

memory of the Commission's staff, it was another attendee who asked whether such questioning would be compatible with the rule, and the response of the Commission staff was that it saw no incompatibility with the rule, and it had no objection.

The Commission sees no problem with continuing the same helpful practice that has been followed for decades by the staffs of both the Postal Service and the Commission. Between rate cases, on rare occasion, a member of one staff, for example, would spot what appears to be error in a spreadsheet, make a call to the other staff, and ask if it was, in fact, an error. Someone on the other staff would typically investigate and respond informally with a corrected spreadsheet, or some brief explanation of the apparent error. The Postal Service staff occasionally does this after reviewing the workpapers that the Commission provides to explain the technical aspects of its Recommended Decisions. The Commission's staff occasionally does this after the Postal Service provides a periodic report. The Commission's staff saw no reason not to continue this practice. The Commission has never suggested launching general "procedures" for "pseudo discovery" between rate cases under the auspices of the Periodic Reporting Rule. The option of providing a public briefing on special studies that the final rule provides in paragraph 102(a)(1)(ii) is one that the Postal Service is free to decline if it wishes.

### *C. The Need for Mid-Level Documentation of the CRA*

Recognizing When There Are Grounds for Initiating §§ 3623 and 3662 Hearings

The Postal Service devotes the majority of its comments to impressionistic descriptions of the CRA documentation that the rule would require, followed by conclusory statements that the documentation "far exceeds" the Commission's "legitimate" needs. The Postal Service's conclusion that the CRA documentation required by the rule exceeds the Commission's needs rests heavily on the Postal Service's mischaracterizations of the documentation required as all information that the Postal Service uses to develop the CRA from raw data on up. Substantive Comments at 3, 21.

As explained above, the rule does not extend to raw data, the design of Postal Service data collection systems, or the processing programs that edit and structure data into input datasets ("Level Five" and "Level Six" documentation). As the most recent

fully-litigated rate case demonstrates, the design of data collection systems and the structure and editing of raw data into input datasets can be of fundamental importance in evaluating the soundness of a study. Even with the updated rule, analysts in interim years would have to assume that these aspects of the CRA are valid, and wait for an omnibus rate case for an opportunity to investigate them.

With respect to Level Four documentation, the revised rule requires that only input datasets that have changed since the last general rate case be provided. More significantly, the rule only requires minimal Level Three documentation (the input data and processing programs that implement new analytical models). The rule, therefore, is a balanced compromise, falling well short of everything that would help the Commission understand and evaluate the CRA results.

Narrative explanations of new studies are not required, so it may be difficult for the Commission and the affected public to evaluate their soundness. With the input datasets and the processing programs, however, the Commission and the interested public at least can run the CRA model with the established method, and then with new study inputs, to see the impact that the new study has on estimates of subclass attributable costs. Having the Level One and Level Two documentation required by the rule makes this crude level of diagnosis possible, as they are necessary to run the CRA model. Level One and Level Two documentation also make it possible to gain some insight into why the new study has the effect that it has on subclass attributable costs, because its effect on other inputs, and its effect on intermediate outputs, can be observed.

The Level One, Two, Four, and partial Level Three documentation that the rule requires falls well short of what will be needed in a rate case to fully evaluate the merits of a new study. But without it, the Commission and the affected public would have to simply accept the estimates of total subclass attributable costs reported in an interim-year CRA on faith. There would be no way to know if shifts in subclass attributable costs reflect true underlying economic effects, changes in data sources, or changes in estimation techniques. Similarly, if costs have not shifted, there is no way to tell if this reflects underlying economic stability, or the failure to update Level Three models with current-year data.

The Postal Service apparently believes that the regulatory scheme established under the Postal

Reorganization Act functions perfectly well when this level of public ignorance prevails between rate cases. But the Act clearly anticipated that the hearings that the Commission conducts when the Postal Service files a rate case are not, by themselves, enough to ensure that the policies of the Act are carried out. That is why § 3623 of the Act authorizes the Commission to initiate classification hearings on its own. That is also why § 3662 of the Act empowers the Commission to review public complaints that current rates or classifications are in violation of the policies of the Act, in order to determine whether they warrant a hearing.

The CRA is the Postal Service's most important and fundamental report on subclass attributable costs, volumes, and revenues. Without any documentation, its estimates are effectively unreviewable. Under these circumstances, the Commission's ability to make an informed decision on the need to initiate classification reform or to hold a hearing on a complaint that current rates or classifications violate the Act is severely circumscribed. If, in the period between rate cases, the Commission cannot thoroughly interpret and understand the Postal Service's routine financial reports that bear on ratemaking, these remedies that the Act provides are undermined.

The following may help illustrate this point. In its comments, the Postal Service mentions the need for flexibility to respond to the "fast moving markets in which it competes." *Id.* at 19. Over four years, the volume patterns and cost structure of these markets might change enough to invalidate the assumptions upon which current rates were based. If the affected public has access to the partial CRA documentation required by the rule, it would have a way to identify when key assumptions underlying rates are no longer valid, and a greatly improved opportunity to learn whether a petition for relief is warranted. If the public were to go four years without documented CRA estimates, and therefore could not learn how they were estimated or what influences they were to reflect, it might seriously misestimate the basis for a petition for adjusted rates or classifications.

An example of how key assumptions underlying a set of rates could become invalid over time without detection would be in Standard Mail. In the Enhanced Carrier Route (ECR) subclass of Standard Mail, seven IOCS-dependent discounts are offered. The size of the discounts is determined by IOCS tally data. There are instances in the past where appropriate cost-based