

spreadsheets and their equivalent) with items 1, 5, 10 and 11. It illustrates the Level Four documentation required by the proposed rule (input datasets) with items 3, 6 and 9. As noted above, the Postal Service would have to produce all of these items anyway for reasons apart from the rule, and their production is almost entirely automated, and therefore not a significant burden to provide.

The Level Three documentation required by the rule (analytical studies supporting variability estimates or distribution techniques) potentially would require some significant *additional* burden in the rare case that a special study was used to produce the CRA before being vetted in an omnibus rate case. Even then, the documentation would be much less burdensome to provide than the documentation required in an omnibus rate case because the Postal Service need not include a narrative explanation and defense of the study, such as that which it would submit as sponsoring testimony in an omnibus rate case. The final version of the rule gives the Postal Service additional flexibility that it would not have in the context of an omnibus rate case. The Postal Service may provide an abbreviated written or oral description of the study, which should include a description of the theory, the data, and estimation technique used. It may then ask for a waiver of the requirement that it provide the underlying dataset and processing programs. If the description is sufficient to allow others to evaluate the resulting estimate at a general level, the Commission could grant a waiver. If the Postal Service concludes that an abbreviated narrative description would be burdensome to provide, it may provide the input data and the processing programs, and let them speak for themselves. In its length and its scope, the narrative presentation might resemble the kind of informal technical conference that is occasionally used in a rate case to acquaint litigants with the basic outlines of a complex new study. It would not, however, involve testimony, discovery, or cross-examination, which are the significant burdens associated with litigating a rate case. It should be borne in mind that the *additional* burden of documenting a special study this way for the Periodic Reporting Rule would be zero, since the study would eventually have to be fully explained in an omnibus rate case.

Three items on the list on page 5 of the NPR (items 4, 7 and 8) illustrate the kind of Level Three CRA documentation that the proposed rule would require. These are special studies whose theory,

variable definitions, and estimating techniques haven't changed from the most recent general rate case, but the accuracy of their results requires the use of updated input from routine data collection systems.¹⁰ Therefore, the Commission needs documentation related to these special studies that allows it to determine whether current data have, in fact, been used to produce the current-year CRA. This need relates primarily to the CRA-PRC Version, since the Postal Service does not audit that version as carefully as it audits the CRA-USPS Version. The Service's outside auditors do not review this document.

Item 7 on the list indicates that under current circumstances, where Docket No. R2000-1 serves as the most recent fully-litigated rate case, the proposed rule would extend to the spreadsheets and programs used to estimate load-time variabilities in the CRA. To get accurate estimates of variable load-time costs, it is necessary to calibrate the Load Time Variability model with current-year data from the City Carrier Cost System (CCCS). The Postal Service purported to estimate variable load time costs according to Commission-approved methods in the FY 2001 International CRA-PRC Version, which it provided to help the Commission produce its FY 2001 international mail report. (In such reports, the Commission must determine if the Postal Service's attributable cost estimates for international mail categories accurately reflect Commission-approved methods.) Because the Commission could not replicate the estimates using the methods approved in the last full rate case, it asked for the processing programs to see if it could determine why. The Postal Service provided new spreadsheets in place of the SAS programs it had been using in prior rate proceedings.

The Commission could not decipher the undocumented spreadsheets. Because the Commission did not have access to current-year CCCS data, it could not run the established programs to diagnose the problem itself.¹¹ Consequently, the Commission could not determine whether the Postal

Service had used current-year data to produce the current-year CRA. Later, through cumbersome trial and error procedures, the Commission was able to decipher the Postal Service's new spreadsheets, and determine that the Postal Service had simply plugged in an obsolete variability factor instead of using current data to update the load time variability model. This illustrates why the Commission needs access to input data and processing programs that have changed since the most recently completed rate case, if it is to be able to evaluate the CRA.

Item 8 on the list indicates that the Postal Service should provide "the underlying route-type data" needed to produce the in-office worksheets in the B workpapers. In the past, the Postal Service used the IOCS tally information compiled in the LIOCATT to distribute mixed mail sorting costs incurred at delivery units to subclasses. Because the Postal Service changed the processing programs that it uses to perform this task, this item was included in the list. The Commission recognizes, however, that the changes were documented in the most recently completed rate proceeding. As a result, the Periodic Reporting Rule need not extend to this item. If the Commission receives the IOCS input data, it will not need these processing programs to competently evaluate the distribution of in-office mail sorting costs to subclasses.

Item 4 on the list would require the Postal Service to provide the MODS-based costing spreadsheets needed to produce output for the B workpapers. While the processing programs used to attribute mail processing costs to subclasses were specifically required under proposed Rule 102(a)(1), they are not included in the final version of the rule. Many of those programs, however, change from year to year due to additions or deletions of activity codes or finance numbers. Also, because some programs use hard-coded numbers to compute distribution keys, they need to be updated each year. Consequently, the final rule would still require the Postal Service to provide many of the MODS-based programs in item 4. It may be more practical for the Postal Service to submit them all, rather than to attempt to segregate out the ones that have changed. The final rule allows the Postal Service this option.

The relatively recent switch from the LIOCATT-based system to the MODS-based system is a fundamental shift of methods governing a major portion of the Postal Service's overall operations. The Postal Service is apparently still making adjustments to the estimation methods that it uses to produce the CRA

¹⁰ The Van-Ty-Smith SAS programs that construct mail processing labor cost distribution keys from current-year IOCS tally data, stop coverage in the CAT/FAT study of coverage variability, and pieces-per-delivery in the Load Time Variability study are examples of studies whose accuracy depends upon using updated input data.

¹¹ One way to diagnose a failure to update a special study is to compare the Postal Service's results to those obtained by rerunning the program with old data. This diagnostic tool is available to an outside analyst only if he or she is able to replicate the program.