

# Proposed Rules

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This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

## DEPARTMENT OF THE TREASURY

### Internal Revenue Service

#### 26 CFR Parts 1 and 301

[REG-103735-00 and REG-103736-00]

RIN 1545-AX81

#### Tax Shelter Disclosure Statement and Requirement to Maintain List of Investors in Potentially Abusive Tax Shelters; Hearing

**AGENCY:** Internal Revenue Service (IRS), Treasury.

**ACTION:** Reschedule of public hearing on proposed rulemaking.

**SUMMARY:** This document contains a notice of public hearing on proposed regulations relating to the modification of tax shelters under sections 6011, 6111, and 6112.

**DATES:** The public hearing is being held on Tuesday, January 7, 2002, at 10 a.m.

**ADDRESSES:** The public hearing is being held in room 4718, Internal Revenue Service Building, 1111 Constitution Avenue, NW., Washington, DC. Due to building security procedures, visitors must enter at the 1111 Constitution Avenue location. In addition, all visitors must present photo identification to enter the building.

Mail outlines to: Regulations Unit CC:ITA:RU (REG-103735-00 and REG-103736-00), room 5226, Internal Revenue Service, POB 7604, Ben Franklin Station, Washington, DC 20044. Hand deliver outlines Monday through Friday between the hours of 8 a.m. and 4 p.m. to: Regulations Unit CC:ITA:RU (REG-103735-00 and REG-103736-00), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue, NW., Washington, DC. Submit electronic outlines of oral comments directly to the IRS Internet site at <http://www.irs.gov/regs>.

**FOR FURTHER INFORMATION CONTACT:** Concerning submissions of comments, the hearing, and/or to be placed on the building access list to attend the hearing

contact Sonya Cruse, Paralegal, (202) 622-7180 (not a toll-free number).

#### SUPPLEMENTARY INFORMATION:

The subject of the public hearing is the notice of proposed regulations (REG-103735-00 and REG-103736-00). The public hearing was originally scheduled on December 11, 2002, and notice of the public hearing was published in the **Federal Register** on Tuesday, October 22, 2002 (67 FR 64842). Due to inclement weather, some hearing participants were unable to attend. For this reason, the IRS is rescheduling the public hearing.

The rules of 26 CFR 601.601(a)(3) apply to the hearing.

Persons who have submitted written comments and wish to present oral comments at the hearing, must submit an outline of the topics to be discussed and the amount of time to be devoted to each topic (signed original and eight copies) by Friday, January 3, 2002.

A period of 10 minutes is allocated to each person for presenting oral comments.

After the deadline for receiving outlines has passed, the IRS will prepare an agenda containing the schedule of speakers. Copies of the agenda will be made available, free of charge, at the hearing.

Because of access restrictions, the IRS will not admit visitors beyond the immediate entrance area no more than 30 minutes before the hearing starts. For information about having your name placed on the building access list to attend the hearing, see the **FOR FURTHER INFORMATION CONTACT** section of this document.

**Cynthia E. Grigsby,**

*Chief, Regulations Unit, Associated Chief Counsel, (Income Tax and Accounting).*

[FR Doc. 02-32893 Filed 12-26-02; 8:45 am]

**BILLING CODE 4830-01-P**

## POSTAL RATE COMMISSION

### 39 CFR Part 3001

[Docket No. RM2003-1; Order No. 1355]

#### Additional Filing Requirements

**AGENCY:** Postal Rate Commission.

**ACTION:** Notice of proposed rulemaking.

**SUMMARY:** This proposal requires the Postal Service to provide "overview" testimony specifically discussing how

other testimony in the case interrelates and identifying all material changes affecting cost attribution, volume projections and rate design. This additional explanation and detail will assist the Commission and case participants in more readily understanding complex filings without unduly burdening the Postal Service.

**DATES:** Initial comments are due February 12, 2003; reply comments are due February 26, 2003.

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

**FOR FURTHER INFORMATION CONTACT:** Stephen L. Sharfman, General Counsel, 202-789-6818.

**SUPPLEMENTARY INFORMATION:** The ratemaking summit, jointly sponsored by the Postal Service and the Postal Rate Commission in May and June, encouraged the public to offer suggestions for modifying the ratemaking process. Among the issues discussed were phasing, negotiated service agreements, and procedural suggestions designed to ease the burdens associated with litigating omnibus rate cases. Based on a review of the transcripts of the summit and the parties' written comments, the Commission proposes to amend its rules of practice to require the Postal Service to file, as support for its rate and classification requests, testimony providing both a roadmap of how witnesses' testimony interrelate, and identification of all material changes affecting cost attribution methodology, volume projections, or rate design. Interested persons are invited to comment on the proposed rules by February 12, 2003.

