

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

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POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

OPPOSITION OF THE UNITED STATES POSTAL SERVICE  
TO ABA&NAPM MOTION TO COMPEL  
FURTHER RESPONSE TO ABA&NAPM/USPS-T24-1  
(March 29, 2000)

In accordance with Rule 26 of the Commission's Rules of Practice and Procedure, the United States Postal Service hereby files this opposition to the Motion of ABA&NAPM To Compel a Further Response To ABA&NAPM/USPS-T24-1 (March 17, 2000).

The interrogatory refers to USPS-T-24, Table 1. In that Table, witness Miller summarizes his estimates of worksharing-related cost savings for each First-Class Mail and Standard (A) Mail rate category. The development of these estimates is reflected in Appendices I through III of USPS-T-24. The interrogatory requests that witness Miller reproduce Table 1 employing the same methods used, alternatively, by Postal Service Docket No. R97-1 witness Hatfield (USPS-T-25) and the Commission in its Docket No. R97-1 Opinion to measure worksharing related cost savings.

Witness Miller's March 3, 2000, response to the interrogatory reflects his interpretation that the question was asking him to recalculate his worksharing-related cost estimates, using witness Hatfield's cost models – in effect, to eliminate his post-Hatfield separation of non-automation and automation presort CRA mail processing unit costs, to assume witness Hatfield's USPS R97-1 marginal productivities and to assume, alternatively, USPS and PRC R97 volume variability estimates. Witness Miller responded by indicating that the data he developed were not completely compatible

with USPS witness Hatfield's Docket No. R97-1 cost models, and therefore, the requested analysis would not as simple to produce as the interrogatory seems to assume. On March 17, 2000, ABA&NAPM filed their motion to compel.

Since that time, ABA&NAPM counsel and Postal Service have worked to clarify the scope of the motion. ABA&NAPM have reduced the scope of their request – from all rate categories listed in witness Miller's USPS-T24, Table 1, to only the following three: Automation Basic Letters, Automation 3-Digit Letters and Automation 5-Digit Letters. For these three categories, ABA&NAPM request that witness Miller:

- (a) modify the R2000-1 analysis as follows:
  - (1) use the USPS R97-1 volume variability factors;
  - (2) base the worksharing-related savings calculation on the "total mail processing unit costs (USPS-T-24, Appendix I, page I-1, Column 1), rather than"worksharing-related mail processing unit costs (USPS-T-24, Appendix I, page I-1, Column 2).
- (b) modify the R97-1 analysis as follows:
  - (1) use the USPS R2000-1 volume variability factors;
  - (2) Base the cost difference calculations that were performed by witness Fronk (R97-1, USPS-T-32) on the cost pool classification methodology used by witness Miller in R2000-1.

Unfortunately, in the view of the Postal Service, the reduction in the number of rate categories to three (from the 20 listed at R2000-1, USPS-T-24, Table 1) results in no material reduction in the burden ABA&NAPM seek to impose. Because the Postal Service considers the burden of producing the requested data to far outweigh any value the requested information could bring to these proceedings, the Postal Service must oppose the Motion To Compel.

The essential differences between the Miller R2000-1 worksharing-related cost measurement approach and the Docket No. R97-1 methodologies (USPS or PRC) are

(1) witness Miller's reliance on USPS R2000-1 volume variability estimates<sup>1</sup> (as opposed to USPS R97-1<sup>2</sup> or PRC R97-1 estimates) and (2) witness Miller's exclusion of certain CRA cost pools from his estimate of worksharing-related costs. ABA&NAPM need only refer to R2000-1 USPS Library Reference I-147 to see the impact of witness Miller's reliance on USPS R2000-1 volume variability analysis (instead of PRC R97-1). The straightforwardness of the impact of witness Miller's reclassification of CRA cost pools is confirmed by ABA&NAPM's ability to estimate the impact for purposes of propounding their interrogatory T24-28 (March 17, 2000).<sup>3</sup>

When it filed the request in this proceeding, the Postal Service provided Library Reference I-147, which can be used to evaluate the impact of applying the Commission's Docket No. R97-1 volume variability analysis to witness Miller's Docket No. R2000-1 testimony, which otherwise relies on the volume variability analysis of Docket No. R2000-1 witness Bozzo (USPS-T-15). In essence, ABA&NAPM now want a variation of LR I-147, with two material changes. First, they want USPS Docket No. R97-1 witness Bradley's volume variability estimates substituted for the PRC R97-1 volume variability estimates. Second, in contrast to witness Miller's approach, they want none of the 52 Docket No. 2000-1 CRA cost pools excluded from the worksharing related cost estimate. The Postal Service considers the first of these changes to

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<sup>1</sup> Docket No. R2000-1, Direct Testimony of USPS witness Bozzo (USPS-T-15).

