board, based on its assessment of the Postal Service's overall financial situation, to have rate recommendations that could be implemented in January of 2001. The timing considerations required a case to be filed no later than early January of 2000, and such a schedule precluded incorporation of the information expected to become available within the FY 1999 CRA report and the complete FY 1999 billing determinants. While efforts were made to utilize FY 1999 information to the maximum extent possible, particularly in those areas where Docket No. R97-1 rate or classification changes enhanced the desirability of more recent data, the data elements identified in the NOI were not available to be included. Therefore, in this (as in every) instance, the Postal Service was compelled to develop its case with the best information available at the time. In terms of cost distributions, this essentially meant using FY 1998 data.

Given that the Postal Service's proposals were necessarily based on FY 1998 cost distributions, the Postal Service submits that the focus of the proceedings

regarding its proposals should properly remain based on the FY 1998 cost distributions. In terms of the schedule, this suggests that no adjustments to the schedule for hearings on the Postal Service's direct case would be warranted by virtue of concerns regarding FY 1999 data. The Postal Service's witnesses had a body of information available to develop their proposals, and attempting to explore those proposals primarily in the context of a body of new information would not be likely to be productive.

The Postal Service is not, however, suggesting that the FY 1999 CRA report and billing determinants be ignored for purposes of Docket No. R2000-1. That information will be available to the Commission and the parties approximately one-third of the way through the 10-month process. There would seem to be ample time to allow all participants to understand this information, to employ it to advocate whatever adjustments in the Postal Service's proposals they view as appropriate, and to subject such counterproposals to full due process scrutiny. The Postal Service is prepared to assist fully in this process, but wishes to make some additional comments in this regard.

First, the Commission should determine the level of updating it believes to be appropriate, and such updating should be addressed on a coordinated basis. Merely responding to piecemeal requests for updating by intervenors will not be conducive to an orderly, efficient, or timely process. For example, time spent performing one version of updating may be wasted if the Commission later decides it is interested in a different approach. Perhaps more importantly, allowing individual parties to dictate which updating they want undertaken is likely to result in skewed results, as parties will seek only those updates which are most likely to support the particular rate objectives they desire. Once a general pattern for updating is established, it needs to be applied comprehensively to achieve a fair and impartial result.

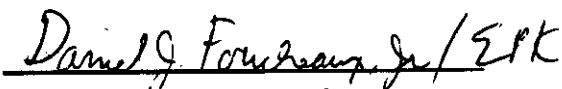
Second, given the exhaustive documentation already presented by the Postal Service in support of its initial filing, the focus of any desired updating should be on providing additional material as expeditiously as possible, rather than on maximum documentation of that material. Attempting to document updates based on FY 1999 to the same extent as the FY 1998-based material filed with the case could add months of delay. In that respect, moreover, efforts spent by the parties to understand the Postal Service's initial filing, both in the time since the case was filed, and in the time until complete FY 1999 materials become available, would continue to be productive as the structure of the FY 1999 material would closely track the material filed originally.

In terms of the procedural schedule, the Presiding Officer may wish to modify the date set for intervenors to file their cases (with commensurate adjustment in all subsequent dates). The date could be set to take into account whatever uses of FY 1999 data the Commission deems appropriate. In this fashion, the FY 1999 data can be fully addressed as another element for the Commission to consider in evaluating the Postal Service's proposals and developing its own recommendations, as it does in every case based on the complete record before it.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

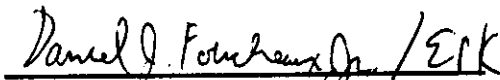
By its attorney:


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February 23, 2000

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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