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

POSTAL RATE AND FEE CHANGES **Docket No. R2000-1**

Comments Of Major Mailers Association

<u>Regarding Issues On Remand From The Board Of Governors</u>

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Pursuant to Order No. 1301, issued December, 2000, Major Mailers Association ("MMA") submits the following comments on the revenue requirement and related issues remanded to the Commission by the United States Postal Service Board Of Governors ("Governors") on December 4, 2000.

Executive Summary

MMA's primary position is that the Commission should reaffirm its decisions on the revenue requirement issues remanded by the Governors. The Commission's decisions are reasonable and grounded on substantial record evidence. The Postal Service's December 20, 2000 memorandum[1] in support of higher revenues and adjusted rates and fees provides no logical or factual reasons for the Commission to retreat from its findings and conclusions in the November 13, 2000 Opinion And Recommended Decision. If the Commission does reaffirm the revenue requirement determinations remanded by the Governors, there will be no need to adjust the rates and fees recommended on November 13, 2000.

If, contrary to MMA's primary position, the Commission does determine that the Postal Service is entitled to additional revenues, the Commission should not adopt the Postal Service's "suggestion" that a heavy, ***additional*** revenue burden fall on the shoulders of First-Class mailers by raising the additional ounce rate to 23 cents from the 21 cents recommended by the Commission. The Commission often has recognized that First-Class rates already are too high. Furthermore, it would be fundamentally unfair to "tinker" with the approved cost coverages; the time and place for such adjustments, if any, is the next omnibus rate proceeding filed by the Postal Service.

[1] Memorandum Of The United States Postal Service On Reconsideration And Request For Expedition ("USPS Memorandum").

In the unlikely event that the Commission determines that First-Class mailers should bear ***some*** portion of any increased revenues that might be awarded to the Postal Service, the additional ounce rate should be raised no more than 1 cent, to 22 cents, and only on condition that the Commission adopt appropriate measures to limit the impact of any such increased revenue requirements on First-Class workshare mailers. Specifically, MMA requests that, in such event, the Commission reconsider and grant MMA's proposal to extend the 4.6 cent heavyweight discount to workshare letters weighing between 1 and 2 ounces.

Comments On Revenue Requirement Issues

MMA has joined with other mailers to file joint comments that urge the Commission to stand fast on the contingency and other revenue requirement issues raised by the Postal Service on remand. Accordingly, MMA will not repeat the specific discussions of those issues in these comments.

With respect to such revenue requirement issues, however, MMA has reviewed the relevant portions of the November 13 Recommended Decision and related portions of the evidentiary evidence. MMA's general conclusion is that the Commission's determinations were all consistent with the appropriate statutory criteria and supported by valid policy considerations, and substantial record evidence.

Finally, MMA believes there is no merit in the Postal Service's claim that the Commission improperly disregarded additional costs associated with revenue imputed from additional ounces. Even if the Postal Service is correct technically, the $21 million[2] of claimed additional costs is very small. Moreover, the Postal Service's arguments overlook the fact that in forecasting the number of additional ounces, the Commission conservatively chose a midpoint between the number of additional ounces using the Postal Service's as-filed method (the higher number) and the Postal Service's revised method. As the Commission explained:

> [I]n order to best reflect both the long-term trend and the current data, the Commission has forecast additional ounces for the test year using the initial method, incorporating the actual billing determinants from the Hybrid (FY99 Q3 - FY00 Q2) base year. As a result, the Commission forecasts

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2 *See* USPS Memorandum at 28.

fewer additional ounces in the test year than the Postal Service's initial filing, but more than its revised forecast.

November 13 Recommended Decision at 250. Thus, it appears to MMA that, if the Commission had used the number of ounces resulting from the Postal Service's as-filed methodology, the "error" about which the Postal Service now complains would be negligible.

For the foregoing reasons, the Commission should find that there are no valid reasons for it to make any changes in its determinations regarding the appropriate revenue requirement for the Postal Service. In the event the Commission makes this finding, there is no reason for the Commission to entertain any modifications to the rate and fee levels prescribed in the November 13 Recommended Decision and MMA's further comments on those topics may be disregarded for the purposes of ***this*** proceeding.[3]

Comments On Potential Rate Design Issues

The Postal Service proposes to make First-Class Mail bear the brunt of any revenue shortfall resulting from this remand proceeding. More specifically, the Postal Service proposes to raise the additional ounce rate from 21 cents, as recommended by the Commission, to 23 cents, the amount originally proposed by the Postal Service. Although the Postal Service does not specify the additional revenues it would derive from increasing the additional ounce rate by 2 cents, MMA estimates that this would increase First-Class revenues by $453 million per year.[4] As discussed below, First-Class rates already are too high. There is no valid reason for raising them further.

