

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

OPPOSITION OF THE UNITED STATES POSTAL SERVICE TO OFFICE OF THE
CONSUMER ADVOCATE MOTION TO COMPEL ANSWERS TO
INTERROGATORIES OCA/USPS-71-73, 74(a) and (b), 75(a) and (b), 76-78, 84, 85,
86(i) AND OCA/USPS-T5-42
(October 27, 1997)

The United States Postal Service hereby opposes the Office of the Consumer Advocate Motion to Compel Answers to Interrogatories OCA/USPS-71-73, 74(a) and (b), 75(a) and (b), 76-78, 84, 85, 86(i) and OCA/USPS-T5-42, filed on October 10, 1997 ("*OCA Motion*"). Despite the OCA's arguments to the contrary, the requested information is irrelevant, burdensome to produce, and, in some instances, can be produced by the OCA itself.

The "Road Map" Interrogatories

With regard to interrogatories OCA/USPS-71-73, 74(a) and (b), 75(a) and (b), 76-78 and OCA/USPS-T5-42, the OCA basically argues that every time the Postal Service proposes a changes in costing methodologies, it is required to provide a detailed "road map" showing every page, line, column and row of every piece of testimony, every workpaper and every library reference that has changed because of the new costing methodologies. The OCA argues this despite the fact that the Postal Service's case is extensively documented in accordance with the Commission's rules, and despite the fact that the Postal Service has presented an alternate cost presentation under Rule 54(a)(1)

which shows the impact on the Postal Service's proposals of using the methodology followed in prior cases concerning the treatment of mail processing labor costs as well as other previous costing methodologies. *See Library References H-196 (2nd revised) and H-215 (revised).*¹

The OCA cannot seriously contend that the extensive documentation already required under the Commission's rules does not present information of adequate detail and in a sufficient format. The fact of the matter is that regardless of the Commission's rules, the OCA simply does not want to undertake the effort required to understand the Postal Service's case by delving into that case and asking specific, pointed interrogatories. The OCA has demonstrated that it understands how to review the Postal Service's case and determine what would change as a result of the new mail processing costing methodology. *See generally, Tr. 12/6347-48.* The fact that the OCA prefers to devote its energies to other endeavors is no excuse for imposing unwarranted discovery on the Postal Service that is burdensome and is irrelevant to the case the Postal Service is presenting.

The OCA's reliance on revised Rule 54(a)(1) and Order No. 1197² in support of its motion is misguided. The goal of revised Rule 54(a)(1), as expressed in the language of the rule, is to have the Postal Service present "an alternate cost presentation...that

¹ It is assumed that the "old" methodology for mail processing labor costs referred to by the OCA encompasses both the 100 percent volume variability assumption as well as distribution of costs based solely on IOCS tallies.

² Order Accepting Certification and Granting Major Mailers Association Motion to Compel, Order No. 1197, October 1, 1997.

shows what the effect on its request would be if it did not propose changes in attribution principles." *Rule 54(a)(1)*. The "road maps designed to enable OCA to perform calculations under an assumption that mail processing costs are 100 percent variable, i.e., using the methodology followed in prior cases" are contained, in large part, in Library References H-196 and H-215. See *OCA Motion at 1*. As Attachment A to this pleading demonstrates, information from those library references is available for the OCA to construct the road map itself.³ Likewise, Order No. 1197 makes clear, in the very language quoted by the OCA, that the Postal Service's obligations when proposing costing methodology changes extend to providing all participants with adequate notice of the impact of its proposals. Those obligations do not and should not encompass providing a comprehensive listing of every line of every testimony, workpaper and library reference that would change. There is and should be an obligation on the part of participants to do their own work, and not use discovery as a mechanism to have the Postal Service do it instead.

