

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, 1997

Docket No. R97-1

**OBJECTION OF UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF MAIL ADVERTISING SERVICE ASSOCIATION
INTERNATIONAL TO USPS WITNESS DANIEL
(MASA/USPS-T29-1(B) & (C) AND 2)**

The Postal Service hereby objects to interrogatories MASA/USPS-T29-1(b) and (c) and -2, filed on July 30, 1997 and propounded by the Mail Advertising Service Association International (MASA).

Interrogatory 2 asks witness Daniel to calculate mail processing and delivery unit costs for various Regular and Enhanced Carrier Route subclass rate categories "under the costing methodology used in [Docket No.] MC95-1." Interrogatory 1(b) asks witness Daniel to compare the costs for Regular subclass rate categories in the instant docket with those recommended in Docket No. MC95-1 and to quantify the extent to which the differences therein are due to the use in this proceeding of "a new costing methodology" which, according to MASA, results in the "attribution of a lower proportion of mail processing and delivery unit costs compared to MC95-1." Interrogatory 1(c) asks witness Daniel to identify any "other factors" that have contributed to the reduction in mail processing and delivery unit costs for Regular subclass categories, and, for each such factor, to quantify the amount of the cost differential caused thereby.

The Postal Service objects to these interrogatories on grounds of inconsistency with prior Commission precedent and undue burden. Preparing responses to

interrogatories 1(b)-(c) and 2 would require an enormous undertaking.¹ In essence, through the discovery mechanism, MASA seeks to have the Postal Service develop multiple alternative rollforward analyses in order to isolate the effect of each change adopted in this proceeding since Docket No. MC95-1 affecting the attributable mail processing and delivery unit costs underlying various Standard (A) rate categories. This sort of analysis is precisely what the Commission determined would be far too burdensome for the Postal Service to provide. In Docket No. RM97-1, McGraw Hill urged that the Postal Service be required to produce attributable cost presentations showing the impact of the Postal Service's proposed changes in attribution principles, individually and collectively.² The Commission rejected this suggestion, reasoning:

In the context of the Postal Service's rate filings, . . . the Commission is concerned that such a requirement would impose too great a burden on the Postal Service. The Postal Service's attributable cost presentations are more complex and more detailed than those required of most public utilities. . . . If the Postal Service had been required to prepare attributable cost presentations for each of its proposed changes in attribution principles in the most recently filed rate request (Docket No. MC97-2), such a rule would have required ten separate test year attributable cost presentations.³

Commission Rule 54(a)(1) circumscribes the extent to which the Postal Service must show the effect of new attribution principles on attributable costs through

¹ Although it appears that interrogatories 1(b) and (c) and 2 contemplate the preparation of new alternative rollforward analyses isolating the effects of various costing changes, the Postal Service has also addressed the burden involved in responding to interrogatory 2 assuming that the alternative cost presentation in USPS LR-H-215 filed in response to Rule 54(a)(1) would be suitable for the purpose of determining costs at the rate category level. Even assuming that USPS LR-H-215 could be used for that purpose, as demonstrated further below, preparing an answer to interrogatory 2 would still consume hundreds of hours of professional time.

² PRC Order No. 1176 at 6-7 (citing Comments of the McGraw-Hill Companies, Inc., January 31, 1997, at 3).

³ PRC Order No. 1176 at 6-7.

production of an alternative Commission rollforward. The Postal Service has met its burden of providing information responsive to this requirement, see USPS LR-H-196 and USPS LR-H-215; accordingly, as established in Order No. 1176, no other cost presentations to show the effect of using new methodologies are required.