1. First-Class Rates Are Too High Already And Should Not Be Raised Further, As Suggested By The USPS

One of the Commission's most important long-term goals has been to foster and maintain an "equilibrium condition" for the First-Class revenue target. The Commission has often noted its intention to recommend rates for First Class and Standard Mail (A)

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[3] As discussed below, the November 13 Recommended Decision does contain certain findings and conclusions regarding the discounts for workshare mail that are contrary to principles of fairness, are not adequately explained, and appear to have no sound basis in fact.

[4] MMA has filed a library reference, MMA-LR-4, that shows the derivation of the revenue figures provided in these comments.

that result in markup indices near the system wide average. In Docket No. R87-1, however, the Commission found itself forced to depart from that principle to avoid unduly disruptive rate increases for Third-Class mailers. Nevertheless, the Commission made it clear that this action was to be a one-time exception, not the rule. As the Commission stated:

> We have chosen to recommend First-Class rates which produce a greater contribution towards institutional costs than would have been generated by our target First-Class coverage
>
> Our decision to recommend rates which result in coverage for First-Class which is somewhat above the average should be recognized as ***a one time variation*** from the historic, near average level we continue to believe best reflects the policies of the Act. In future cases we expect First-Class to return to that traditional level.

Postal Rate and Fee Changes, 1987, Opinion And Recommended Decision ("Op."), issued March 4, 1988, at 400, footnote 14 (emphasis added).

Unfortunately, the Commission had to compromise its guiding principle again in the next omnibus rate proceeding, Docket No. R90-1:

> This is the second consecutive case in which we might have raised First-Class rates less, and raised third-class rates more, but for the potential impact of such increases on third-class mailers. ***Thus, despite our rate adjustments, the situation in which First-Class mailers are providing revenues which more properly should be provided by third-class mailers is perpetuated.*** We must comment that the choice between unduly burdening First-Class business and personal correspondence and imposing even greater percentage rate increases on businesses which rely on third-class for essential services is particularly difficult, and ***the Postal Service and mailers should be aware that the current status is consistent with the Act only as a short-term remedy.***

Postal Rate and Fee Changes, 1990, Opinion And Recommended Decision, issued January 4, 1991, at IV-33-4, footnote 16.

What the Commission originally intended as a "one time variation" or a "short-term remedy" has, despite the Commission's best intentions, become a routine departure from the Commission's guiding principle. As discussed further, this "short-term remedy" has lasted **almost fifteen years** and has been a position that the

Commission has continued to take, with apparent reluctance, during the course of ***five*** consecutive rate cases.

In the next omnibus proceeding, Docket No. R94-1, the Commission stated:

> [T]he other consequence of implementing [a reduced First-class rate] in this case would have included average rate increases of 17 percent for third-class, 24 percent for second-class regular rate, and even greater increases for the parcel subclasses in fourth-class mail . . . Rate increases of these magnitudes would cause the Commission serious concern about their effects upon mailers...The Commission regards [its] pricing recommendations as compromises, but compromises that are appropriate in view of the extraordinary considerations in operation here.

Postal Rate and Fee Changes, 1994, Opinion And Recommended Decision, issued November 30, 1994, at IV-16. The Commission confronted essentially the same basic issues again when it addressed the Postal Service's classification reform proposals in Docket No. MC95-1:

> The Commission has expressed its reluctance to shift too large a share of the total institutional cost burden to First-Class in several recent omnibus rate cases. The Commission's willingness to establish an additional subclass within Standard Mail should not be interpreted as a retreat from the view that the largest volume subclasses in First-Class and Standard Mail should have roughly equivalent markup indices.

Mail Classification Schedule, 1995 (Classification Reform I), Opinion And Recommended Decision, issued January 26, 1996, at I-8 (citations omitted).

