

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

MOTION OF THE UNITED STATES POSTAL SERVICE
FOR RECONSIDERATION OF QUESTIONS 1 AND 2
IN PRESIDING OFFICER'S INFORMATION REQUEST NO. 5
OR, IN THE ALTERNATIVE, FOR AN EXTENSION OF TIME TO RESPOND
(March 23, 2000)

On March 14, 2000, the Presiding Officer directed the Postal Service to respond, by tomorrow, to Information Request No. 5. For the reasons stated below, the Postal Service requests that the Commission reconsider the first two enumerated questions in that Information Request and that it absolve the Postal Service of any obligation to respond to them. In the alternative, the Postal Service requests that it be granted additional time to prepare responses to POIR No. 5, Questions 1 and 2.

POIR 5, Question 1

POIR 1 Q1 refers to the "First" Test Year Before Rates (TYBR) volume forecasts developed by Postal Service witness Tolley (USPS-T-6) and the "Second" TYBR volume forecast. The latter forecast was relied upon by witnesses Kashani (USPS-T-14) in the before rates rollforward and incorporated into the Periodicals rate design of witness Taufique (USPS-T-38) and the pricing testimony of witness Mayes (USPS-T-32). As indicated in Dr. Tolley's response to POIR 1 Q 1, the "First" forecast is a revised version of the "Second" one.

Witness Mayes' Exhibit USPS-32A and her February 14, 2000, response to POIR 1, Question 4 reflect her testimony's reliance upon the "Second" forecast.

Question 1 of POIR 5 asks her to revise her Exhibit USPS-32A¹ and page 1 of the attachment to her POIR 1 Q4 response² in a manner which incorporates the "First" forecast.

In order for witness Mayes to incorporate the "First" forecast in a revised Exhibit USPS-32A and revised response to POIR 1 Question 4, witness Kashani would need to re-run the TYBR roll-forward cost model using the "First" forecast. In addition, witness Taufique (USPS-T-38) would need to distribute the revised volumes to calculate new postage, and witness Mayo (USPS-T-39) would have to distribute the revised volumes to calculate new fee revenues. It is estimated that it would take witness Kashani approximately five work weeks to re-run the roll-forward to produce the revised cost estimates.

The Postal Service respects the Commission's desire for a reasonable understanding of the consequences of the TYBR volume forecast revision upon the testimony of witness Mayes. However, the Postal Service also wants to ensure that the Commission's request is informed by an explicit understanding of the associated burden. The Postal Service also seeks the Commission's considered opinion concerning whether the anticipated benefits of re-running the roll-forward to accommodate the change in forecasted TYBR Periodicals volume³ are likely to improve

¹ Which shows estimated test year volume variable costs and revenues.

² Which shows mail volume, postage and fees.

³ Witness Kashani filed errata to his Workpapers (on February 18, 2000). In addition, some of the inputs and adjustments used by witness Kashani have changed. The question is whether re-running the roll-forward simply to accommodate the change in TYBR Periodicals volume would add to the record when other corrections may be

the state of the record to such a degree as to warrant imposition of the obligation to re-run the roll-forward for this purpose.

An additional reason the instant request for reconsideration is Postal Service's anticipation that the Commission's review of the record in this proceeding will be based upon the inevitable development by the Commission of a "PRC version" of the rollforward which incorporates the Commission's own reading of the impact of applying the "First" forecast to Exhibit USPS-32A. The Postal Service is not attempting to shirk the performance of any task the Commission deems absolutely vital to the development of the record upon which the recommended decision will be based. However, given the Postal Service's assumption that development of a "PRC version" rollforward will incorporate the impacts of any changes resulting from an application of the "First" forecast,⁴ the provision of a roll-forward that only incorporates the TYBR Periodicals volumes changes would seem to be of little use.

In the absence of a complete rollforward re-run, the Postal Service could perform a less sophisticated analysis which assumes the same unit costs and revenue per piece figures reflected in witness Kashani's Exhibit USPS-14G and witness Mayes' response to POIR 1, Question 4. However, this would seem to be a vastly inferior alternative, since it would in no way improve upon the information already provided by the Postal Service.

warranted as well. However, re-running the roll-forward to accommodate all corrections known to-date would not respond to the focus of this POIR and, potentially, could change every cost number in Exhibit USPS-32A.

⁴ In addition to other corrections known to be necessary, as well as making what changes the Commission deems appropriate.

POIR 5, Question 2

Referencing Exhibit USPS-32B and page 2 of the attachment to witness Mayes' response to POIR 1 Question 4, this inquiry requests that witness Mayes revise her Exhibit and POIR response to reflect the "slightly revised" FYAR volume forecasts for Priority Mail and Express Mail which appear in the Supplemental Appendix to the testimony of witness Musgrave (USPS-T-8). As explained in that Appendix, in reviewing his documentation, Dr. Musgrave discovered small errors in the fixed-weight price indices. The volumes associated with the corrected price indices were not available in time to be fully incorporated into the development of the case. Preparation of a response to this Question also would rely upon development of a revised rollforward, as described above in reference to POIR 5, Question 1. An examination of Dr. Musgrave's Supplemental Appendix demonstrates the change in after-rates Priority Mail volume to be only 86,000 pieces; for Express Mail, it is only 3000 pieces. In light of this de minimus impact and the considerable burden associated with a re-run of the rollforward, the Postal Service requests that the Commission reconsider whether to require the Postal Service to respond to this question as well.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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March 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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