#### Background

In written comments as well as at the conferences, several parties suggested various mechanisms designed generally to address the burdens associated with litigating omnibus rate proceedings under the statutory 10-month deadline. The proposals varied widely. Some parties proposed to limit issues that could be considered in omnibus rate proceedings, suggesting, for example, that costing issues be resolved in separately conducted rulemaking proceedings. In a similar vein, other parties proposed to prohibit consideration of classification changes.

Others followed a different tack, suggesting that discovery be sharply curtailed or even supplanted by depositions. Finally, some advocated an approach intended to enable participants to better and more quickly understand the Postal Service's filing by suggesting that the Postal Service submit testimony providing a roadmap of how its evidence supports its request, including highlighting any methodological changes.

The Postal Service did not support any of these suggestions citing a variety of concerns. See generally Tr. 2 at 245–56. Briefly, it opposed considering costing methodology apart from the ratemaking process arguing, among other things, that the rate consequences would be too uncertain and further that separate proceedings would be unlikely to save any time or expense. Id. at 249–50. Recognizing the complexity of rate proceedings, the Postal Service suggested an alternative intended to speed up the litigation process. Specifically, it signaled its willingness to hold a technical conference following submission of its request to afford parties an opportunity to gain a better understanding of the Postal Service's case. Id. at 253. Likewise, the Postal Service dismissed suggestions that discovery be revamped either by greater reliance on depositions or otherwise limiting written discovery as representing no improvement over the current system. It did, however, indicate its willingness to engage in informal consultations to attempt to reduce the burdens associated with discovery. Id. at 253–54. Lastly, although it agreed that a rate case devoid of any classification proposals would reduce the complexity of the case, the Postal Service argued that benefits of such proposals outweigh any extra burden that may accompany them. Id. at 255–56.

For its part, the Office of the Consumer Advocate (OCA) expressed disappointment with the Postal Service's universal rejection of the various proposals. It did, however, endorse the Postal Service's suggestion to hold a global technical conference, adding that it should also submit testimony providing an overview (or roadmap) of its case, highlighting the impact of the various methodological changes it proposes. Id. at 262–63.<sup>1</sup> Citing its workload and time constraints associated with preparing and filing an omnibus rate request, the Postal Service dismissed this suggestion as impractical

and largely unnecessary. Id. at 264–67. In response, OCA suggested that the Postal Service provide the write-up shortly after filing its request. Id. at 267–68.

### Discussion

The summit was designed to serve as a forum to explore potential changes to the ratemaking process to make it more responsive to the needs of the various stakeholders, including the Postal Service, the Commission, and mailers. The discussion was wide-ranging and frank, providing a useful exchange of ideas. Many suggestions do not lend themselves to consideration in this rulemaking. In particular, until experience is gained regarding negotiated service agreements and phased rates, two of the principal topics at the summit, it is premature to consider possible amendments to the rules that may prove unnecessary.<sup>2</sup>

Other ideas, such as conducting costing proceedings apart from ratemaking, offer the potential for simplifying omnibus rate cases. As noted at the summit, however, countervailing considerations may more than offset any streamlining benefits implied by this suggestion. The limited examination of this complex proposal does not clearly indicate that any savings in time or expense would materialize or that the result would benefit the ratemaking process. Accordingly, the Commission declines to consider implementation of that suggestion as part of this rulemaking.

This conclusion, however, should not be read as a determination on the merits. Rather, the record is simply not well developed on the point. More importantly, the possibility of separate costing proceedings raises myriad issues which, if fully considered, would enlarge this limited rulemaking more than is practical or desirable. The burdens associated with rate proceedings are such that potentially mitigating alternatives are worthy of close consideration. The Commission remains open to additional suggestions for new ways to improve the process.