The Docket No. R97-1 omnibus rate proceeding again presented the Commission with the same basic issues but this time the situation was complicated by the fact that the additional revenues requested by the Postal Service were much lower than usual. Initially, the Commission's was inclined to keep the First-Class single piece rate at 32 cents; ultimately, however, it found that holding the line on the First-Class rate could not be accomplished "without imposing undue rate increases on other classes of mail." *Postal Rate and Fee Changes, 1997*, Opinion And Recommended Decision, issued May 11, 1998, at 275. In order to reduce the First-Class burden, the Commission found that "some relief can be provided to mailers of First-Class by lowering the additional-ounce rate and restraining increases for workshared mail." (*Id.* at 276).

In the instant proceeding, the Commission took the same approach that it did in the last omnibus rate proceeding: raising the First-Class basic rate and then seeking to mitigate the impact of that action by lowering the rate for additional ounces. As the Commission stated:

> The Commission recommends a first-ounce single-piece First-Class letter rate of 34 cents. The first-ounce single-piece rate is the most prominent rate in the eyes of the public, and has the single greatest impact of any rate on Postal Service revenue. All of the First-Class letters and flats worksharing discounts are set in relation to this rate. The additional revenue generated by a one-cent increase from 33 cents to 34 cents is approximately $940 million. This additional revenue is essential in meeting the Postal Service revenue requirement. Without this additional revenue, the rates of the other classes of mail would have to increase significantly to make up the revenue shortfall.
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> * * *
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> The Commission also recommends reducing the additional ounce rate in this opinion. As pointed out by witness Clifton, there is no cost justification for the rapid relative escalation in the First-Class rates for heavy letters. This rate produces important revenue, but a reduction in the rate should further reduce the institutional cost burden on First Class Mail.
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> * * *
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> Recommending the single-piece First-Class rate entails balancing several unpleasant choices. As MMA noted, each penny of this rate affects hundreds of millions of dollars in Postal Service revenue that would otherwise be assessed to other mail classes. Balancing this is the already high institutional cost contribution of First-Class mailers. On the other hand, the rate increase for First-Class Mail is in line with inflation, and is lower on a percentage basis than the system wide rate increase. For these reasons, the Commission recommends the Postal Service's proposed first-ounce single-piece rate.

Op. R2000-1 at 233-4, 234, 235.

The Commission's observation that the rate increase for First-Class mailers is lower on a percentage basis than the system wide rate increase, while true, does not tell the whole story. Even at the Commission's recommended rates, the First-Class mark-up index has increased further, from 130.8% in the last case to 134.2% in the November 13 Recommended Decision.[5] This increase in the First-Class mark-up index

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[5] November 13 Recommended Decision, Appendix G at 35.

stands in stark contrast to the further reduction in the mark up index for Standard Mail, from 94.9% in the last case to 93.4% in the November 13 Recommended Decision. Raising the First-Class additional ounce rate, as the Postal Service proposes, would be a slap in the face to First-Class mailers who have consistently contributed more than their fair share to the Postal Service's institutional cost burden. Further, it would completely destroy the delicate "balance" the Commission sought to strike between raising the initial rate by a full penny and mitigating the impact of that increase on First-Class mailers. For this reason alone, it should be rejected out of hand.

There are other important reasons why the Commission should not increase the First-Class additional ounce rate. First, the Commission has already determined that the institutional cost burden on First-Class mailers resulting from the rates, ***including the lowered additional ounce rate of 21 cents***, is fair and equitable. Increasing the First-Class institutional cost burden by $453 million, as the Postal Service suggests, cannot be squared with the Commission's earlier finding. Nor would it be fair to require that Standard Mailers be required to make up such a large revenue "shortfall." Second, it is patently unfair, at this juncture, to tinker with the approved cost coverages, mark-ups and mark-up indices. The appropriate place to consider such change is in the Postal Service's next omnibus rate proceeding, where ***all*** relevant facts and circumstances can be considered. Finally, increasing the additional ounce rate will be unduly disruptive and confusing for First-Class mailers, especially coming on the heels of the 1-cent reduction of that rate that just took effect on January 7. As the Commission recognized:

> Large cost increases can play havoc with mailers expectations; they also impact the Commission's coverage deliberations under criterion 4, the effect of rate increases on the general public, business mailers, and private carriers.

November 13 Recommended Decision at 207.

