

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

SUPPLEMENTAL RESPONSE OF THE UNITED STATES POSTAL
SERVICE TO PRESIDING OFFICER'S RULING NO. R2000-1/116
(August 25, 2000)

The United States Postal Service hereby provides the attached supplemental response to Presiding Officer's Ruling No. R2000-1/116, issued on August 11, 2000. This supplements, rather than replaces, the response originally filed on August 18, 2000. The need to supplement is caused by the availability of additional information, the purpose of which is discussed in the original and supplemental responses.

The ruling is stated, followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:


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August 25, 2000

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Q. Provide updates of library references LR-I-137, LR-I-146, LR-I-147, LR-I-160, and LR-I-162.

RESPONSE:

On August 18, 2000, in its original response to this Ruling, the Postal Service stated that it was providing the following library references in response to this Order:

LR-I-462	updates	LR-I-83
LR-I-463	updates	LR-I-77
LR-I-464	updates	LR-I-81
LR-I-465	updates	LR-I-136
LR-I-466	updates	LR-I-137
LR-I-467	updates	LR-I-162
LR-I-468	updates	LR-I-147
LR-I-471	updates	LR-I-160 (Section B and L)
LR-I-472	updates	LR-I-146

Further material was filed as a supplement to LR-I-467 and 468 on August 21, 2000, relating to delivery costs and completing those versions of the requested material.

The Postal Service's original August 18th response also included the following discussion:

More importantly, the Postal Service has serious concerns about some apparently anomalous results shown in the mail processing unit cost materials. These relate directly to the questions raised by Commissioner LeBlanc at the August 3rd hearings (Tr. 35/16801-10). In its written response to his questions, filed on August 14th, the Postal Service noted a change in the IOCS method used to determine Automation and Nonautomation costs for FY 1999. The effects of that methodological change seem to be substantial on some of the cost models. The Postal

Service is exploring whether it is possible to redo these analyses using an IOCS methodology consistent with the FY 1998 approach. Ideally, we will be able to report on the results of that exercise by late next week.

The Postal Service has endeavored to recast the FY 1999 IOCS data using the approach previously used in FY 1998. The results of that exercise on the mail processing unit costs models will be seen in USPS-LR-I-477 (Postal Service version, corresponding to LR-I-162 and 467) and USPS-LR-I-478 (PRC version, corresponding to LR-I-147 and 468). (Also filed will be LR-I-479 and 480, Postal Service and PRC versions of BRM and QBRM cost avoidances, corresponding to LR-I-160 and 471, and LR-I-146 and 472, respectively. Additionally, mail processing unit costs by shape -- LR-I-81 and 464 in the Postal Service version, and LR-I-137 and 466 in the PRC version -- will be updated as LR-I-481, USPS, and 482, PRC.)

Examination of these materials reveals that the most noticeable shifts in FY 1999 results relative to FY 1998, which were hypothesized in the earlier response to be the effects of the IOCS methodological change, in fact appear to be absent (in both the Postal Service and PRC versions) when the FY 1998 IOCS methodology is applied to the FY 1999 analysis. The Postal Service's consistent position has been and remains that the most appropriate data for use in this proceeding are the FY 1998 data upon which the Postal Service's proposals were based. If forced to rely on FY 1999 data and to choose between the cost avoidances shown in LR-I-467 and those shown in LR-I-477, however, it would appear that the data in LR-I-477 (i.e., those developed under the FY 1998 IOCS method) are more appropriate for rate design purposes.

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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August 25, 2000