By statute, the Commission is required to transmit its recommended decision on Postal Service proposed rate and fee requests by no later than ten months after receiving the request. See

39 U.S.C. 3624(c)(1).<sup>3</sup> As is well known to anyone participating in previous omnibus proceedings, the procedural schedule necessitated by this timetable is exceedingly tight, imposing extraordinary demands on all active participants. The Commission appreciates the litigation burdens assumed by all participants in omnibus rate proceedings. Over time, those burdens appear to have grown dramatically.

By virtually any measure, Postal Service rate requests are complex and massive. Supporting documentation includes testimony, exhibits, workpapers, and library references. In docket no. R2000–1, for example, the Postal Service's direct case consisted of the testimony and exhibits of 41 witnesses (42 testimonies).<sup>4</sup> Consistent with the Commission's rules, it simultaneously filed more than 170 library references, the vast majority of which supported its direct case.<sup>5</sup> Intervenors, including OCA, also submit testimony most of which is based on information obtained from the Postal Service. In total, in docket no. R2000–1, 78 participants sponsored 178 testimonies (from 120 witnesses) that were received into evidence during 40 days of hearing. Under these circumstances, suggestions that the process could be materially shortened through limiting discovery are neither practical nor realistic. Certainly, the summit produced no consensus that the 10-month period was too long for the task at hand. Nonetheless, the process can be improved and made less onerous.

This overview is not meant as criticism, but is simply descriptive of the size and scope of Postal Service operations, e.g., a revenue requirement of nearly \$75 billion and annual volumes approaching 213 billion.<sup>6</sup> To its credit, the Postal Service does yeoman's work throughout omnibus rate proceedings, particularly responding to discovery requests on a wide variety of subjects. Participants are also subject to

<sup>3</sup> The ten months may be extended upon a finding that the Postal Service unreasonably delayed consideration of its request. Id. § 3624(c)(2).

<sup>4</sup> Likewise, the Postal Service's direct case in docket no. R2001–1 was supported by 40 witnesses covering 44 testimonies.

<sup>5</sup> To some degree, the increased complexity of the Postal Service's direct cases can be measured by the explosive growth in the number of witnesses it employs. Fifteen years ago, in docket no. R87–1, it relied on 21 witnesses. This grew modestly to 23 witnesses in docket no. R90–1. The proposed settlement in docket no. R94–1 distinguishes that request for purposes of comparison. In that docket, only 11 witnesses supported the Postal Service's direct case. In docket no. R97–1, however, the number ballooned to 40 witnesses (42 testimonies).

<sup>6</sup> PRC Op. R2001–1, Appendix C and Appendix G at 1, respectively.

<sup>1</sup> Other parties proposed, in written comments, that the Postal Service be required to identify any change in costing methodology, including quantifying its impact.

<sup>2</sup> On September 19, 2002, the Postal Service filed a negotiated service agreement pursuant to rule 67 involving an experimental classification change. See Experimental Rate and Service Changes to Implement Negotiated Service Agreement with Capital One Services, Inc., docket no MC2002–2.

substantial demands. To understand the Postal Service's proposals, they must review its direct case, prepare discovery, and, if appropriate, cross examine witnesses and file testimony in response to the Postal Service, all within a few months of the docketing of the Postal Service's request. The Commission believes that this process would be facilitated if, at the outset of the proceeding, the Postal Service submits a single piece of summarizing testimony providing a roadmap of its filing and identifying all methodological changes.

### Scope of the Proposed Rules

Preparing an omnibus rate request entails coordinating the testimony of various witnesses in support of the Postal Service's proposal. Even a summary description of the process highlights its complexity. The process requires the development of base year costs, predicated on a prior fiscal year Cost and Revenue Analysis (CRA) modified to reflect intervening changes in costing methodologies as well as any changes proposed in the request. Necessarily, base year testimony, which is routinely sponsored by a single witness, relies on the testimony of numerous costing witnesses, namely, those addressing issues of cost attribution and distribution in various cost segments and components, *e.g.*, mail processing, carrier activities, purchased transportation, and equipment and facility costs.