Based on the Commission's actions in the cited cases, one might argue that the Commission has abandoned its long-term goal of fostering and maintaining an "equilibrium condition" for the First-Class revenue target. In the November 13 Recommended Decision (at 203), the Commission made it clear that its decision to raise the first ounce rate to 34 cents should ***not*** be interpreted to suggest that the Commission "has abandoned its goal of reducing the relative burden on the monopoly class. ***Indeed, as indicated, the Commission has taken steps to moderate the contribution by First-Class Mail*** " (emphasis added). MMA submits that there is no better way for the Commission to make good on this promise than to stand firm against the Postal Service's proposal to increase the First-Class additional ounce rate on remand.

For all these reasons, it would be unfair to require that First-Class mailers absorb ***any*** additional revenue burden, much less the $453 million additional annual revenue burden suggested by the Postal Service.

2. If, Contrary To MMA's Recommendation, The Commission Determines That The First-Class Additional Ounce Rate Must Be Increased, The Commission Must Take Appropriate Steps To Limit The Adverse Impact On First-Class Mailers

As discussed in the previous sections of these comments, there is no reason to increase First-Class rates at all, ***even if the Commission ultimately determines that the Postal Service is entitled to some additional revenues***. However, in the unlikely event that the Commission does determine that First-Class mailers should make some contribution to making up any revenue shortfall that results from reconsideration of the revenue requirement issues presented on remand, the Commission can and should limit the adverse impact on First-Class mailers generally and workshare mailers in particular.

First, in no event should the Commission consider raising the First-Class additional ounce rate above the 22 cent level set in the Docket No. R97-1 proceeding.[6] As noted above, the additional ounce rate was set at 22 cents in order to mitigate, ***to some limited extent***, the impact of increasing the First-Class first ounce rate to 33 cents in R97-1. Therefore, raising the additional ounce rate to 23 cents would not only wipe out the limited protection against an unfair institutional cost burden in this case but also eliminate the only area that the Commission found it could mitigate the First-Class revenue burden in the previous case as well.

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[6] Such an increase would raise approximately $226.5 million in net revenues. Library Reference MMA-LR-4.

Second, if the Commission still insists on raising the First-Class additional ounce rate, then it should provide specific mitigation for workshare mailers by extending the 4.6 cent heavy weight discount to pieces weighing between 1 and 2 ounces, as MMA and other parties proposed. Extending the heavy weight discount to presorted and automated letters would reduce net Postal revenues by $53.3 million.[7] Therefore, the net revenue impact of raising the First-Class additional ounce rate from 21 to 22 cents and extending to heavy weight discount to letters weighing over 1 ounce is $173.2 million.[8]

MMA recognizes that the Commission rejected MMA's proposal in the November 13 Recommended Decision (at 252). Nevertheless, MMA submits that several important considerations support reconsideration of this issue in this remanded proceeding.

First, the Commission provided no valid reason for not adopting MMA's proposal in the November 13 Recommended Decision. In this regard, the Commission's entire rationale for rejecting MMA's proposal was contained in the following terse statement:

> *Commission Analysis.* The Commission has not been presented with convincing evidence that letter mail in the 0 to 1 ounce range is processed any differently than letter mail in the 1 to 2 ounce range. . . . Thus, additional worksharing savings to the Postal Service have not been shown that warrant extending the heavy-piece discount into the 1 to 2 ounce range for letters or flats. The Commission recommends maintaining the current 4.6-cents discount for presort mail weighing more than two ounces.

Id. MMA agrees with the Commission's observation that letter mail in the 1 to 2 ounce range is processed in the same way as letter mail in the 0 to 1 ounce range. However, that fact supports ***adoption*** of MMA's proposal, not rejection thereof. Indeed, the relevant facts would support charging the same discounted rate for workshare letters weighing up to at least 3 ounces. This is precisely how standard mail rates are structured; that structure tends to foster rates that better track costs. Moreover,

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7 NAPM and ABA proposed extending the heavy weight discount to 1-2 ounce letters. However, these parties also proposed that the discount be extended to flats. MMA's proposal applied only to letters. Extending the heavy weight discount to presorted letters and flats would reduce net Postal revenues by $60.7 million.

