

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

RECEIVED  
AUG 25 4 30 PM '97  
POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

OBJECTION OF UNITED STATES POSTAL SERVICE TO MAJOR MAILERS  
ASSOCIATION INTERROGATORIES MMA/USPS-T5-1 and 6(b), MMA/USPS-T25-  
1(B) and (C), MMA/USPS-T30-3(A) through (D), 4(A) through (D), 6, 7(A)(2) and  
8(C)(1) through (3), AND MMA/USPS-T32-15(B),  
(August 25, 1997)

The United States Postal Service hereby objects to Major Mailers Association interrogatories MMA/USPS-T5-1 and 6(b) directed to witness Alexandrovich, MMA/USPS-T25-1(B) and (C) directed to witness Hatfield, and MMA/USPS-T-30-3(A) through (D), 4(A) through (D), 6, 7(A)(2) and 8(C)(1) through (3) directed to witness O'Hara, MMA/USPS-T32-15(B) directed to witness Fronk, filed on August 13, 1997. The information requested is not required by revised Rule 54(a)(1), conflicts with the intent expressed by the Commission in adopting the revised rule, and can be more appropriately and adequately addressed by the Commission. Also, answering questions about and providing further analyses of the Commission's cost model will interfere with the Postal Service's ability to support and defend its own proposals in this case. In many instances, the information has already been supplied by the Postal Service or can and should be developed by MMA from what has been supplied. Further, some of the interrogatories call for legal conclusions. Finally, responding to some of the questions would be unduly burdensome.

MMA/USPS-T5-1 requests the Postal Service to provide BY 1996 Clerk and Mailhandler Mail Processing costs for First-Class Mail by specified operation codes

under the Commission's costing methodology. MMA/USPS-T5-6(b) asks for the percentage of clerk and mailhandler direct labor overhead costs in the test year under the Commission's costing methodology. MMA/USPS-T-25-1(B) asks whether witness Hatfield's unit benchmark processing costs differ from those that would be produced under the Commission's costing methodology from Docket No. R94-1. MMA/USPS-T25-1(C) requests that witness Hatfield provide a version of Table II-2 from page 4 of his testimony showing the costs for First-Class letters under the Commission's methodology.

MMA/USPS-T30-3(A) through (D) basically asks witness O'Hara to identify the place in Library Reference H-215 or elsewhere that certain subclass information, such as cost coverages, appears, and also asks for the identity of a witness who is competent to testify concerning Library Reference H-215. MMA/USPS-T30-4 essentially asks whether and how Library Reference H-215 can be used to derive TYAR cost coverage and mark up information and further asks for that information *for First-Class and separately for nonpresorted and worksharing letters.*

MMA/USPS-T32-15(B) also requests cost coverages for First-Class single piece and worksharing letters under the Commission's methodology. MMA/USPS-T30-6 requests that the Postal Service show contribution per piece to overhead for each subclass during the test year under the Commission's costing methodology, and MMA/USPS-T30-7(A)(2) requests that information separately for First-Class nonpresorted and worksharing letters. MMA/USPS-T30-8(C)(1) through (3)

basically asks whether Library Reference H-215 contains final adjustments to costs and volumes and, if not, to provide a table showing them.

None of the requested information is required by revised Rule 54(a)(1). That rule now provides, in pertinent part, "If a request proposes to change the cost attribution principles applied by the Commission in its most recent general rate proceeding in which its recommended rates were adopted, the Postal Service's request shall include an alternate cost presentation satisfying paragraph (h) of this section that shows what the effect on its request would be if it did not propose changes in attribution principles. *Rule 54(a)(1)*. The language of the rule does not require either that the Postal Service present its alternate cost information in a specified format (*i.e.*, showing cost coverages or markups), that it provide ever more detailed analyses of the information presented (*i.e.*, witness Hatfield's Table II-2 or contribution per piece to overhead for First-Class worksharing letters), that it provide a sponsoring witness for its alternate cost presentation, or that it respond to a continual stream of discovery concerning the alternate cost presentation.

In fact, imposition of any of these requirements conflicts with what the Commission said in enacting the rule. At that time, the Commission stated, "[The Postal Service] is merely required to affirm that it has made a good faith effort to give notice of what the impact would be of its proposed departures from established attribution principles." *Docket No. RM97-1, Order No. 1176 at 23-24*. The Postal Service's filing of Library References H-196 (initial and revised) and H-215 has provided ample notice of the impact of its chosen costing methodologies, and

constitutes a good faith effort to honor both the letter and intent of Rule 54(a)(1). That is all that is and should be required.

When it enacted the revision to Rule 54(a)(1), the Commission seemed cognizant of the burden that could be placed on the Postal Service in producing multiple cost presentations. In rejecting McGraw-Hill's suggestion that the Postal Service be required to show the impact of its proposed costing changes both individually and collectively, the Commission stated:

In the context of the Postal Service's rate filings, however, 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. The Postal Service strenuously objects to the burden involved in preparing a single alternate cost presentation that shows the collective effect of its proposed changes in attribution principles. Postal Service Comments at 206. 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.

*Id.* at 6-7. There is a similar burden on the Postal Service in preparing further analyses and further more detailed presentations of the type requested by MMA.