The burden involved in responding to discovery requests need only be specified "to the extent possible." *Rule 25(c)*. The Postal Service has not been specific about the burden involved in answering these interrogatories because it cannot be. Responding to OCA/USPS-T5-42 would involve having every costing witness review his/her testimony, workpapers and library references and prepare a listing of every item that has

³ The columns in Attachment A titled "PRC Component" and "USPS Component" are taken directly from Section 12 of Library Reference H-196.

changed, presumably as compared with Docket No. R94-1.⁴ In addition, the witnesses likely would not perform this task in isolation. Because the various testimonies are interrelated, witnesses would be required to check back and forth among themselves to determine if changes in one witness' numbers would require changes to other witnesses' numbers. The effort involved would obviously be immense. The OCA essentially is asking for the Postal Service to list every reference that would change had it presented an entirely different case.

Attachment A to this pleading, which took two full person days to prepare demonstrates what such a partial listing would look like for Base Year 1996.⁵ A similar listing would have to be prepared **seven** more times—for FY 1997 before volume and workyear mix adjustments, for FY 1997 after volume mix and before workyear mix adjustments, for FY 1997 after volume mix and workyear mix adjustments, for TY 1998

⁴ A review of the question makes clear that OCA is not merely asking about the change from the 100 percent volume variability assumption in mail processing costs. Rather, the interrogatory covers additional changes, including the incremental costing methodology presented by witness Takis, the highway transportation variabilities presented by witness Bradley, the city carrier changes presented by witness Nelson, and the window service variabilities presented by witness Brehm. The overbreadth of the OCA's request can be seen by comparing the introduction of subpart (a) which purports to cover "significant changes to cost attribution methodology" with sub-subpart (ii) which requests that the Postal Service identify whether such changes cause the "level of attribution to increase, decrease, or remain the same." Under the OCA's all-inclusive definition, even a mere update of a previously furnished study seemingly would be covered. Interrogatories OCA/USPS-72 and 73 request information similar to that requested in OCA/USPS-T5-42 for Base Year and Test Year changes due to the new mail processing costing methodology.

⁵ This partial listing alone covers 212 citations. It should be noted that the items listed in Attachment A are footnoted. Thus, the OCA and any other participant has the capability of preparing exactly this same listing themselves.

before rates before workyear mix adjustment, for TY 1998 before rates after workyear mix adjustment, for TY 1998 after rates before workyear mix adjustment, and for TY 1998 after rates after workyear mix adjustment. Moreover, the listing is partial because it covers *only* the changes resulting from assuming the prior methodology for mail processing labor costs and *only* Base Year workpapers A-1 and A-2.⁶ Provision of similar information for the interim and test years thus would consume a minimum of fourteen additional calendar days (two days times the seven interim and test year iterations) and would be nowhere near complete. Further, this estimate does not even take into account the listings which would have to be provided by every other costing witness who uses base year or test year cost figures and it does not take into account the time needed to explain whether the changes caused costs by component and by subclass to increase, decrease or remain the same. It takes months to prepare a rate case; it should not be doubted that months could be consumed in basically “undoing” it.

Interrogatory OCA/USPS-71 asks that each rate design witness provide a listing of the necessary steps to change each rate element if mail processing labor costs were assumed to be 100 percent volume variable. The information requested is irrelevant in the sense that a list of mechanical steps does not really address what the rate design witnesses do. Setting rates is an iterative process. Rates are set and reset in order to take account of such factors as revenue leakages and constraints due to other rate relationships—for example, the relationship between parcel post and Priority Mail.

⁶ If all Postal Service costing changes are considered, only Cost Segments 1, 15, 17 and 19 -- four out of nineteen segments -- are unaffected.

