

UNITED STATES OF AMERICA  
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

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Docket No. R2000-1

OFFICE OF THE CONSUMER ADVOCATE  
COMMENTS IN RESPONSE TO NOTICE OF INQUIRY NO. 1  
CONCERNING BASE YEAR DATA  
(February 23, 2000)

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The Office of the Consumer Advocate hereby comments upon the Commission's Notice of Inquiry No. 1 Concerning Base Year Data issued February 2, 2000. The Commission's Notice recognized that the Postal Service has used predominantly FY 1998 data to support its request in this proceeding, even though FY 1999 ended four months before the request was filed. The Notice seeks interested participants' comments concerning the need for FY 1999 data and how such information might be used by participants and the Commission in this case. The order provides all participants the opportunity to provide written comments on the implications of this situation, and its impact on the procedural schedule, on or before February 23, 2000.

The Notice also requested a status report from the Postal Service by February 14, 2000, on the availability of certain FY 1999 data. The Postal Service indicated in its Report<sup>1</sup> that the FY 1999 Cost and Revenue Analysis Report will be available mid-April

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<sup>1</sup> "Status Report of the United States Postal Service Regarding FY 1999 Data in Response to Notice of Inquiry No. 1" ("Report"), February 14, 2000.

and as early as the week of April 3, 2000. Supporting cost data will be available "within a week or less of providing the CRA report." The Postal Service also estimated the FY 1999 billing determinants would be available, assuming no extraordinary efforts are made to develop this information, about the last week of March.<sup>2</sup>

Witness Tayman has indicated that "[f]inal, audited FY 1999 data were available very shortly prior to the filing" of this case.<sup>3</sup> The Commission pointed out in its Notice that Rule 54(f) requires the Postal Service to utilize for its base year the "total actual accrued costs during the most recent fiscal year for which they are *reasonably* available." (Emphasis supplied.) The intent of the "reasonably available" requirement is not clear. It may be helpful for future cases if the Commission provides more explicit guidance to the Postal Service in the requirement to use the most current data.

While "final, audited FY 1999 data" was available to the Postal Service, based upon the Postal Service response to the Commission's Notice, such data may not have been available in a format useful for analysis in the rate case. The Commission's rules provide broad flexibility to the Postal Service in selecting the base year. It is permitted to file a rate request anytime, using for the base year data that is the most recently available data. Thus, nothing precludes the Postal Service from waiting to file a request until just before the audited results from the following fiscal year are available. Unless the Commission clarifies or alters its rules, this issue has the potential for recurring. In any event, the case is before the Commission, the ten-month statutory clock for a

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<sup>2</sup> Report at 3-4; see also, Tr. 1/46-7.

<sup>3</sup> USPS-T-9 at 11.

recommended decision is ticking, and the procedural schedule needs to be addressed now.

The Commission is rightly concerned that the cost and billing determinant data must correspond. Witness Tayman has indicated revenue and volume projections are based on FY 1999 data but it is unclear how much cost data for FY 1999 is included in the rate filing. The United Parcel Service ("UPS") has directed interrogatories to most of the witnesses seeking to determine all instances in which they have relied upon or used FY 1999 cost, revenue or volume data in their testimony.<sup>4</sup> Unless the cost data is also updated to match volume and revenue data, there will not be a correspondence of the factors determining the rates. Moreover, because the current rates only became effective on January 10, 1999, a full year of experience under the new rates was not included in the rate filing.<sup>5</sup> These needs should be addressed.

The OCA has always contended the Commission should use the most recently available data, and this case is no different. Updating for actual FY 1999 cost data is necessary to provide cost data that corresponds to the actual revenue and volume data that was apparently utilized by the Postal Service. However, the overall impact of updating the filing will be, in all likelihood, minimal, and may not have a practical impact upon the positions of the parties except in a few areas of significance to only a few mailers. The Postal Service Report indicated that, because volume estimates based on FY 1999 data were provided to rate design witnesses for their testimony, the absence of specific FY 1999 billing determinants will have little substantive effect. Several

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<sup>4</sup> See, for instance, UPS/USPS-T1-1, interrogatory to witness Xie.

publishing industry participants argued at the prehearing conference that the best use of the updated information is not to supplant the filing but only to act as a check on the estimates to insure that they were "as accurate as possible,"<sup>6</sup> and, of course, reasonable when made. That is a reasonable approach and recognizes that it is not wise at this juncture to require the Postal Service to recalculate the entire rate filing to include the FY 1999 cost data.<sup>7</sup>

Therefore, the OCA does not support a stay of the procedural schedule to wait for updates by the Postal Service. The OCA also does not take a position upon the various parties' requests for revisions to the procedural schedule to provide more time to prepare their cases. It appears that if, as some request, three additional weeks are allotted for the filing of the participants' cases-in-chief until May 26, the scheduled hearing might also be postponed until the first week of May. This delay would be long enough for the Postal Service's updated information to be reviewed and for some interrogatories (the time for their completion must also be extended) and for preparation of cross-examination on the updated data. Preparation of testimony by the participants based upon issues of methodology can continue even in the absence of updating.

If, after the new data becomes available in April as the Postal Service has indicated it will, certain parties feel they need either to raise an issue not previously apparent in the filing or offer adjustments to their testimony to incorporate the updated

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<sup>5</sup> In any event, the impact of the new rates on the high volume holiday period would not be measured since it occurred after the end of FY 1999.

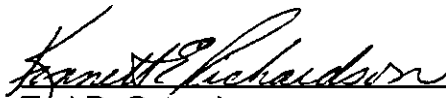
<sup>6</sup> Tr. 1/52.

<sup>7</sup> Tr. 1/51. These participants further argued, and the OCA concurs, that this is not a case where actual data may become available later in a case which may differ materially from the forecast data. The OCA argued at length for updated figures in Docket No. R97-1 on grounds that the actual numbers being

information, and can so demonstrate, the Commission could make appropriate provision for further procedures to protect their due process rights and yet stay within the ten month time frame for decision. After the RPW report becomes available and the Postal Service recalculates its workpapers to incorporate the latest PPW report and other FY 1999 data, the Commission will be able to incorporate the final numbers in its own rate calculations at the conclusion of the proceedings.

Respectfully submitted,

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reporting each accounting period demonstrated the income estimates in the filing were inaccurate. That is not the situation in this case.

# CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.

  
STEPHANIE S. WALLACE

Washington, D.C. 20268-0001  
February 23, 2000