8 $226.5 million - $53.3 million equals $173.2 million. Library Reference MMA-LR-4.

charging an additional 21, 22 or 23 cents for the second ounce, when the Commission has observed that "letter mail in the 1 to 2 ounce range is processed in the same way as letter mail in the 0 to 1 ounce range", is patently unfair. [9]

Second, although workshare mailers are entitled to have their extremely high institutional cost burden mitigated, under the rate design adopted in the November 13 Recommended Decision,[10] by far the lion's share of the benefits of lowering the additional ounce rate will go to single piece mailers. Of the total benefits -- approximately $453 million -- $403 million will go to single piece mailers while only $50 million will go to presort and automation mailers. This result makes no sense especially since the Commission recognized that workshare mailers play a vital role in limiting the institutional cost burden placed upon First-Class single piece mailers. As the Commission explained:

> OCA witness Callow shows through a variety of indices that the contribution to institutional cost by First-Class letter mail is increasing. Postal Service witness Mayes proffers a logical explanation that some of this increase may be due to a shift in the mail mix from higher processing cost single-piece mail to lower processing cost worksharing mail. The net effect is that the contribution to institutional costs by single-piece mailers is not rising as rapidly as the aggregate of all First-Class letter mail.

November 13 Recommended Decision at 234.[11]

A related consideration supports adoption of MMA's proposal to extend the 4.6 cent heavyweight discount to workshare letters weighing between 1 and 2 ounces. Although clearly a ***convenient*** method of mitigating the institutional cost burden of First-

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9 There is no doubt that a similar argument could be made for nonpresorted letters. However, the current rate structure that offers no heavy weight discount for nonpresorted letters, and the need for a very simple and understandable rate structure for the general public precludes the Commission from offering a similar discount for nonpresorted 2-ounce letters. The Commission has been obvious in its reluctance to alter the current rate-per-ounce structure for First-Class Single Piece, as noted in its previous Docket Nos. MC96-1 and R97-1 Opinions.

10 First-Class presorted mail's implicit cost coverage of 248.3% is the highest cost coverage by far of any major mail subclass. Even with modest increases in the automation discounts, the cost coverage is still higher than the 247.4% recommended by the Commission in Docket No. R97-1.

11 The Commission maintains that setting a majority of the workshare discounts to pass through 100% of avoided costs "effectively reduces the institutional cost burden on workshare mailers as much as possible." November 13 Recommended Decision at 234. Given the wide divergence in results between using FY 98 as the base year and FY 99 as the base year, MMA believes there is significant justification to disagree with that statement. Even if that statement were correct, it cannot justify giving single piece mailers a disproportionately high share of the benefits of reducing the additional ounce rate.

Class mail as a class, lowering the additional ounce rate makes no sense and provides lower mailing costs to pieces that do not necessarily deserve such treatment. The Commission established the first degressive rate in Docket No. R74-1 because "it reflects the characteristic that the cost of handling the first ounce is greater than that for succeeding ounces." *See* PRC Op. R74-1 at 195. In the ensuing twenty-five years, the degression has increased from 1 cent to 11 cents.

As the degressive rate is structured, the higher the weight, the greater the rate reduction. Commonsense and all available factual information indicate that, certainly for pieces over 4 ounces, as the weight of a mail piece increases (and the shape of the piece changes from letter-shaped to the shape of a small parcel) increasingly more labor intensive and expensive processing methods are required. However, under the degressive rate structure now in effect, the benefits of reducing the additional ounce rate become magnified because the effective unit rate is reduced in direct proportion to the increase in weight. Because the record indicates that 2-ounce letters cost no more to process than 1-ounce letters, such letters deserve a rate reduction for the second ounce. The record does not support lower rates for heavy weight First-Class pieces. Thus, while such pieces have received the greater benefit of a degressive rate structure over the past 25 years, the only justified reason for giving such pieces a reduced rate is that it lowers the revenue burden for all First Class. Certainly there are better ways to meet that objective that are more fair and equitable.

MMA is not asking that the Commission revise the degressive rate structure in this proceeding. In fact, MMA sympathizes with the Commission's reluctance to make such a change particularly as it relates to nonpresorted letters. However, if the Commission finds it necessary to set the additional ounce rate at 22 cents, it should at least act to mitigate the institutional cost burden for the approximately 47 percent of First-Class mail that is deserving of such a mitigation measure. The record indicates that workshare mail deserves a lower revenue burden and it is simply unfair to charge 21 to 23 cents for the second ounce, when the extra processing cost is nil.