Moreover, requiring each witness to go through all materials and list every change would be unduly burdensome. As just one example, Attachment B to this pleading is a copy of USPS-T-37, WP I.I, page 2 of 3. Everything on the page would change, other than the three circled items.⁷

Interrogatories OCA/USPS-74–76 are basically subsets of OCA/USPS-T5–42. In addition, OCA/USPS-76 essentially is another way of asking the questions posed in OCA/USPS-74 and 75. The OCA's refusal to avail itself of other means to obtain the information, such as reviewing the library references and asking specific questions or requesting technical conferences, should not relieve it from doing its own work and preparing its own analysis of what has changed in the Postal Service's proposal. Moreover, as with interrogatory OCA/USPS-71, the process of ultimately developing certain of the information is likely to be an iterative process, involving some trial and error. Thus, any listing of steps may well turn out to require adjustment or modification. If the OCA wants to achieve the results its questions imply, then it should be attempting to make its own calculations and address questions about those calculations and the results obtained to the Postal Service. This would be a more fruitful endeavor for both the OCA and the Postal Service than asking for lists of changes or steps in a vacuum. Moreover, the requested information would be burdensome to produce. To begin, all calculations underlying the piggyback factors in Part 2 of Library Reference H-77 would have to be reviewed to determine all steps that would need to be changed. This review efforts could take several days. Similarly, Library References H-106 and H-146 would

⁷ This in only one of hundreds of pages in the USPS-T-37 workpapers.

have to be examined to determine whether and what changes would be needed before any listing could begin.

The Alternate Cost Presentation Interrogatories

Interrogatories OCA/USPS-77 and 78 ask a number of questions that have nothing to do with the intent of revised Rule 54(a)(1), which is to give notice of the impact of the Postal Service's proposed costing methodology changes. The OCA never bothers to explain how this purpose is served by a series of questions dealing with the mechanics of how the Postal Service replicated the Commission's costing methodology. For example, the OCA asks about "programming analyses" and "logic errors" in the Commission's cost model programs. It cannot seriously be maintained that the Postal Service's obligations under either revised Rule 54(a)(1) or Rule 25 embody any requirement that *the Postal Service* provide a tutorial on how to run *the Commission's model*. Neither revised Rule 54(a)(1) nor Order No. 1197 can be read to mandate such a result.

The CAG Interrogatories

The OCA Motion to Compel was filed prior to issuance of Presiding Officer's Ruling No. R97-1/48 ("*Ruling No. R97-1/48*").⁸ That ruling makes the motion to compel moot with regard to OCA/USPS-84, 85 and 86(i), which ask for various cost information broken out by CAG. In fact, OCA/USPS-86(i) requests the same information requested in OCA/USPS-34 and 35. The Postal Service will not repeat the arguments in its

⁸ *Presiding Officer's Ruling Denying Motion to Compel Responses to OCA/USPS-T5-34-36, October 17, 1997.*

pleadings concerning those interrogatories, but rather incorporates them here by reference, as the same effort would need to be undertaken to answer these interrogatories as would have been required to answer numbers 34 through 36.⁹ Ruling No. R97-1/48 held:

From Postal Service's pleadings, it appears plausible that accurate breakdowns of its accrued costs by CAG would require a considerable amount of analytical effort in addition to the data processing task of associating facility finance numbers with CAGS. Imposing this substantial burden on the Postal Service is not warranted where the OCA has given no indication as to how it could use CAG breakdowns of accrued costs in its direct case, and no potential use of such information is self-evident.

Ruling No. R97-1/48 at 2. There is nothing in the OCA's instant Motion which would cause a change in the result of that ruling.

The OCA provides only minimal additional information on why it desires the CAG information, stating that it is "related to development of OCA's direct case in developing cost estimates and allocations concerning post office boxes." *OCA Motion at 8.* This vague reference still does not provide the appropriate "nexus between the information sought and evidence that would be relevant and material to the substantive issues to be decided...." *Presiding Officer's Ruling Denying Motion of United Parcel Service to Compel Responses to Interrogatories UPS/USPS-T11-16, 17 and 18, Presiding Officer's Ruling No. R94-1/40, June 21, 1994, at 5.* Moreover, given the assumptions that would have to be made and the burden involved regarding AP 14, as well as the year-end audit

⁹ See *Objection of the United States Postal Service to Office of the Consumer Advocate Interrogatories OCA/USPS-T5-34-36, September 22, 1997; Motion for Late Acceptance and Opposition of the United States Postal Service to Office of the Consumer Advocate Motion to Compel Responses to Interrogatories OCA/USPS-T5-34-36 to United States Postal Service Witness Alexandrovich, October 6, 1997.*

adjustments and expense reallocations, the OCA's cryptic explanation of its desire for the data is not sufficient to outweigh the problems that would be encountered by the Postal Service in producing the information. The fact that the Commission has expressed some interest in the possibility of an alternative grouping of post office boxes does not negate the fact that CAG groupings are not designed to reflect cost accrual or development. It also does not relieve the Postal Service of making unsupported assumptions and incurring a substantial burden in responding.

