

DOCKET SECTION

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 OFFICE OF THE
CONSUMER ADVOCATE INTERROGATORIES OCA/USPS-T5-42, OCA/USPS-84
AND 85, AND PARTIAL OBJECTION TO OCA/USPS-86(i)
(September 29, 1997)

The United States Postal Service hereby objects to Office of the Consumer Advocate interrogatories OCA/USPS-T5-42, filed on September 17, 1997 and OCA/USPS-84 and 85, filed on September 19, 1997, and partially objects to OCA/USPS-86(i), filed on September 19, 1997. The information requested is either irrelevant, burdensome to produce or, in some instances, can be produced by the OCA itself. Also, interrogatory OCA/USPS-T5-42 constitutes an abuse of the discovery process.

OCA/USPS-T5-42 states:

In response to OCA/USPS-T36-25.i., witness Moeller states that "significant changes in the costing methodology make a direct comparison of [the letter/flat differential between Docket No. MC95-1 and Docket No. R97-1] difficult." OCA is experiencing the same difficulty as the Postal Service's own witness. In order for OCA to make this determination itself, please provide the following information:

- a. For every cost component, list and describe all significant changes to cost attribution methodology in this proceeding.
 - i. Provide a citation for each change listed to: testimony of a Postal Service witness (by page and line), workpaper (by worksheet, page, column, and row), and/or Library Reference (by page and line), as appropriate. If the change has not been documented in any information already on file with the Commission, then provide such documents and give all citations.

- ii. For each change listed in answer to part a., state whether it has the effect of causing level of attribution for the component to increase, decrease, or remain the same (choose one).
 - iii. If you are unable to provide the answers sought by this subpart, the please redirect the questions (or portions of questions) to witnesses who can provide answers.
- b. For every cost component, list and describe all significant changes to the distribution key(s) used in this proceeding.
- i. For each, state whether the distribution key change involves substitution of an entirely new distribution key or a significant alteration to an existing key.
 - ii. Provide a citation for each change listed to: testimony of a Postal Service witness (by page and line), workpaper (by worksheet, page, column, and row), and/or Library Reference (by page and line), as appropriate. If the change has not been documented in any information already on file with the Commission, then provide such documents and give all citations.
 - iii. For each change listed in answer to part b., give an additional listing of how each subclass of mail is affected, i.e., for each subclass indicate whether the new (or altered) distribution key causes the particular subclass' share of attributable costs to increase, decrease, or remain the same (choose one).
 - iv. For each effect listed in subpart b.iii., provided a citation to: testimony of a Postal Service witness (by page and line), workpaper (by worksheet, page, column, and row), and/or Library Reference (by page and line), as appropriate. If the change has not been documented in any information already on file with the Commission, then provide such documents and give all citations.

The remaining interrogatories provide as follows:

OCA/USPS-84. For FY 1996 for each CAG, please provide the average annual cost per employee for each craft listed in response to OCA/USPS-82 above.

OCA/USPS-85. For FY 1996 for each CAG, please provide the average annual cost per employee for each Cost Segment.

OCA/USPS-86.i. Please confirm that cost or expense data is reported by finance number and that the finance number can be associated with a CAG. If you do not confirm, please explain. If you confirm, please provide the cost/expense figures in Appendix A of LR-H-1 by CAG.

Interrogatory OCA/USPS-T5-42 constitutes an abuse of the discovery process.

The Postal Service has extensively documented its case, as required by the Commission's rules. The Postal Service, perhaps more than other participants in ratemaking proceedings, is cognizant of the detail and complexity required in its costing presentations in order to comply with the Commission's documentation requirements. As the Commission itself has acknowledged, "The Postal Service's attributable cost presentations are more complex and more detailed than those required of most public utilities." *Docket No. RM97-1, Order No. 1176, May 27, 1997, at 6.* This detail and complexity, however, do not excuse the OCA or other participants from doing their homework.