There is one final, equitable consideration that, although not directly related to the additional ounce issue, is still relevant. In the November 13 Recommended Decision, the Commission stressed the need to consider existing rate relationships in making its determinations. As the Commission stated, for example, in discussing the Postal Service's criticism of OCA's analysis of trends in Commission-approved cost coverages:

> The Commission examines rates from several different perspectives as a check on its rate analysis and recommendations. It is not illogical to look at trends in the indices as witness Callow has, or to use Commission recommended indices as an approximation during the intervening years. What Callow has successfully done is to depict a trend. However, this trend is only one factor to be examined in a very complex process. As the Postal Service suggests, the Commission also looks at relative rate increases, and rate increases compared to the rate of inflation as other checks to its recommendations.

November 13 Recommended Decision at 234-5. Nevertheless, despite the obvious importance of maintaining existing rate relationships, there is one glaring instance in which the Commission failed to give adequate consideration to this factor: the discounted rate for 5-digit automation letters.

Reproduced below is Table 5-4 from the November 13 Recommended Decision.

Table 5-4
First-Class Mail Automated Letters

	Current	Proposed	Recommended
Basic Automation	27.0¢	28.0¢	27.8¢
3-Digit	26.1¢	27.1¢	26.7¢
5-Digit	24.3¢	25.3¢	25.3¢
Carrier Route	23.8¢	24.8¢	24.3¢
Additional-Ounce Rate	22.0¢	23.0¢	21.0¢
Heavyweight Deduction[1]	(4.6)¢	(4.6)¢	(4.6)¢

[1] Applicable to pieces weighing 2 ounces or more.
Source: Adapted from USPS-T-33 at 4.

As that table shows, before January 7 workshare mailers who prepared their mailings to 5-digits rather than 3-digits receive an additional discount of 1.8 cents. In the November 13 Recommended Decision, the Commission reduced this additional discount to 1.4 cents, effectively a reduction of over 20 percent. At the same time, it doubled the additional discount workshare mailers receive for sorting to carrier route, from 0.5 to 1.0 cents.

The Commission made these significant changes without seriously discussing the implications or consequences of such changes. That omission was erroneous and unfortunate to say the least. The implication of the Commission's determination of specific discounted rates is that the benefits to the Postal Service of 5-digit are greatly reduced while the benefits of carrier route sortation are increasing dramatically. The consequences are important as well. Large workshare mailers, such as MMA members, who have made special efforts to maximize the percentage of their mail that qualifies for the 5-digit discount, are effectively learning that it is significantly less rewarding to do so. At the same time, they cannot "recoup" any significant portion of the lost 5-digit discount by increasing their carrier route mail because the volumes which qualify for carrier route are limited to a small number of destinations, a number expected to get smaller in the future.

MMA recognizes that the Commission's recommendations were based on its determinations of cost savings based on updated USPS cost figures. MMA and other parties cautioned, obviously in vain, against taking the USPS' updated cost avoidance calculations at face value. The Commission may be laboring under the misconception that increasing the avoided cost passthrough to 100% for a majority of the discount categories effectively vitiated any concerns about the Service's questionable cost figures. Consideration of the significant change in the discounted rate relationships underscores the continuing concern that MMA and other parties have on this issue.

For all these reasons, the Commission should reconsider and approve MMA's proposal to extend the 4.6 cent heavyweight discount to 1 to 2 ounce letters on remand, if it finds that it is necessary to raise the First-Class additional ounce rate to generate additional net revenue for the Postal Service.

Conclusion

As discussed above, the Commission can and should reconfirm its decisions on the remanded revenue requirement issues. Doing so will obviate the need to consider rate design modifications.

If, contrary to MMA's primary position, the Commission finds that the Postal Service is entitled to additional revenues, then MMA still submits that there should be no modifications in First-Class rates. However, if the Commission finds that First-Class rates must be modified, then MMA recommends that the additional ounce rate be increased from 21 to 22 cents and the 4.6 cent heavyweight discount be extended to workshare mail weighing between 1 and 2 ounces.

Respectfully submitted,

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Dated: Round Hill, VA
January 12, 2001

CERTIFICATE OF SERVICE

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

Dated this 12th day of January, 2001.

Michael W. Hall/PS

Michael W. Hall