<sup>2</sup> Docket No. R97-1, Direct Testimony of USPS witness Bradley (USPS-T-14).

<sup>3</sup> On that date, ABA&NAPM also propounded interrogatory T24-27, which asks witness Miller to explain any differences between his methodology and witness Hatfield's. It should be presumed by the absence of an objection that witness Miller will respond.

present a burden well out of proportion to any value the requested exercise could provide to this proceeding.<sup>4</sup>

Replacing witness Bozzo's R2000-1 volume variability analysis with witness Bradley's R97-1 volume variability analysis in USPS LR I-147 is no simple matter. Even with only three of the CRA unit cost mail processing cost categories from USPS-T-24, Table 1, a considerable number of R2000-1 and R97-1 library references would need to be revised. Volume variability factors are used to calculate the marginal productivities that are an input to USPS-T-24 and USPS LR I-147. In addition, these variability factors also are used to develop CRA mail processing unit costs. As a result, the factors for two different rate cases cannot be used interchangeably to estimate marginal productivities without also recalculating the CRA data.

To produce the requested "apples-to-apples" comparison sought by the ABA&NAPM Motion to Compel, the Postal Service would need to develop alternative versions of a number of library references which serve as inputs to LR I-147. The list would include the following: PRC-version R2000-1 base year (LR-I-130) and test year (LR-I-131) cost estimates, PRC-version test year piggyback factors (LR-I-136), PRC-version mail processing unit costs by shape (LR-I-137), and PRC-version MODS-based costing (LR-I-138). The revision of each of these documents (reflecting the substitution of the R97-1 Bradley volume variability analysis for the R2000-1 PRC volume variability analysis) would be a considerable undertaking. It is estimated that it would take five work-weeks to re-run the R2000-1 base year and roll-forward cost models, plus two additional work-weeks to produce each revised version of library references I-136

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<sup>4</sup> In contrast, as noted above in relation to its interrogatory T24-28, ABA&NAPM have already demonstrated their ability to perform the second task without burdening the Postal Service.

through I-138. With these tasks completed, an additional two work-weeks would be needed to incorporate these changes into the requested revised version of LR I-147.<sup>5</sup>

Moreover, there are other differences between witness Miller's methodology and the R97 Hatfield and PRC methodologies which make it difficult to simply mix and match R2000-1 and R97-1 inputs for the perfect "apples-to-apples" comparison that ABA&NAPM claims to need. In contrast to witness Hatfield's use of two First-Class letters CRA mail processing unit cost categories (for "non-carrier route presort letters" and "automation carrier route presort letters"), witness Miller and LR I-147 use three: "non-automation presort letters," automation non-carrier route presort letters," and "automation carrier route presort letters." Both witness Miller and LR I-147 eliminate the use of letters/cards coverage factors.<sup>6</sup> In addition several cost model inputs have changed. Automation productivities have been de-averaged in a manner similar to manual productivities,<sup>7</sup> density tables have been updated,<sup>8</sup> and "weighted" piggyback factors have been used for automated operations.<sup>9</sup> In Docket No. R97-1, witness Hatfield and the Commission used 46 CRA cost pools; witness Miller relies on a more refined analysis which results in 52 cost pools.

If there is some "short-cut" or "back-of-the-envelope" version of what ABA&NAPM have requested for which they would settle, it is not apparent to the Postal Service what it would be. In any event, they could produce it themselves by relying

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<sup>5</sup> This timetable is optimistic because it assumes that the analysts who prepared the R2000-1 library references would have no other conflicting responsibilities associated with Docket No. R2000-1 discovery and hearings.

<sup>6</sup> See USPS-T-24, at 5-6.

<sup>7</sup> See USPS-T-24, at 9.

<sup>8</sup> See USPS-T-24, at 6.

<sup>9</sup> See USPS-T-24, at 9.

upon data already provided in Docket Nos. R97-1 and R2000-1 and deciding to accept the consequences of not modifying any of the aforementioned R2000-1 I-130 series library references (or their R97-1 predecessors). For instance, they could calculate the ratios of the R97-1 Bradley volume variability estimates to the PRC R97 estimates and then use those ratios to simulate the impact of substituting the former for the latter. But ABA&NAPM do not need and should not impose upon the resources of the Postal Service to perform such a task.

