

ORDER NO. 1358

UNITED STATES OF AMERICA  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

George Omas, Chairman;  
Dana B. Covington, Sr., Vice Chairman;  
Ruth Y. Goldway; and Tony Hammond

Periodic Reporting

Docket No. RM2003-3

NOTICE OF PROPOSED RULEMAKING TO REVISE THE  
COMMISSION'S PERIODIC REPORTING RULE

(Issued January 8, 2003)

The Commission's periodic reporting rules [39 CFR § 3001.102] require the Postal Service to provide certain products of its standard data reporting systems to the Commission. Generally, the reports required are the basic reports that the Postal Service routinely compiles to provide management with the means to monitor the Postal Service's financial condition and operating results. The information provided under the periodic reporting rules helps the Commission evaluate the cost, volume, and revenue projections that form the basis for the Commission's rate and classification recommendations pursuant to 39 U.S.C. § 3624. It also enables the Commission to anticipate future trends in these areas, and to maintain the forecasting models that it employs in rate cases.

Most of the periodic reporting rules date back at least to the mid-1980s. The Postal Service's standard data reports have changed in important ways since then. There is a need to update the periodic reporting rules to reflect these changes. There is also a need to make the information provided more complete, so that trends in operating results can be better analyzed and evaluated. Finally, there is a need to make the material provided easier to use, by obtaining it in an electronic format.

*Proposed deletions from list of required reports.* The Commission proposes to eliminate certain reports from the list of those that the Postal Service must provide under the periodic reporting rules. The Commission proposes to eliminate investment income statements, which the Postal Service must provide under current Rule 102(b)(3). With the advent of the Postal Service's cash management plan in FY 1995, investment income has become a minor component of total revenues. Once as high as \$400 million per year, it had dwindled to \$35 million by FY 2001. As a result, investment income reports are not routinely needed.

Current Rule 102(c)(1) requires the Postal Service to provide the Commission with cash flow statements. Cash flow statements, however, are now provided in the Summary Financial and Operating Statements, which the Postal Service files each accounting period with the Commission. Consequently, the Commission proposes to remove cash flow statements from the list of reports that must be periodically provided.

*Proposed additions to list of annual reports.* The Integrated Financial Plan is a document that is presented to the Governors, in public session, every year. It includes the financial operating plan (operating budget), the capital investment plan, and the capital financing plan for the coming fiscal year. The Commission proposes to add it to the list of annual reports required under proposed Rule 102(a).

The Integrated Financial Plan was filed as a library reference in the most recent fully litigated rate proceeding. [LR-I-489 in Docket No. R2000-1.] As the fiscal year progresses, the Postal Service typically compares its actual operating results with the results that were projected in its Integrated Financial Plan. Making the Integrated Financial Plan available to the Commission annually will enable the Commission to better understand financial developments as they unfold during the year. It will inform the Commission of the assumptions on which the Postal Service's financial plan is based. Comparing and contrasting those assumptions with actual results would give the Commission an additional tool for evaluating the accuracy of the revenue requirement information on which rate recommendations are based.

*Proposed revisions to annual reports.* Current Rule 102(a)(1) requires the Postal Service to provide the Commission each year with the Cost and Revenue Analysis

Report (CRA), the portion of the LIOCATT used to produce the CRA, and transportation workpapers 31 and 57. The objective of the rule is to provide the Commission with an annual update of the cost information upon which the most recent recommended rates were based. The current rule, however, reflects cost attribution methods in use prior to 1987. Since then, there have been major changes in the methods that the Postal Service and the Commission use to attribute costs. The CRA documentation required under the rule needs to be updated to reflect those changes.

Attributable mail processing costs, for example, are no longer distributed to subclasses using the LIOCATT. Their distribution is now based on MODS pools and a complex set of shape, item, and container-based proxy rules. The Commission needs workpapers that show how these rules have been applied to interim-year data, in order to evaluate developments in mail processing costs between rate proceedings.