To develop test year estimates, base year costs must be rolled forward to the proposed test year. To accomplish this, the roll-forward witness must rely on, among others, witnesses sponsoring the revenue requirement, volume forecasts, and final adjustments. Once estimated test year costs by subclass and service are available, rates must be designed consistent with the statutory criteria, including the breakeven requirement, taking into account, *inter alia*, volume estimates, cost coverage constraints, and any cost testimony affecting rate levels, *e.g.*, studies supporting proposed discounts. Finally, proposed test year after rates must be checked for compatibility with the proposed revenue requirement, including consistency with the underlying assumptions used to develop test year estimated costs, projected volumes, and roll-forward results. In recent cases, the Postal Service has supported its request with the testimony of more than 40 witnesses. No single witness addresses the proposal as a whole, describes how the various testimonies interrelate, or identifies changes (from the preceding recommended decision) affecting costs,

volumes, or rate design. To be sure, certain witnesses reference the testimony of other witnesses. For example, typically the base year costs witness provides a brief description of the changes in the treatment of costs reflected in the Request and identifies the witnesses sponsoring the changes.<sup>7</sup> While this testimony is helpful to the extent it alerts the reader to changes to base year costs, its utility is limited, for the most part, to identifying the sources of changes, not their implications. This observation should not be read as criticism of such testimony since it neither designed nor intended to serve as a roadmap of the Postal Service's filing. Based on the parties' oral and written comments, the Commission is of the opinion that it would be advantageous to require the Postal Service to submit, in support of its request, testimony by a single witness that provides both an overview of how the testimony of its other witnesses interrelates and highlights all material changes in cost attribution methodology, the development of volume estimates, and rate design. The changes would be measured against the methods employed by the Commission in its immediately preceding recommended decision in an omnibus rate proceeding.<sup>8</sup> In addition, the proposed rules would relocate and clarify the Postal Service's current obligation to submit testimony addressing material changes affecting costing, volume projections, or rate design.

The roadmap testimony has two primary purposes. First, it is designed to allow intervenors to quickly identify how the testimony of 40 or more witnesses fits together. Intervenors' tasks should be simplified by having a roadmap of the Postal Service's filing, providing a brief description of each witness's testimony and its interrelationship with the testimony of other witnesses. For example, in docket no. R2001-1, witness Van-Ty-Smith distributed cost segment 3 costs based on IOCS distributions within MODS cost pools. Her results were utilized by several witnesses, including Meehan (base year costs), Smith (cost by shape and deriving piggyback factors), and Patelunas (roll-forward costs).<sup>9</sup> In

<sup>7</sup> See, *e.g.*, docket no. R2001-1, Direct Testimony of Karen Meehan, USPS-T-11 at 2-9; docket no. R2000-1, Direct Testimony of Karen Meehan, USPS-T-11 at 2-9; and docket no. R97-1, Direct Testimony of Joe Alexandrovich, USPS-T-5 at 2-5.

<sup>8</sup> If a charge was adopted in an intervening classification proceeding, the testimony need only reference that fact.

<sup>9</sup> In addition, witnesses Kay, Eggleston, Mayes, and Miller reply directly on Van-Ty-Smith's results.

cursorily fashion, Van-Ty-Smith briefly notes that certain witnesses use her mail processing volume-variable costs. See docket no. R2001-1, USPS-T-13 at 1. The proposed rule would require something more from the roadmap witness. Specifically, the roadmap witness's overview of the Postal Service's filing would identify the subject matter of each witness's testimony, explain how the testimony of the various witnesses interrelates, and highlight changes in cost methodology, volume estimation, and rate design. See proposed § 3001.53(b). Thus, with reference to Van-Ty-Smith's testimony, the roadmap witness would, among other things, explain the linkage between her analysis and the testimony of those witnesses who rely on it.

The description of the interrelation between the testimonies should be sufficient to identify what each witness relied upon. This could be explained in narrative form or perhaps by diagram. The interrelationship between or among witnesses becomes particularly critical where a witness uses inputs from one or more witnesses to produce outputs used by one or more witnesses. Again with reference to docket no. R2001-1, witness Smith (USPS-T-15) used inputs from witnesses Bozzo and Van-Ty-Smith to develop the variabilities for mail processing equipment-related costs subsequently used by witnesses Meehan and Patelunas. Additionally, Smith developed a variety of piggyback and premium pay factors that were used by Miller, Eggleston, Mayes, Nieto and Abdirahman to calculate workshare cost avoidance estimates. Under the proposed rules, the roadmap witness would be required to explain how the testimony of the various witnesses interrelates thereby enabling parties to quickly understand the flow of the analytic work of a case and to identify all witnesses affecting the development of a particular rate.<sup>10</sup>

Continuing the example, a rate design witness often must rely on testimony of other witnesses to determine avoided workshare costs and establish presort discounts. In docket no. R2001-1, witness Robinson's rates for First-Class Mail relied on, among others, the testimony of witnesses Miller, Schenk, and Smith. Under the proposed rules, the roadmap testimony should identify any linkage among the various pieces of testimony, briefly describing how it is employed.