Moreover, MMA's direction of these interrogatories to specific Postal Service witnesses, as well as its request that the witness competent to testify to Library Reference H-215 be identified, demonstrate a deliberate attempt to circumvent the Commission's express statement in enacting revised Rule 54(a)(1) that "the alternate cost presentation may be provided in the form of either a library reference or sworn testimony." *Id.* at 23. The Commission explicitly recognized that "the

Postal Service would not be required to affirm either the theoretical or the practical merits of established attribution principles." *Id.*

The Postal Service believes that intervenor questions about the Commission's model are best addressed by the Commission on the record. The Postal Service has consistently maintained that the best interpreter and implementer of the Commission's cost model is the Commission itself. One of MMA's interrogatories highlights this very point. MMA/USPS-T30-8(C)(1) through (3) basically asks whether Library Reference H-215 contains final adjustments to costs and volumes and, if not, to provide a table showing them. As the Postal Service recently stated, "The Commission model presented in LR-H-215 does not contain any final adjustments; it cannot because the Postal Service is not in a position to predict what final adjustments, if any, the Commission would make to its costs." *Motion of the United States Postal Service for Reconsideration of Parts of Presiding Officer's Ruling No. R97-1/7, August 15, 1997, at 4-5.*<sup>1</sup>

The Postal Service believes that its ability to support its own proposals in this docket is being impeded by having to deal with discovery concerning the Commission's cost model, either through objecting or responding to the questions. The burden of producing the alternate cost presentation contained in Library References H-196 (initial and revised) has already been substantial. Further time devoted to responding to questions about it or to presenting other cost information

---

<sup>1</sup> It is likewise impossible for the Postal Service to predict what, if any, final adjustments the Commission will make to volumes.

or subsets of such information under the Commission's methodology will take time away from the Postal Service's presentation and defense of its own costing and other proposals. The Postal Service finds itself in the unique and untenable position of tending to and refining a costing methodology with which it strongly disagrees. In enacting revised Rule 54(a)(1), the Commission said it did not intend to force the Postal Service to adopt a litigating position against its will. *See Docket No. RM97-1, Order No. 1176, at 24.* Having to respond to MMA's discovery would do just that.

With regard to MMA/USPS-T5-1, which requests BY 1996 clerk and mailhandler costs by operation code under the Commission's methodology in LIOCATT format, the pertinent parts of LIOCATT underlying the FY 1996 CRA, which does not include the changes in mail processing costs reflected in the Base Year, was filed with the Commission on July 9, 1997 pursuant to the periodic reporting rules. This should contain the basic information MMA is seeking.<sup>2</sup> With regard to MMA/USPS-T5-6(b), MMA should be able to do its own work and compute the amounts from LR-H-215.

MMA/USPS-T-25-1(B) and (C) would likely be impossible for witness Hatfield to answer, since he has made no attempt to study the Commission's methodology. Thus, asking him to familiarize himself with the Commission's costing methodology and then perform his analysis would be unduly burdensome. First, a special study would have to be performed to develop shape-specific piggyback factors. In

---

<sup>2</sup> It should be noted that the Commission uses LIOCATT in its costing methodology. Other changes it makes in Cost Segment 3 are spreadsheet changes.

addition, since witness Hatfield has made some changes to a similar Postal Service analysis presented in Docket No. MC95-1, it is not clear whether MMA is requesting the analysis based on Docket No. MC95-1 or as currently presented by witness Hatfield. Similarly, having those who are familiar with the Commission's methodology become familiar with witness Hatfield's cost analysis in order to respond would be unduly burdensome. It is estimated that presenting a version of Table II-2 according to the Commission's methodology could take a minimum of one to two weeks.

Much of the information called for by MMA/USPS-T30-3(A) through (D) and MMA/USPS-T30-4 has been provided by the Postal Service. See *Motion of the United States Postal Service for Reconsideration of Parts of Presiding Officer's Ruling No. R97-1/7, Attachment A, August 15, 1997*. Much of the rest of the information, as well as that requested in MMA/USPS-T32-15(B) can be computed by MMA itself from Library Reference H-215 and other materials presented in this case, including witness O'Hara's exhibits. To the extent that the wording of MMA/USPS-T30-3 and 4 implies that provision of cost coverage and mark up information in a specified format is required by Rule 54(a)(1), then the questions call for legal conclusions which a witness should not be required to answer. MMA should be able to develop the information requested by MMA/USPS-T30-6 and MMA/USPS-T30-7(A)(2) itself from Library Reference H-215 and other materials presented in this case, including witness O'Hara's exhibits. MMA/USPS-T30-8(C)(1) through (3) basically asks whether Library Reference H-215 contains final adjustments to costs


and volumes and, if not, to provide a table showing them. As indicated above, the Postal Service is unable to determine whether and how the Commission will make cost or volume final adjustments. If MMA wants to assume that the Postal Service's cost and volume final adjustments will be made to the referenced table on page 3, Part 3 of Library Reference H-215, then it can attempt to make those adjustments itself. The Postal Service should not have to do MMA's work for it. Presumably, MMA has its own consultants capable of performing whatever analyses it cares to present.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking



---

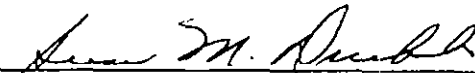
Susan M. Duchek

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2990; Fax -5402  
August 25, 1997



**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.

  
\_\_\_\_\_  
Susan M. Duchek

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2990; Fax -5402  
August 25, 1997