In most instances, the OCA should be able to trace through lines, columns and rows of workpapers and library references which show changes in volume variable costs due to new costing methodologies presented in this case and changes in distribution keys. If the OCA does not understand a specific reference or source or distribution key calculation, then it should be directing specific questions. The OCA certainly has shown that it knows how to examine documentation and ask focused questions when it wants to. For example, OCA asked witness Degen to confirm that only specifically listed programs in LR-H-146 would need to be updated to correspond to corrections to his Table 4 variabilities. See *OCA/USPS-T12-59, filed September 11, 1997.* The Postal Service already shoulders the burden of complying with the

Commission's intricate and extensive filing requirements. Once the Postal Service has produced the required information, it is improper for the OCA to ask the Postal Service to reproduce the same information in a format more to the OCA's liking.

This effort could take months -- essentially the same amount of time for the Postal Service to prepare its documentation in the first place --for it to provide the "road map" that the OCA wants. This burden is unjustified since the OCA should be capable of doing the work itself by tracing through the documentation already provided and asking precise questions. The Postal Service should not have to devote its resources to this task and take time away from responding to other legitimate discovery requests, simply because the OCA prefers not to do its own work.

With regard to interrogatories OCA/USPS-84, 85 and 86.i.¹, the Postal Service is essentially being asked to create special new reports to satisfy OCA's unexplained desire for the information. The interrogatories basically request, as a first step, that the dollars in every single Postal Service subaccount be broken out by CAG. Postal Service accrued costs are not reported by CAG, rather they are compiled by finance number, line number, cost segment and component, object, class, etc. Responding to the OCA's request would require that each of approximately 1,000 to 2,000 account numbers be sorted by finance numbers by CAG, then summed by CAG and

¹ The Postal Service will provide a partial response to 86.i., but objects to providing cost/expense figures in Appendix A of LR-H-1 by CAG.

further divided by the number of employees in each craft.² Since this is not how accrued cost records are kept, costs by CAG do not underlie the development of either the Postal Service's accrued or volume variable costs and thus are not relevant to any issues in this docket.

Moreover, the value of such a break out is questionable. At the end of every fiscal year, the Postal Service makes audit adjustments to reconcile its trial balance to the audited financial statements, and expense reallocations to break out additional cost components. These can involve significant dollar amounts. *See Library Reference H-9, Part III.* These adjusted and reallocated costs are not available by CAG and thus cannot be resorted by CAG. One could make any number of assumptions to allocate these adjustments by CAG, but the resulting numbers would not be based on a verifiable data source. Moreover, trying to ascertain an average annual cost per employee per craft per CAG may yield nonsensical results. For example, in response to interrogatory 85, what is the meaning of the average annual cost per employee by CAG for Cost Segment 20? Does this yield the depreciation rate per employee?

Further, requiring the Postal Service to redo its reports for whatever use the OCA plans in this case creates additional work and begins to intrude on the Postal Service's authority to maintain and manage its books as it deems proper. The Postal

² The number of employees by craft changes throughout the fiscal year, so the costs derived may change depending on the point in the fiscal year when the computations were made.

Reorganization Act provides, in pertinent part, that the Postal Service has the power "to determine and keep its own system of accounts. . . ." 39 U.S.C. §401(4).

In addition, although the Postal Service is not arguing that production of the reports, standing alone, would be unduly burdensome, the additional time required to respond comes at the end of the fiscal year, which is the heaviest work period of the year for functions associated with Postal Service accounting. Requiring the additional work at this time thus becomes burdensome and is unwarranted, especially given the questionable relevance of the requested information.

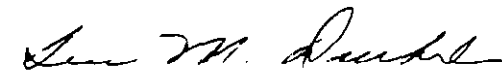
Finally, numerous legitimate discovery requests remain to be answered and preparation for hearings needs to begin. The Postal Service should not be required to devote resources to requests which go well beyond the bounds of appropriate discovery.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

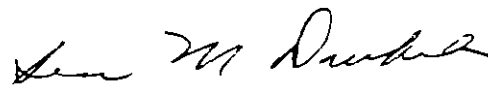
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September 29, 1997

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.



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