Conclusion

For all of the foregoing reasons, as well as the reasons stated in the Postal Service's initial objections, the OCA Motion to Compel should be denied.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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October 27, 1997

| Workpaper | PRC | USPS | Page | Column | Row |
|-----------|------|------|------|--------|--------------|
| A-1 | 301 | 35 | 1 | 1 | 1-26 |
| A-1 | 301 | 35 | 2 | 1 | 1-18 |
| A-1 | 301 | 35 | 2 | 2 | Fmt 1 (1-2) |
| A-1 | 401 | 547 | 1 | 1 | 1-26 |
| A-1 | 401 | 547 | 2 | 2 | 1-18 |
| A-1 | 401 | 547 | 2 | 2 | Fmt 2 (1-2) |
| A-1 | 2142 | 943 | 1 | 1 | 1-26 |
| A-1 | 2142 | 943 | 3 | 3 | 1-18 |
| A-1 | 2142 | 943 | 2 | 2 | Fmt 3 (1-2) |
| A-1 | 2164 | 544 | 1 | 1 | 1-26 |
| A-1 | 2164 | 544 | 2 | 2 | 1-18 |
| A-1 | 2164 | 544 | 2 | 2 | Fmt 4 (1-2) |
| A-1 | 663 | 663 | 2 | 2 | 1-26 |
| A-1 | 663 | 663 | 5 | 5 | 1-18 |
| A-1 | 663 | 663 | 2 | 2 | Fmt 5 (1-2) |
| A-1 | 2165 | 659 | 3 | 3 | 1-26 |
| A-1 | 2165 | 659 | 6 | 6 | 1-18 |
| A-1 | 2165 | 659 | 2 | 2 | Fmt 6 (1-2) |
| A-1 | 662 | 662 | 4 | 4 | 1-26 |
| A-1 | 662 | 662 | 5 | 5 | 1-18 |
| A-1 | 662 | 662 | 2 | 2 | Fmt 7 (1-2) |
| A-1 | 2166 | 660 | 5 | 5 | 1-26 |
| A-1 | 2166 | 660 | 6 | 6 | 1-18 |
| A-1 | 2166 | 660 | 2 | 2 | Fmt 8 (1-2) |
| A-1 | 664 | 664 | 6 | 6 | 1-26 |
| A-1 | 664 | 664 | 7 | 7 | 1-18 |
| A-1 | 664 | 664 | 2 | 2 | Fmt 9 (1-2) |
| A-1 | 2167 | 655 | 1 | 1 | 1-26 |
| A-1 | 2167 | 655 | 3 | 3 | 1-18 |
| A-1 | 2167 | 655 | 2 | 2 | Fmt 10 (1-6) |

