

rate design. In addition, the witness sponsoring the methodological changes would be required to explain each material change and quantify its impact. The Postal Service raises concerns about each.

First, the Postal Service states its assumptions regarding the term "cost methodology," correctly noting that the term extends to subclass costs (CRA costs) and cost study costs.<sup>25</sup> The Postal Service then outlines what it characterizes as an appropriate response to address changes in cost methodology under proposed Rule 53(b) and (c). Under its suggested approach, the roadmap document would contain a summary of each witness's testimony, identifying material changes in cost methodology.<sup>26</sup> The summaries could include a comparison of results under the proposed methodology with those obtained under that used by the Commission in the most recent rate proceeding. Generally, such comparisons would simply present the relevant material from PRC-version library references along with the results of the witness sponsoring the change.<sup>27</sup>

If the roadmap were an institutional document perhaps the foregoing would be satisfactory. That approach, however, has been rejected. Moreover, under the Postal Service's proposal, any distinctions between rule 53(b) and (c) are lost. The distinctions are not insignificant.

Perhaps because it would prefer the roadmap be an institutional document, the Postal Service pays scant attention to proposed rule 53(c), suggesting that the rule be revised in two ways. The Postal Service proposes that any discussion of the impact of material changes be removed to its proposed rule 53(b), the institutional roadmap document.<sup>28</sup> In addition, because of its concern over sponsoring PRC versions, the Postal Service suggests modifying proposed rule 53(c) to eliminate any reference to the Commission.<sup>29</sup>

These suggested revisions reflect the Postal Service's preference for an institutional roadmap document in lieu of testimony. Since that approach has been rejected, these suggestions will not be adopted. Accordingly, the Commission will adopt rule 53(c) as initially proposed.

Proposed rule 53(b) requires the filing of a single piece of testimony providing an overview of the request, including,

among other things, highlighting methodological changes. Proposed rule 53(c) directs the Postal Service to file testimony addressing the details of material methodological changes, including the impact of such changes. The rule assures that testimony will be filed by a witness sponsoring and explaining each relevant methodological change.

Aside from reiterating its advocacy of an institutional roadmap document in lieu of testimony, the Postal Service, in a rather extensive discussion, compares the proposed rule to what is required under current rule 54(a).<sup>30</sup> The discussion is useful to the extent it points out that, as a practical matter, judgment must be exercised in reporting on various types of changes, *e.g.*, those due to updates, operational changes, or new analytical approaches. In the context of current rule 54(a), the Postal Service indicates that it has attempted "to employ a rule of reason" in responding to the requirements of that rule.<sup>31</sup> The larger point of the discussion, however, is concern that the proposed rule not undermine the Postal Service's ability to develop, support, and present its case.<sup>32</sup> This concern appears to be overstated. While the Commission is not adopting the Postal Service's suggestion that the roadmap take the form of an institutional document, the end result nonetheless strikes a reasonable balance between competing interests. The roadmap testimony will facilitate litigation of Postal Service rate requests without significantly increasing burdens borne by the Postal Service. Moreover, should they not work as intended, the rules may be revisited in the future.

Second, the Postal Service expresses a preference for eliminating any discussion of volume forecasting from the roadmap, arguing, for example, that the issue is uncontroversial and that there are no appreciable differences between its approach to forecasting volume and the Commission's.<sup>33</sup> Nonetheless, the Postal Service does not foresee any major difficulties in complying, and this aspect of the proposed rule will be retained. While the volume estimates currently are perhaps less controversial than other rate issues, they remain important in determining an overall revenue requirement and methodological changes should be identified clearly at the outset of any rate proceeding.

Finally, the Postal Service addresses changes in rate design. It questions the need for any extensive discussion within the roadmap, finding it unlikely that any participant interested in rates for a particular subclass would not turn to the testimony of the relevant rate design witness. Thus, it suggests that the rule would be satisfied if the subclasses or services addressed by each rate design witness plus any material rate design changes were identified in the roadmap.<sup>34</sup>

Systems for developing rates for some subclasses rival the complexity of those used to develop costs, and changes may be difficult to identify easily. The Postal Service's interpretation might appear to be a reasonable first cut in complying with this facet of the proposed rule in some instances, but it should be borne in mind that the purpose of these amendments is to facilitate immediate awareness of changes and their impact. Rate design is an undeniably important ratemaking function. To the extent that the Postal Service proposes changes, whether as a classification change or part of its rate request, the discussion of rate design changes is part of the coherent whole that the roadmap testimony is designed to present. Whether the level of detail provided in the testimony is adequate or not can best be assessed after experience with the rule is gained. Thereafter, changes, if any, can be considered. It bears emphasizing, however, that the proposed rule attempts to strike a reasonable balance between the litigation burdens imposed on participants and the Postal Service. It makes more sense to specifically identify changes in one place than to assume that all intervenors can, without help, identify the testimony most relevant to their specific interest areas. In the Commission's view, the rules adopted will improve the process and thus benefit all concerned.

## 2. OCA Comments

In order no. 1355, the Commission stated that "[p]ursuant to proposed rule 53(c), it would fall to the sponsoring witness to provide details of the change, including estimating (or quantifying) its effects."<sup>35</sup> The responsibility of the sponsoring witness is clear. The Commission recognized, however, that quantifying a material change was subject to some ambiguity. Accordingly, it invited interested parties to comment

<sup>25</sup> *Id.* at 13.

<sup>26</sup> *Id.* at 14.

<sup>27</sup> *Ibid.*

<sup>28</sup> *Id.* at 15–16.

<sup>29</sup> *Id.* at 16, n.6; see also attachment to Postal Service Comments.

<sup>30</sup> *Id.* at 16–20.

<sup>31</sup> *Id.* at 18, n.8.

<sup>32</sup> *Id.* at 19–20.

<sup>33</sup> *Id.* at 21.

<sup>34</sup> *Id.* at 24–25. The latter, the Postal Service observes, may cause the summaries of rate design testimonies to be more detailed than those for other witnesses. *Id.* at 25.

<sup>35</sup> PRC Order No. 1355, December 12, 2002, at 9.