The Postal Service finds the second portion of the modified information request to be objectionably burdensome as well. It is not enough for ABA&NAPM that the Postal Service has produced the numerous R2000-1 PRC-version library references that feed into LR I-147. ABA&NAPM also insist that the Postal Service estimate what the result would have been if USPS R97-1 witness Hatfield (USPS-T-25) had (1) incorporated USPS witness Bozzo's R2000-1 volume variability analysis instead of R97-1 witness Bradley's and (2) re-classified CRA cost pools in the manner proposed by R2000-1 witness Miller.

To conduct this requested "apples-to-apples" comparison, the Postal Service would have to revise the R97-1 predecessors of the aforementioned R2000-1 library references, re-calculate witness Hatfield's marginal productivities, substitute witness Hatfield's 46 cost pools with witness Miller's 52, and attempt to deconstruct the improvements to the mailflow models that witness Miller has executed.

It is expected that it would take at least as long to modify the predecessor versions of the aforementioned R2000-1 USPS I-130 series library references to produce the "reverse R97-1" results sought by ABA&NAPM. If there is some "short-cut" method that could be employed to approximate what ABA&NAPM are after, the Postal Service should not be required to guess what that might be or to perform the work for them.

In support of their request, ABA&NAPM argue that the Commission addressed "nearly the identical issue" in their Docket No. R97-1 Order No. 1197 (October 1, 1997). ABA&NAPM Motion at 3. However, a close review of that Order shows that it provides no support for ABA&NAPM's Motion. In Docket No. R97-1, when witness Hatfield based workshare cost analysis testimony on Dr. Bradley's volume variability analysis (which deviated from the Commission's approved method of volume variability analysis), the Commission ordered the Postal Service to show what the impact would be of using the PRC-approved method of volume variability analysis. In the instant case, that obligation is met by the Postal Service's production of R2000-1 Library Reference I-147, which replicates witness Miller's testimony, substituting the Commission's R97-1 volume variability analysis for Dr. Bozzo's (R2000-1, USPS-T-15) analysis which serves as an input to witness Miller's testimony. Order No. 1197 does not require that the Postal Service go even further and develop alternative versions of its testimonies which reflect what the impact would be of using the USPS R97-1 volume variability analysis or any other analyses which were considered, but not approved by the Commission.

At page 2 of their Motion, ABA&NAPM argue that "[t]he only way for the Commission and the parties to evaluate whether FCLM worksharing savings have actually decreased, as [witness] Miller testifies, or rather whether they have in fact increased, is to measure such worksharing savings in a manner which is consistent with the previous rate filing." ABA&NAPM have it all wrong. The Postal Service submits that the way for ABA&NAPM to evaluate whether worksharing savings have increased or decreased is to measure them in a manner reasonably consistent with the previous recommended decision, as reflected in either USPS-T-24 or LR I-147.

On some level, it may be an interesting intellectual exercise to determine what witness Miller's R2000-1 results would have been, if the Commission had accepted Dr. Bradley's R97-1 volume variability analysis. And it may be equally fascinating to

ponder what results Mr. Hatfield might have obtained in R97-1 if he had been able to rely on Dr. Bozzo's R2000-1 volume variability analysis, instead of Dr. Bradley's. But, there are limits to the Postal Service obligations during discovery which relate to the materiality of the requested information and the burden that a request would impose. Requiring the Postal Service to produce an alternate version of LR I-147 (and an R97-1 "reverse alternate" version) would seem to greatly exceed those limits. The focus of this proceeding should be whether the Postal Service has justified any proposed deviations from Commission-approved methodologies, not whether it has justified deviations from methodologies which were not approved by the Commission. Otherwise, there would be no end to parties' requests for alternate versions of alternate versions of USPS LR I-147.

ABA&NAPM have not made a case for requiring the additional information they have requested. The interrogatory is not designed to overcome any particular analytical obstacle that ABA&NAPM have encountered in understanding the impact of any USPS deviation from PRC-approved methods. ABA&NAPM/USPS-T-24-1 is no more than an attempt to have the Postal Service do their analytical work for them. Accordingly, the Commission should dispose of the ABA&NAPM Motion in a manner consistent with the OCA Docket No. R97-1 Motion To Compel A Response to OCA/USPS-T5-42. See Presiding Officer's Ruling No. R97-1/61, at 2-4 (November 13, 1997).

For the foregoing reasons, the ABA&NAPM Motion to Compel should be denied.



Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**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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