To adequately track cost developments in interim years, to see where they differ from cost projections that underlie its rate recommendations, and to identify the sources of the difference, the Commission needs a comprehensive set of spreadsheet workpapers that show the calculation of attributable costs by cost component. The documentation required is the equivalent of the “B” workpapers that the Postal Service provides in a general rate proceeding. To evaluate developments in Segment 3 costs, for example, the Commission needs the equivalent of Library Reference J-55 that the Postal Service provided in Docket No. R2001-1. The Commission also needs the updated factors and data from the data systems on which the “B” workpapers are based, including the In-Office Cost System (IOCS), the Management Operating Data System (MODS), the City Carrier Cost System (CCCS), the Rural Carrier Cost System (RCCS), and the Rural Mail Count. To evaluate developments in Segment 3 costs, the Commission needs the equivalent of Library Reference J-10 that the Postal Service provided in Docket No. R2001-1. Similarly, to evaluate Segment 7 costs, the Commission needs the equivalent of Library Reference J-12 that the Postal Service provided in Docket No. R2001-1 (specifically, the data contained in the “Z” file).

The Commission needs this level of documentation for both the CRA–PRC Version and the CRA–USPS Version. Since Rule 102(a)(1) was last revised, significant

differences have emerged in Cost Segments 3 and 7 between the attribution methods that the Postal Service advocates, and those that the Commission applies. In rate cases, in order to comply with the Commission's filing rules, the Postal Service typically provides a version of the CRA that is consistent with its preferred methods, and one that is consistent with the methods last approved by the Commission. In addition, as part of its reporting duties under Rule 103, the Postal Service each March 15 provides a domestic CRA calculated according to the Commission's attribution methods. The CRA-PRC Version that the Postal Service provides contains detailed documentation for Cost Segments 3, 6, and 7 (the equivalent of the "B" workpapers for those segments)<sup>1</sup>. Rule 103 requires the Postal Service to follow this up with an audited CRA-PRC Version when it becomes available. The Postal Service's current practice is to meet this obligation by providing an audited domestic CRA that is calculated according to its preferred attribution methods.

The Commission is primarily interested in obtaining a CRA-PRC Version, since it typically provides the cost basis for recommended rates. It should be audited in the sense that it is based on audited accrued costs, and should include any corrections to the various factors (such as equipment and maintenance facility factors) that are made to the audited CRA-USPS Version. The Commission's experience under Rule 103, however, confirms the value of having a CRA-USPS Version to compare it with. The estimates produced by the two versions of the CRA have a predictable historical relationship that can be used to test their accuracy. Accordingly, proposed Rule 102(a) requires that the Postal Service provide both versions of the CRA. The audited CRA-USPS Version should be provided within two weeks of its presentation for use by postal management. The final, corrected CRA-PRC Version should be filed within two weeks of the filing of the audited CRA-USPS Version. If the CRA is prepared and presented to postal management more frequently than annually, it should be provided under Rule 102 with the same frequency.

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<sup>1</sup> The Postal Service does not annually provide a CRA-PRC Version that documents the remaining cost segments in as much detail, but its data and reporting systems are set up in a way that allows it to do so with minor additional effort.

Under current costing methods, documentation of the CRA should include, but not be limited to, the following.

- (1) Spreadsheets supporting the CRA. (The “B” workpapers found in USPS-LR-J-57 in Docket No. R2001-1)
- (2) The CRA Model. (Filed as UPSP-LR-J-6 in Docket No. R2001-1)
- (3) Output data file and a description of the file structure for the In-Office Cost System (IOCS). (Found in USPS-LR-J-10 in Docket No. R2001-1)
- (4) The MODS-based costing spreadsheets, and SAS mail processing attribution and distribution programs needed to produce output for the “B” workpapers. (USPS-LR-J-55 in Docket No. R2001-1)
- (5) Spreadsheets that develop equipment and facility-related costs. (USPS-LR-J-54 in Docket No. R2001-1)
- (6) Output data file and a description of the file structure for the City Carrier Cost System (CCCS). (The “Z” file, found in USPS-LR-J-12 in Docket No. R2001-1)
- (7) Supporting material, including spreadsheets, programs, and documentation for load time variabilities.
- (8) The underlying route-type data needed to produce the in-office worksheets in the “B” workpapers.
- (9) Output data file and a description of the file structure for the Rural Carrier Cost System (RCCS), and the Rural Mail Count. (USPS-LR-J-71 in Docket No. R2001-1)
- (10) The fiscal-year reconciliation of statement of revenue and expenses to audited financial statements and reallocation of expenses by component. (USPS-LR-J-8 in Docket No. R2001-1)
- (11) Transportation workpapers 31 and 57.