<sup>10</sup> In addition, each witness relying on the testimony of another must identify the specific source of the material relied upon, *e.g.*, the portion of the testimony, exhibits, or workpapers.

Second, the roadmap testimony also is intended as a means to quickly apprise participants of changes in costing, volume estimation, and rate design. As a general matter, the Postal Service notes changes in costing methodology in the testimony of its base year witness, principally by reference to the sponsoring witness's testimony. In docket no. R2000-1, for example, the Postal Service sponsored several new studies affecting base year volume variability. Witness Meehan identified these studies, briefly describing the topic addressed and referencing the sponsoring witness.<sup>11</sup> Under the proposed rules, the roadmap witness would be charged with highlighting meaningful changes in cost methodology, as well as changes in volume forecasting and rate design that have a material effect on rates.

Pursuant to proposed rule 53(c), it would fall to the sponsoring witness to provide the details of the change, including estimating (or quantifying) its effects. For purposes of the latter, the intent of the proposed rules would be satisfied if the direction of the change were indicated, *e.g.*, that the proposed change in mail processing variability increased (or decreased) segment 3 volume variability by approximately x percent; or the proposed change in cost distribution shifted approximately \$x million from letters to flats. The Commission recognizes that quantification may, in certain circumstances, prove difficult. Therefore, the Commission invites interested persons to comment on the benefits of imposing this requirement, and if imposed, potential methods for evaluating the sufficiency of estimates measuring the effects of the proposed changes.

The proposed rules are not intended to require the Postal Service to address each change regardless of its consequence. Rather the intent is to capture substantive changes, namely, those that meaningfully affect cost estimates and volume projections and changes in rate design that materially affect rates. Thus, for example, minor modifications in the in-office cost system, *e.g.*, those not causing significant cost shifts, need not be highlighted, whereas changes affecting the development of cost pools would likely need to be highlighted. Similarly, minor changes in estimated demand elasticities need not be highlighted, whereas changes in volume estimates based on alternative specifications of demand equations should be addressed. Changes in rate design present a vexing

problem. Rate levels may be affected by myriad factors that manifest themselves through changes in rate design, *e.g.*, new modeled costs, different distribution keys, or revised benchmarks. Changes of this nature that materially affect rate levels fall within the scope of the proposed rules. The Commission will accept good faith estimates to comply with this aspect of the new requirements while experience is gained on reasonable levels of detail. In sum, the proposed rules are designed to be neither all encompassing so as to excessively burden the Postal Service nor so narrowly drawn as to defeat their purpose. The goal is to establish a reasonably achievable (and objective) standard to govern the roadmap and sponsoring witnesses' testimony while ultimately facilitating the ratemaking process. Interested persons are encouraged to comment on the scope of the proposed rules, including whether they are sufficiently objective to satisfy their intended purpose. The Commission also welcomes any other suggestions regarding possible improvements to its procedures, either as supplementary comments herein, or in separate transmissions to the Commission.

#### Relative Burdens

Although the proposed rules will require some additional effort by the Postal Service, the benefits would appear to outweigh any inconvenience associated with them.

First, the Postal Service is intimately familiar with the elements of its request, being compelled to make decisions as to its details as it develops. Thus, it is not as if the new testimony must be created out of whole cloth. Rather, the testimony describes the Postal Service's filing, providing an overview of its disparate pieces, and identifies and explains changes that may significantly affect rates. As described above, it is intended simply as a roadmap of the Postal Service's proposal.

Second, the requirement is generally similar to, even if more expansive than, the current obligation under the rules mandating that the Postal Service describe any changes in cost attribution procedures in its request or, alternatively, in testimony. See rule 54(a).

Third, time is of the essence in omnibus rate proceedings. The new explanatory testimony will enable participants to more quickly grasp the essential elements of the Postal Service's filing, highlighting the principal factors influencing proposed rate levels. This should enable participants to focus their discovery on

substantive issues and more effectively use the limited time available to explore the merits of the Service's proposals.

