

BEFORE THE
POSTAL RATE COMMISSION

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

DOCKET NO. R2000-1

OPPOSITION OF UNITED PARCEL SERVICE TO
UNITED STATES POSTAL SERVICE MOTION
FOR RECONSIDERATION OF ORDER NO. 1294
(June 9, 2000)

United Parcel Service ("UPS") hereby files its opposition to United States Postal Service Motion for Reconsideration of Order No. 1294, filed on June 2, 2000 ("Motion for Reconsideration"). In its Motion for Reconsideration, the Postal Service repeats its earlier arguments that the procedural schedule does not permit sufficient time for use of actual cost data from the FY1999 Cost and Revenue Analysis ("FY1999 CRA"), despite the Commission's clear acknowledgment of the superiority of the actual cost data to estimated costs for FY1999. UPS believes that the benefits of using actual cost data vastly outweigh the potential difficulties outlined by the Postal Service.

ORDER NO. 1294

Order No. 1294 resolved a controversial issue that has been the subject of the Commission's concern since at least February 2, 2000, when the Commission issued Notice of Inquiry No. 1. Notice of Inquiry No. 1 sought information and comments on the availability of actual FY1999 data and its appropriate use in this proceeding. The

root cause of this controversy was the fact that information from the FY1999 CRA would become available early enough to be used by the Commission in rendering its recommended decision even though actual FY1999 data was not used in the Postal Service's roll-forward. In Order No. 1294, the Commission laid out a schedule for the Postal Service to roll forward actual FY1999 data. The first step in this process was for the Postal Service to perform a "basic update" of interim and test year estimates using data contained in the FY1999 CRA report. The Postal Service was given six weeks to complete the basic update and present the results to the Commission. Presiding Officer's Ruling No. R2000-1/71.

DISCUSSION

The Postal Service's principal argument in opposition to Order No. 1294 is that there is inadequate time for the Postal Service, the Commission, and the other participants to perform a reasoned analysis of the effect of the FY1999 CRA data on the Postal Service's request and to incorporate that data into the Commission's recommended decision. In the words of the Postal Service,

creating new test year estimates from the new historical base could distort the record built to support the rate and revenue objectives embodied in the Postal Service's case, unless a reasonable and realistic opportunity were given to evaluate and adjust the entire roll-forward, beyond mere substitution of FY1999 actual data in the forecasting model.

Motion for Reconsideration at 3. The Postal Service argues that there is insufficient time to perform the basic update and the additional adjustments necessary to develop

an accurate foundation for the Commission's recommended decision. Motion for Reconsideration at 6-7.

In Order No. 1294, the Commission made its own determination of the amount of time needed to review and analyze the FY1999 CRA data. By providing for a three-stage process of review of the impact of the FY1999 data, the Commission has created a schedule that allows it to use the FY1999 data to the extent it sees fit. If, after the basic update is complete, the Commission determines that the impact of the actual data is immaterial, the Commission can choose to go no further with its inquiry. If, on the other hand, the impact is more substantial, the Commission can use the additional information supplied by the Postal Service pursuant to the schedule set forth in Presiding Officer's Ruling No. R2000-1/71. That ruling accommodates the Postal Service's concerns and allows for a thorough and reasonable review of FY1999 data and its impact on the Postal Service's presentation.

Any potential for "distortion" of the Commission's recommended decision that could result from an "incomplete" analysis of FY1999 data is outweighed by the *increased accuracy that will result from use of actual data*. In any event, this "distortion" is preferable to the distortion already present in the Postal Service's case as a result of its inaccurate FY1999 cost estimates. The Postal Service does not and cannot provide any basis for the Commission to reject actual data in favor of the estimates.

The Postal Service also argues that use of actual FY1999 data without "the opportunity to make a comprehensive assessment of changed circumstances" would infringe on its right to make "fundamental policy choices and judgments." Motion for Reconsideration at 3. However, as the Commission noted: "The filing occurred almost

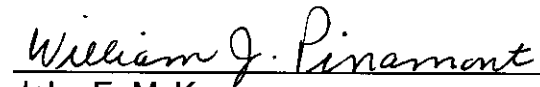
three and a half months after the close of fiscal year 1999 and it presumably reflects significant events occurring within that year in the cost change factors utilized in the cost projections." Order No. 1294 at 5. Thus, the Postal Service has likely taken significantly changed circumstances into account.

CONCLUSION

Order No. 1294 will not result in the haphazard or reckless use of FY1999 CRA data which the Postal Service fears. Rather, that Order establishes a framework pursuant to which the Commission can consider the most accurate information available and thereby minimize the distortion on the recommended rates caused by inaccurate estimates. In Order No. 1294, and in Presiding Officer's Ruling No. R2000-1/71, the Commission and the Presiding Officer have made a reasonable attempt to accommodate the conflicting concerns discussed in the Postal Service's motion for reconsideration. To grant the Postal Service's motion would be to subordinate fact to fiction, a result clearly contrary to the statute.

WHEREFORE, UPS respectfully requests that the Postal Service's motion for reconsideration of Order No. 1294 be denied.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document by first class mail, postage prepaid, in accordance with Section 12 of the Commission's Rules of Practice.



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Dated: June 9, 2000
Philadelphia, Pa.

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