The Postal Service typically prepares all of this documentation as support for its base-year costs in rate cases. It also produces most of it routinely each year, either in the preparation of the CRA–USPS Version, or in the preparation of the material required by Rule 103. Therefore, the revisions that the Commission proposes to Rule 102(a)(1) should not impose a significant additional burden on the Postal Service.

*Format of reports.* The CRA and Cost Segments and Components report and the underlying data have been provided electronically in omnibus rate filings. See USPS-LR-I-6 in Docket No. R2001-1. The Postal Service, however, does not provide them in electronic form when submitting them as filings under Rule 102. In order to better search, archive, and manipulate these submissions, the Commission undergoes a cumbersome and time consuming process of manually converting them from hard copy to electronic form. This burden is unnecessary, since all of these materials originate in electronic form. For this reason, the Commission's proposed revisions to Rule 102 include a requirement that Rule 102 reports be submitted as electronic files that can be read by publicly available PC software. Output files should be submitted in a form that can be read by a PC-based text editor, or that uses commercially available spreadsheet software. If a processing program was developed specifically to produce a workpaper that accompanies a report, that program must be provided in a form that can be executed by publicly available PC software.<sup>2</sup>

It appears that most, if not all, of the material required by Rule 102 can be presented in this form without undue burden. Most of this material consists of output of data systems and programs that can be presented in an ASCII flat file with an accompanying description of the file format. This will satisfy the requirement. This is the format in which the Postal Service provides the cost matrix that it uses to develop its Base Year CRA and the cost matrices that it uses in its roll-forward model in omnibus rate cases. Many of these reports are prepared using the standard mainframe SAS statistical language. With minor additional effort, the Postal Service can convert them to a PC-readable format. Even though the Postal Service's accounting system uses a mainframe-based computing language, the Commission sees no current need to be able to manipulate the Postal Service's accounting information. These systems need not be affected by the proposed format requirement as long as the output of these systems is submitted in an ASCII flat file form. Under the proposed rule, it would not be

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<sup>2</sup> Requiring material submitted under Rule 102 to be in electronic form will bring Rule 102 into general conformity with the Commission's decision to make electronic filing the standard method of filing documents with the Commission. See Order No. 1349, issued October 21, 2002.

necessary for the Postal Service to submit existing COBOL programs for the IOCS, the CRA Model, or for other reports that are COBOL based in a PC executable format. Nor would it be necessary to submit existing processing programs for the CCCS, the RCCS, or the RPW in that format. It would, however, be necessary to submit in the required format the processing programs that calculate and distribute attributable mail processing costs.

If the Postal Service foresees substantial obstacles to complying with this proposed format requirement, it is urged to request a conference with the Commission's technical staff to explore the nature of these obstacles and ways to overcome them prior to the adoption of a final amended Rule 102.

*Billing determinants.* Current Rule 102(a)(10) requires the Postal Service to provide the Commission with billing determinants within two weeks of providing them for use by postal management. Recently, the delay in the provision of billing determinants in response to the rule has been considerable. Since FY 1995, it has ranged from nine to 16 months after the close of the fiscal year. The current rule allows the Postal Service to delay the filing of billing determinant information for Express Mail, Priority Mail, and parcel post for up to one year from the time that it provides billing determinants for other categories of mail. Consequently, billing determinants for Express, Priority, and parcel post mail have been from 21 to 28 months out of date at the time they were provided. The Commission believes that it would be useful to reexamine the rationale for the current rule whose effect is to allow billing determinants for these three categories of mail to be well over two years out of date when submitted. As a starting point for that reexamination, the Commission proposes to revise Rule 102(a)(10) to require the Postal Service to submit billing determinants for these three mail categories no later than 12 months after the close of the fiscal year.

Comments on the revisions to Rule 102 proposed in this Notice should be submitted on or before February 10, 2003, and any reply comments by February 25, 2003.

It is ordered:

1. Interested persons are invited to submit comments on the Commission's Notice of Proposed Rulemaking on or before February 10, 2003. Any reply comments should be submitted by February 25, 2003.
2. The Secretary shall cause this Notice of Proposed Rulemaking to be published in the Federal Register.

