

UNITED STATES OF AMERICA
Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

RECEIVED
MAY 8 9 31 AM '00
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes)

Docket No. R2000-1

OFFICE OF THE CONSUMER ADVOCATE
COMMENTS IN RESPONSE TO NOTICE OF INQUIRY NO. 2
CONCERNING BASE YEAR DATA
(May 8, 2000)

The Office of the Consumer Advocate hereby comments upon the Commission's Notice of Inquiry No. 2 Concerning Base Year Data ("NOI") issued April 21, 2000. The NOI requested comment on or before May 8, 2000, on the appropriate use in this case of actual FY 1999 results.

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. Subsequently, the Postal Service filed an FY 1999 Cost and Revenue Analysis Report on April 4, 2000 (LR-I-275) together with the corresponding Cost Segments and Components Report (LR-I-276) and supporting workpapers (LR-I-277 and 278). Billing Determinants, Fiscal Year 1999, were only recently filed on May 1, 2000 for most subclasses with billing determinants for the remaining subclasses to follow within the week.

The Commission's NOI suggests that one of several approaches to handling the actual FY 1999 might be appropriate, including (1) using FY 1999 as the base year for

all analysis; (2) using the estimate of FY 1999 initially submitted by the Postal Service; or (3) another result that would yield reliable results consistent with due process.

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. Because FY 1999 data was not filed until the Commission was well into the hearing process, it is not feasible to use the FY 1999 data as the base year for all analyses without extending significantly the time for parties, including the Postal Service, to redo their testimony using the FY 1999 data.

The Commission is rightly concerned that the cost and billing determinant data must correspond. OCA previously commented on this issue in response to the Commission's request for comments on the use of base year data.¹ In OCA's view, it is generally appropriate to use the most recently available data and to match volume, cost and revenue data where possible.

However, the tables attached to the NOI indicate the relatively minor impact that the actual FY 1999 data has upon most of the classes and subclasses of service, particularly those of interest to OCA. The overall impact is minimal and perhaps in only a very few instances might have any measurable impact on the ultimate rate design. Therefore, the best use in this case of the updated information is to act as a check upon the estimates to insure they were as accurate as possible.

Nevertheless, the parties should be permitted to utilize the actual FY 1999 data in their evidentiary presentations where appropriate and feasible. OCA's evidentiary

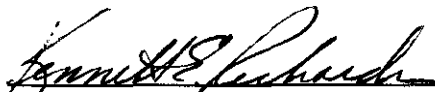
¹ "Office of the Consumer Advocate Comments in Response to Notice of Inquiry No. 1 Concerning Base Year Data," February 23, 2000.

case will, in some cases, utilize the actual FY 1999 data as the basis for the presentation. In other cases, the FY 1999 data was not available in time to include the information in the OCA presentations, particularly for extensive analyses involving the revised Commission cost model. If the Commission now decided to use FY 1999 as the base year for all analyses, OCA would require a considerable amount of additional time to redo its testimony to roll forward the revised base year data.

There may be a few instances where the deviation of the actuals from the estimates warrants special consideration. The Commission can protect the due process rights of the parties if it allows additional time for those who demonstrate a need to revise their evidence to incorporate the updated FY 1999 information.

Respectfully submitted,

OFFICE OF THE CONSUMER ADVOCATE



Ted P. Gerarden
Director

Kenneth E. Richardson
Attorney

1333 H Street, N.W.
Washington, D.C. 20268-0001
(202) 789-6859; Fax (202) 789-6819

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.

A handwritten signature in cursive script, appearing to read "Kenneth E. Richardson".

Kenneth E. Richardson

Washington, D.C. 20268-0001
May 8, 2000