MASA would have the Postal Service do far more than Rule 54(a)(1) requires. First, MASA asks for a comparative analysis for each change since Docket No. MC95-1. As explained above, the Commission has already determined that the burden of providing multiple rollforward analyses showing the effect of each change in isolation is unduly burdensome. Second, MASA requests that the Postal Service conduct a comparative analysis using Docket No. MC95-1 as a baseline. Rule 54(a)(1), however, requires only that the Postal Service show the effect of changes in attribution methods using cost attribution principles "applied by the Commission in the most recent general rate proceeding in which its recommended rates were adopted." In this case, Docket No. MC95-1 is *not* the "most recent general rate proceeding." Third, MASA seeks far more than merely an alternative cost presentation showing the effect of the changes on costing and cost coverages at the subclass level. Rather, MASA seeks the production of a comparative analysis showing the effect on the Postal Service's Request of changes at the rate category level. Such an undertaking would impose a manifestly unreasonable burden on the Postal Service. Responding to MASA's discovery request would be tantamount to requiring the Postal Service to create evidence for MASA. Neither MASA nor any other party, however, may misuse the discovery process to create their case in chief, or dictate the presentation that the

Postal Service offers. This would also run afoul of the policy underlying Rule 54(a)(1) that the Postal Service not be required to "sponsor" alternative cost presentations with sworn testimony, thereby causing the Postal Service to "adopt a litigating position against its will." *Cf.* Order No. 1176 at 23-24; see also *Objection of United States Postal Service to OCA/USPS-8* (July 28, 1997). This does not mean, however, that the record would be deprived of the sort of analysis MASA seeks. Should MASA insist upon the production of the comparative analyses it seeks, it is quite capable of assembling information supplied in this docket and Docket No. MC95-1 to prepare its own comparisons at the rate category level of the effect on costs of newly introduced methodologies.

Even assuming that MASA would have the Postal Service respond to these *interrogatories using the rollforward presentation filed in compliance with Rule 54(a)(1)*, preparing responses would still require an enormous undertaking. Assuming, for example, that MASA intends that preparation of the response to interrogatory 2 entails the production of (1) mail processing costs based on the costing employed in Docket No. MC95-1; (2) new costs by shape using LIOCATT data as in Docket No. MC95-1, USPS LR-MCR-10; (3) a 100 percent volume-variable CRA adjustment as used in Docket No. MC95-1; and (4) city and rural carrier costs as done in Docket No. MC95-1, then it would appear that, apart from the possibility of having to prepare an alternative rollforward presentation,⁴ responding to MASA's discovery request would at minimum entail the following:

⁴ See *supra* note 1.

- the calculation of costs by shape using LIOCATT data for the test year using the methodology presented in Library Reference MCR-10 in Docket No. MC95-1. Such effort would entail approximately 80 person-hours by Postal Service contractors at considerable expense to the Postal Service, in addition to approximately 20 person hours of Postal Service employee hours for supervision and review.
- reformulation of portions of USPS LR-H-77 to obtain operation-specific mail processing piggyback factors and city carrier and rural carrier piggyback factors consistent with costs presented in USPS LR-H-215. This effort would consume approximately 4 to 5 person-workdays of Postal Service analysts' time.
- *the production of witnesses Seckar's and Daniel's models using new inputs, including new piggyback factors, costs by shape, and productivities. Witnesses Daniel and Seckar would also be required to adjust all modeled costs in their testimonies and exhibits using a 100 percent proportional CRA adjustment factor, as was done in Docket No. MC95-1. This effort would consume a combined total of 30 hours of witnesses Daniel's and Seckar's time.*
- the production of witness Hume's testimony using inputs from USPS LR-H-196 and USPS LR-H-215 in order to obtain the delivery costs by rate category according to the table set forth in chart in MASA/USPS-T29-1. This would consume approximately 24 hours of witness Hume's time.

Production of the above information would be unduly burdensome. If, moreover, MASA intends that the response to interrogatory 2 account for changes in Docket No.

MC95-1 mailflow models and a Docket No. MC95-1 operating environment, then the time required to respond to these interrogatories rises astronomically. Particularly in light of the marginal relevance of the information, imposition of such a burden is unwarranted.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Anthony F. Alverino

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.


Anthony F. Alverino

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2997; Fax -5402
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