By the Commission  
(S E A L)

Steven W. Williams  
*Secretary*



## **PROPOSED CHANGES TO THE COMMISSION'S RULES OF PRACTICE**

### **PART 39 – [AMENDED]**

1. The authority citation for part 3001 continues to read as follows:

Authority: 39 U.S.C. 404(b); 3603; 3622-24; 3661; 3662; 3663.

2. Amend Subpart G, Rules Applicable to the Filing of Reports by the U.S. Postal Service, by revising § 3001.102 to read as follows:

#### **§ 3001.102 Filing of reports.**

Each report listed in this section shall be filed with the Secretary of the Commission within two weeks of its presentation for use by postal management, unless otherwise noted. Each report should be provided in a form that can be read by publicly available PC software. A processing program that was developed specifically to produce an accompanying workpaper must be provided in a form that can be executed by publicly available PC software. COBOL processing programs in use prior to FY 2003 are exempt from this requirement. The reports and information required to be provided by this subpart need not include matters that are exempt from disclosure by law. Whenever a specific source is cited in this section, that citation includes any successor or substituted source.

(a) *Annual reports.* The following information will be filed by the Postal Service annually. If it is presented for use by postal management at more frequent intervals, it shall be filed at those intervals:

(1) All input data, all processing programs that have changed since the most recently completed general rate proceeding, and all computer programs used to attribute mail processing costs to subclasses, if they are used to produce the Cost and Revenue Analysis Report (CRA). Each change in attribution principles or methods from the previous report will be identified. The Postal Service shall submit a CRA–USPS Version, followed within two weeks by a CRA–PRC Version. Documentation of the CRA shall include, but not be limited to, the following:

(i) Spreadsheet workpapers underlying the development of segment costs by cost component. These workpapers should include all of the updated factors and data from the supporting data systems used, including the In-Office Cost System (IOCS), the Management Operating Data System (MODS), the City Carrier Cost System (CCCS), the Rural Carrier Cost System (RCCS), and the Rural Mail Count.

(ii) Cost segments and components reconciliation to financial statements and account reallocations.

(2) Cost Segments and Components Report. Documentation shall include, but not be limited to, the following:

(i) The Manual Input Requirement, the "A" report, and the "B" report;

(ii) The control string commands for the "A" report, the "B" report (including the PESSA factor calculations), and the "C" report;

(iii) The master list of cost segment components, including the components used as distribution keys in the development of the "B" report and the "C" report.

(3) City delivery information, including the number of routes by type, the number of possible deliveries by type, the number of collection boxes, and the number of businesses served (120 days from the close of the fiscal year).

(4) Rural carrier information, including the number of routes by type and miles, stops, boxes served, and mail pieces by route type (120 days from the close of the fiscal year).

(5) Civil Service Retirement Fund Deficit Report (two weeks after release of the Annual Report of the Postmaster General).

(6) Worker's Compensation Report, including summary workpapers (two weeks after release of the Annual Report of the Postmaster General).

(7) Annual Report of the Postmaster General.

(8) Congressional Budget Submission, including workpapers. The Postal Service will also file concurrently Summary Tables SE 1, 2, and 6 (coinciding with their submission to Congress).

(9) Audit Adjustment Vouchers, if any.

(10) Billing Determinants, at the level of detail employed in the most recent formal request for a change in rates or fees. The provision of billing determinants for Express Mail, Priority Mail, and parcel post may be delayed up to 12 months from the close of the fiscal year to which they apply.

(11) USPS Integrated Financial Plan.

(b) *Quarterly reports.* The following information will be filed by the Postal Service quarterly:

(1) Revenue, Pieces, and Weight, by rate category and special service.

(2) Origin/Destination Information Report National Service Index.

(c) *Accounting period reports.* The following information will be filed by the Postal Service each accounting period:

(1) Summary Financial and Operating Report.

(2) National Consolidated Trial Balances and the Revenue and Expense Summary.

(3) National Payroll Hours Summary.

(4) On-Roll and Paid Employee Statistics (OPRES).

(5) Postal Service Active Employee Statistical Summary (HAT report).

(d) *Miscellaneous reports.* The following information will be filed by the Postal Service:

(1) Before/After Pay Increase Reports.

(2) Before/After COLA Cost Reports.

(3) A master list of publications and handbooks including those related to internal information procedures, when changed.

(4) Data collection forms and corresponding training handbooks, when changed.

(5) Notice of changes in data reporting systems, 90 days before those changes are implemented.