| Workpaper Component | USPS | PRC | USPS | Page | Column | Row |
|---------------------|------|------|------|------|--------|------|
| A-2 | 12 | 19 | 1-26 | 2 | 2 | 19 |
| A-2 | 12 | 20 | 1-18 | 2 | 2 | 20 |
| A-2 | 12 | 20 | 1-18 | 4 | 4 | 38 |
| A-2 | 12 | 20 | 1-26 | 4 | 4 | 37 |
| A-2 | 215 | 27 | 1-26 | 3 | 3 | 313 |
| A-2 | 215 | 28 | 1-18 | 3 | 3 | 313 |
| A-2 | 216 | 27 | 1-26 | 4 | 4 | 314 |
| A-2 | 216 | 28 | 1-18 | 4 | 4 | 314 |
| A-2 | 216 | 28.1 | 1-26 | 6 | 6 | 37 |
| A-2 | 216 | 28.1 | 1-18 | 6 | 6 | 38 |
| A-2 | 220 | 29 | 1-26 | 1 | 1 | 39 |
| A-2 | 220 | 30 | 1-18 | 1 | 1 | 40 |
| A-2 | 223 | 29 | 1-26 | 2 | 2 | 39 |
| A-2 | 223 | 30 | 1-18 | 2 | 2 | 40 |
| A-2 | 224 | 29 | 1-26 | 3 | 3 | 39 |
| A-2 | 224 | 30 | 1-18 | 3 | 3 | 40 |
| A-2 | 225 | 29 | 1-26 | 4 | 4 | 39 |
| A-2 | 225 | 30 | 1-18 | 4 | 4 | 40 |
| A-2 | 225 | 30.1 | 1-26 | 2 | 2 | 40.1 |
| A-2 | 225 | 30.1 | 1-18 | 2 | 2 | 40.1 |
| A-2 | 227 | 29 | 1-26 | 1 | 1 | 41 |
| A-2 | 227 | 30 | 1-18 | 1 | 1 | 42 |
| A-2 | 228 | 29 | 1-26 | 2 | 2 | 41 |
| A-2 | 228 | 30 | 1-18 | 2 | 2 | 42 |
| A-2 | 228 | 30.1 | 1-26 | 2 | 2 | 42.1 |
| A-2 | 228 | 30.1 | 1-18 | 2 | 2 | 42.1 |

| Workpaper Component | USPS | Page | Column | Row | Workpaper Component | USPS | Page | Column | Row |
|---------------------|-------|-------|--------|-------------|---------------------|-------|-------|--------|-------------|
| A-2 | 253 | 33 | 3 | 1-26 | A-2 | 21 | 41 | 3 | 1-26 |
| A-2 | 253 | 34 | 3 | 1-18 | A-2 | 21 | 42 | 3 | 1-18 |
| A-2 | 34.1 | 34.1 | 2 | Fmt 3 (1-2) | A-2 | 42.1 | 42.1 | 2 | Fmt 3 (1-2) |
| A-2 | 42 | 43 | 1 | 1-26 | A-2 | 43 | 43 | 2 | 1-26 |
| A-2 | 42 | 44 | 1 | 1-18 | A-2 | 44 | 44 | 2 | 1-18 |
| A-2 | 44.1 | 44.1 | 2 | Fmt 1 (1-2) | A-2 | 44.1 | 44.1 | 2 | Fmt 3 (1-2) |
| A-2 | 80 | 57 | 2 | 1-26 | A-2 | 1807 | 123 | 2 | 1-26 |
| A-2 | 80 | 58 | 2 | 1-18 | A-2 | 200 | 124 | 2 | 1-18 |
| A-2 | 58.1 | 58.1 | 2 | Fmt 2 (1-2) | A-2 | 1807 | 124.1 | 2 | Fmt 2 (1-2) |
| A-2 | 261 | 57 | 4 | 1-26 | A-2 | 201 | 123 | 3 | 1-26 |
| A-2 | 261 | 58 | 4 | 1-18 | A-2 | 1809 | 124 | 3 | 1-18 |
| A-2 | 58.1 | 58.1 | 2 | Fmt 4 (1-2) | A-2 | 124.1 | 124.1 | 2 | Fmt 3 (1-2) |
| A-2 | 75 | 61 | 1 | 1-26 | A-2 | 203 | 123 | 5 | 1-26 |
| A-2 | 75 | 62 | 1 | 1-18 | A-2 | 203 | 124 | 5 | 1-18 |
| A-2 | 62.1 | 62.1 | 2 | Fmt 1 (1-2) | A-2 | 124.1 | 124.1 | 2 | Fmt 5 (1-2) |
| A-2 | 80 | 61 | 2 | 1-26 | A-2 | 204 | 125 | 6 | 1-26 |
| A-2 | 80 | 62 | 2 | 1-18 | A-2 | 204 | 126 | 6 | 1-18 |
| A-2 | 62.1 | 62.1 | 2 | Fmt 3 (1-2) | A-2 | 1813 | 125 | 6 | 1-26 |
| A-2 | 209 | 123 | 2 | 1-26 | A-2 | 206 | 127 | 2 | 1-26 |
| A-2 | 209 | 124 | 2 | 1-18 | A-2 | 206 | 128 | 2 | 1-18 |
| A-2 | 124.1 | 124.1 | 2 | Fmt 2 (1-2) | A-2 | 128.1 | 128.1 | 2 | Fmt 2 (1-2) |
| A-2 | 268 | 123 | 4 | 1-26 | A-2 | 209 | 127 | 6 | 1-26 |
| A-2 | 268 | 124 | 4 | 1-18 | A-2 | 209 | 128 | 6 | 1-18 |
| A-2 | 124.1 | 124.1 | 2 | Fmt 4 (1-2) | A-2 | 128.1 | 128.1 | 2 | Fmt 6 (1-2) |
| A-2 | 199 | 123 | 1 | 1-26 | | | | | |
| A-2 | 199 | 124 | 1 | 1-18 | | | | | |
| A-2 | 1806 | 124.1 | 2 | Fmt 1 (1-2) | | | | | |