Finally, public participation in Commission proceedings is to be encouraged. Participation by mailers in Commission proceedings is important to the development of a complete record. Active participation in Commission proceedings can be costly. As it is, the advantages lie with the Postal Service. It is the proponent of proposed rate changes; it is the repository of virtually all of the relevant data; and it has resources not generally available to intervenors. The proposed amendments are designed to enable participants to gain a better understanding of the Postal Service's filing at the outset of the proceeding. As a consequence, the burdens of participating in Commission proceedings should be lessened. An example may illustrate the point.

In docket no. R2001-1, the Postal Service changed its Parcel Post transportation cost model, compared to that used in docket no. R2000-1, causing estimated DBMC intermediate transportation costs per cubic foot to increase and estimated inter-BMC long distance zone-related transportation costs per cubic foot to decrease. The witness presenting the estimates provides only a general description of the methodology employed, sprinkled with references to the appropriate library reference. See USPS-T-25 at 11-13, and 18-19. While the resulting cost figures were presented in a library reference,<sup>12</sup> there is no explanation for the changes. Only some six weeks later, in response to interrogatories, was the methodological change adequately explained.<sup>13</sup>

The failure to adequately identify the change initially causes delay, unnecessarily encumbers participants' efforts to review and understand the Postal Service's request, and increases the participants' (and ultimately) the Postal Service's workload. Had the

<sup>12</sup> See USPS-LR-J-64, Attachment B at 12.

<sup>13</sup> Response of United States Postal Service Witness Jennifer L. Eggleston to Interrogatories of Parcel Shippers Association (PSA/USPS-T25-1-3), November 8, 2001. See Tr. 11-A/3947-53. The methodological change involved the manner in which Inter-BMC highway transportation costs were distributed. In docket No. R2000-1, it was assumed that all Inter-BMC highway transportation costs were associated with transportation between BMCs. It was determined, however, that the inter-BMC highway account also reflects costs for stops at other than BMCs. The witness indicated that only 45 percent of the stop-days of Inter-BMC highway transportation are at BMCs. Accordingly, the witness adjusted the Parcel Post transportation model by distributing 45 percent of the inter-BMC highway transportation costs to the long distance zone-related cost category, with the balance distributed to the intermediate cost category. Id. at 3947-51.

<sup>11</sup> See docket no. R2000-1, USPS-T-11 at 6-7.

change been prominently identified at the outset, confusion would have been avoided, and delay minimized. Given the tight timetables necessary in omnibus rate proceedings, participants are unduly disadvantaged when material changes are proposed but are not adequately identified in testimony accompanying the request.

The proposed rulemaking is responsive to the summit process, specifically addressing the parties' concerns that the burdens of litigating omnibus rate cases would be reduced if the Postal Service were required to file a roadmap of its filing and to identify all methodological changes. Requiring the Postal Service to submit such testimony should not add to its burden appreciably. It will, however, enable participants to quickly gain a better understanding of the Postal Service's filing, including methodological issues that may have a substantial influence on rates. As a result, discovery should be more focused, and the Postal Service's workload may be reduced. In sum, the benefits of the proposed amendments appear to outweigh any burden that might be imposed on the Postal Service.

Requests for proposed classification changes filed pursuant to subpart C of the Commission's rules do not suffer from the same time constraints. For simple or minor proposed classification changes the current rules suffice. For more complex classification proposals, however, there would appear to be no valid reason not to extend the proposed amendments which are intended to expedite and simplify the review process. Thus, when proposing classification changes affecting more than one subclass or special service, the Postal Service should include with its request testimony providing an overview of its filing, and describing all changes affecting costs, volumes, or rate design.

#### **Comments; Representation of the General Public**

By this order, the Commission hereby gives notice that comments from interested persons concerning the proposed amendments to the Commission's rules are due on or before February 12, 2003. Reply comments may also be filed and are due February 26, 2003.

In conformance with § 3624(a) of title 39, the Commission designates Shelley S. Dreifuss, director of the Commission's Office of the Consumer Advocate, to represent the interests of the general public in this proceeding. Pursuant to this designation, Ms. Dreifuss will direct the activities of Commission personnel assigned to

assist her and, upon request, will supply their names for the record. Neither Ms. Dreifuss nor any of the assigned personnel will participate in or provide advice on any Commission decision in this proceeding.

