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## POSTAL RATE COMMISSION

### 39 CFR Part 3001

[Docket No. RM2003-3; Order No. 1358]

#### Periodic Reporting Rules

**AGENCY:** Postal Rate Commission.

**ACTION:** Proposed rule.

**SUMMARY:** The Commission proposes updating periodic reporting rules affecting certain Postal Service data submissions. This update entails deleting certain outdated requirements and adding new requirements, including an electronic filing requirement. These changes should improve the ability of the Commission and others to analyze postal finances and operating results.

**DATES:** Initial comments are due by February 10, 2003; reply comments are due by February 25, 2003.

**ADDRESSES:** Submit comments electronically via the Commission's Filing Online system, which may be accessed at <http://www.prc.gov>.

**FOR FURTHER INFORMATION CONTACT:**

Stephen L. Sharfman, General Counsel, 202-789-6818.

**SUPPLEMENTARY INFORMATION:** 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