

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

Docket No. R2000-1

**Answer Of Major Mailers Association
To Postal Service Motion For Reconsideration Of Order No. 1294
And Request Of Major Mailers Association For Clarification Or Reconsideration
Of Order No. 1294 And POR 71**

By Order No. 1294, issued May 26, 2000, the Commission directed the Postal Service to prepare and present a "basic update" of its request for rate and fee changes to incorporate actual data based upon the FY1999 audited Cost And Revenue Analysis ("CRA") Report. On that same date, the Presiding Officer issued Ruling R2000-1/71 ("POR 71"), which modified the procedural schedule to accommodate the changes in the Postal Service's presentation and possible adjustments to the presentations of other participants. On June 2, 2000, the Postal Service filed a motion for reconsideration of Order No. 1294.

Pursuant to Rule 21 (b) of the Commission's Rules Of Practice, Major Mailers Association ("MMA") submits the following answer to the Postal Service's June 2 Reconsideration Motion. In addition, MMA hereby requests clarification of Order No. 1294 and POR 71.

At the outset, MMA notes its general support for the Commission's statements of its responsibilities and goals. As the Commission stated:

[The Commission] must identify and analyze the most reliable evidence so that it can accurately estimate the Postal Service's revenue needs and develop the most fair rates to generate those revenues. Equally important, it must also accord all interested persons an opportunity to fully and fairly participate in the ratemaking process.

Order No. 1294 at 2-3. MMA shares the Commission's views regarding the importance of balancing the need for accurate data and parties' due process rights.

MMA does not oppose the Commission's directive that the Postal Service provide a "basic update" of its case-in-chief based on FY1999 CRA data, most recent reliable information. At the same time, MMA must echo certain of the concerns raised by the Postal Service and express its reservations about the supplemental procedures

ordered.

First, both Order No. 1294 and POR 71 go well beyond the concept of a basic update by allowing the Postal Service an opportunity to develop "additional improvements" (Order No. 1294) to its test year forecast, for example by revising cost change factors for 2000 and 2001, including such items as "more recent inflation forecasts or program estimates" (POR 71 at 1). Indeed, the Postal Service (and other participants) apparently will have a chance to propose different rates and different cost coverages. POR 71 at 2. It is not clear to MMA why anything more than a "basic update" using FY1999 CRA figures should be necessary to accomplish the Commission's goal of "incorporat[ing] actual unit costs by subclass and service into its opinion and recommended decision." Presumably, a basic update will enable the Commission, the Postal Service, and affected parties to identify any *material* differences between FY1999 CRA data and the data used by the Postal Service in its filing. In contrast, going beyond a basic update of the Postal Service's original presentation is likely to create an unnecessary "moving target" for the Service and other participants and engender additional controversy over which "improvements" are appropriate and which are not. Such an exercise doubtless will overtax the participants' already limited resources. Moreover, there is a distinct possibility that the resultant confusion will hinder, rather than enhance, the cause of reasoned decisionmaking.

Regardless of what reasonable limits the Commission and Presiding Officer do place on the nature and extent of the Postal Service's update presentation, they should clarify that the Postal Service is obligated to update, as necessary, related materials already of record in this proceeding. For example, the Postal Service's original presentation included several library references reflecting application of the Commission's costing method to the cost and revenues presented by the Service. MMA used and relied upon such information in the preparation of its case.¹ If the Postal Service is required to update its costs and revenues using actual FY1999 CRA data, then it should update these portions of its presentation as well. Clarification of the

¹ Specific USPS library references relied upon by MMA witness Bentley, which would need to be updated to reflect FY 1999 data, include: LR-I-131 (Volume J, Table E and Volume H, Table E), LR-I-174, LR-I-91A and B, LR-I-162A, LR-I-137 and LR-I-147. In addition, MMA has been advised that the following USPS library references relied upon by witness Bentley in preparing the separate evidence he has submitted on behalf of KeySpan Energy would also need to be updated to reflect FY 1999 data: LR-I-146,

Postal Service's responsibilities to provide participants with appropriate updated information is required because parties such as MMA simply do not have the financial or manpower resources to recompile and recalculate this information on their own.

In addition, during discovery MMA requested and received information from the Postal Service that was predicated upon the Service's presentation as then constituted. Rule 26 (f) generally requires submission of supplemental interrogatory answers if the participant receives information indicating that an answer previously furnished is incorrect or is no longer true. However, it is not clear if or how this rule will operate under the extraordinary update procedures ordered in this case. MMA is not seeking to have the Service's witnesses submit updated interrogatory responses to *all* questions posed. Nevertheless, there may be certain interrogatory responses that will be affected by the Postal Service's update and should be amended or "corrected" to insure that the Commission's decision is based on accurate record facts.² Accordingly, MMA requests clarification that participants will have an opportunity to identify those interrogatory responses they believe require updating and that the Postal Service remains responsible for providing such updated information.

Finally, MMA requests clarification of POR 71 regarding the timing of the Postal Service's notification regarding any changes in rates and cost coverages. Logically, the Postal Service should be required to do so on July 7 or July 21 at the latest. And POR 71 appears to do so on page 1. However, the discussion, on page 2, and the wording of the revised schedule are not clear. In that regard, the discussion on page 2 of POR 71 suggests that the Postal Service and the participants should file update testimony at the same time. In addition, the revised schedule establishes August 14 as the date for "[f]iling changes to cases in chief incorporating revisions to test year forecasts" but does not limit the parties who may do so to participants other than the Postal Service. See POR 71, Attachment 1, p. 2.

CONCLUSION

For all of the foregoing reasons, the Commission should limit the updating process prescribed in Order No. 1294, in the manner described above, and grant

LR-I-160A, LR-I-160L and LR-I-168.

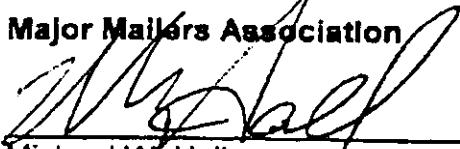
² The following data provided by USPS witnesses would need to be updated: TR 21/9420-21, TR 21/8909-10 and Response of Witness Mayes to POIR No. 1, Question 4 at 1 (Revised 4/21/00).

clarification of Order No. 1294 and POR 71 as requested by MMA. In the alternative, MMA respectfully requests reconsideration of Order No. 1294 and POR 71.

Respectfully submitted,

Major Mailers Association

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Dated: Round Hill, VA
June 9, 2000

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants in this proceeding in compliance with Rule 12 of the Commission's Rules of Practice.

Dated this 9th day of June 2000.



Michael W. Hall