PARCEL POST
 Calculation of Per-Piece Rate Element

| | | | | |
|------|-------|--------------------|--|--|
| (1) | \$ | 794,828,590 | | |
| (2) | minus | 383,336,410 | | |
| (3) | | 411,492,180 | | |
| (4) | plus | 10,136,761 | | |
| (5) | minus | 25,996,296 | | |
| (6) | minus | 346,614 | | |
| (7) | | 395,286,031 | | |
| (8) | X | 1,1501 | | |
| (9) | | \$454,618,464 | | |
| (10) | plus | 62,895,956 | | |
| (11) | plus | 57,702,265 | | |
| (12) | minus | 6,356,702 | | |
| (13) | minus | 3,141,530 | | |
| (14) | minus | 4,105,667 | | |
| (15) | | 561,612,785 | | |
| (16) | plus | 4,082,530 | | |
| (17) | minus | 166,876 | | |
| (18) | plus | 1,389,684 | | |
| (19) | minus | 80,592 | | |
| (20) | plus | 171,099 | | |
| (21) | minus | 15,470 | | |
| (22) | plus | 4,298,111 | | |
| (23) | minus | 1,842,498 | | |
| (24) | plus | 6,607,579 | | |
| (25) | minus | 4,843,943 | | |
| (26) | plus | 871,955 | | |
| (27) | | <u>572,084,363</u> | | |
| (28) | | \$2,386,591 | | |

TYBR Total Volume Variable Costs, Including Contingency
 Cost Segment 14, and Figgybacked Segment 8 Costs, Including Contingency
 Nontransportation Costs
 Additional Nontransportation Costs from New Volume over 108 Inches
 2 Cents per Pound Nontransportation Weight-Related Handling Cost
 TYBR Pickup Costs
 Costs To Be Marked up
 Markup Factor
 Total Costs To Be Recovered from per Piece Charges
 DBMC Nontransportation Discount
 Intra-BMC Rate Differential
 Inter-BMC Nonmachinable Surcharge
 Nontransportation Revenue from New Volume over 108 Inches
 Balloon Charge Revenue
 Costs from Existing Categories
 Prebarcode Discount
 Prebarcode Cost Savings
 Machinable BMC Presort Discount
 Machinable BMC Presort Savings
 Nonmachinable BMC Presort Discount
 Nonmachinable BMC Presort Savings
 Nontransportation DSCF Discount
 Nontransportation DSCF Savings
 Nontransportation OBMC Discount
 Nontransportation OBMC Savings
 Nontransportation DDU Discount
 Adjusted Costs To Be Recovered from Piece Rates
 Per Piece Rate Element

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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