#### **Ordering Paragraphs**

It is ordered:

1. Interested persons may submit comments by no later than February 12, 2003. Reply comments may also be filed and are due February 26, 2003.

2. Shelley S. Dreifuss, director of the Office of the Consumer Advocate, is designated to represent the interests of the general public in this docket.

3. The Secretary shall arrange for publication of this notice of proposed rulemaking in the **Federal Register**.

Issued December 13, 2002.

By the Commission.

**Steven W. Williams,**  
*Secretary.*

#### **List of Subjects in 39 CFR Part 3001**

Administrative practice and procedure, Postal Service.

For the reasons discussed in the preamble, the Commission proposes to amend 39 CFR part 3001—Rules of Practice and Procedure Subparts B—Rules Applicable to Requests for Changes in Rates or Fees and Subpart C—Rules Applicable to Requests for Establishing or Changing the Mail Classification Schedule as follows:

#### **PART 3001—RULES OF PRACTICE AND PROCEDURE**

1. The authority citation for part 3001 continues to read as follows:

**Authority:** 39 U.S.C. 404(b); 3603, 3622–24; 3661, 3662, 3663.

#### **Subpart B—Rules Applicable to Requests for Changes in Rates or Fees**

2. Revise § 3001.53 to read as follows:

##### **§ 3001.53 Filing of prepared direct evidence.**

(a) *General requirements.* Simultaneously with the filing of the formal request for a recommended decision under this subpart, the Postal Service shall file all of the prepared direct evidence upon which it proposes to rely in the proceeding on the record before the Commission to establish that the proposed changes or adjustments in rates or fees are in the public interest and are in accordance with the policies and the applicable criteria of the Act. Such prepared direct evidence shall be in the form of prepared written testimony and documentary exhibits which shall be filed in accordance with § 3001.31.

(b) *Overview of filing.* As part of its direct evidence, the Postal Service shall include a single piece of testimony that provides an overview of its filing, including identifying the subject matter of each witness's testimony, explaining how the testimony of its witnesses interrelates, and highlighting changes in cost methodology, volume estimation, or rate design, as compared to the manner in which they were calculated by the Commission to develop recommended rates and fees in the most recent general rate proceeding. This testimony should also identify, with reference to the appropriate testimony, each witness responsible for addressing any methodological change described in paragraph (c) of this section.

(c) *Proposed changes.* As part of its direct evidence, the Postal Service shall submit testimony that identifies and explains each material change in cost methodology, volume estimation, or rate design, compared to the method employed by the Commission in the most recent general rate proceeding. This requirement shall not apply to any such change adopted by the Commission in an intervening proceeding. The testimony required in this paragraph (c) shall also include a discussion of the impact of each such change on the levels of attributable costs, projected volumes, and rate levels.

3. Revise § 3001.54(a) to read as follows:

##### **§ 3001.54 Contents for formal requests.**

(a) *General requirements.* (1) Each formal request filed under this subpart shall include such information and data and such statements of reasons and bases as are necessary and appropriate fully to inform the Commission and the parties of the nature, scope, significance, and impact of the proposed changes or adjustments in rates or fees and to show that the changes or adjustments in rates or fees are in the public interest and in accordance with the policies of the Act and the applicable criteria of the Act. To the extent information is available or can be made available without undue burden, each formal request shall include the information specified in paragraphs (b) through (r) of this section. If a request proposes to change the cost attribution principles applied by the Commission in the most recent general rate proceeding in which its recommended rates were adopted, the Postal Service's request shall include an alternate cost presentation satisfying paragraph (h) of this section that shows what the effect on its request would be if it did not

propose changes in attribution principles.

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### Subpart C—Rules Applicable to Requests for Establishing or Changing the Mail Classification Schedule

4. Revise § 3001.63 to read as follows:

#### § 3001.63 Filing of prepared direct evidence.

(a) General requirements. Simultaneously with the filing of the formal request for a recommended decision under this subpart, the Postal Service shall file all of the prepared direct evidence upon which it proposes to rely in the proceeding on the record before the Commission to establish that the mail classification schedule or changes therein proposed by the Postal Service are in accordance with the policies and the applicable criteria of the Act. Such prepared direct evidence shall be in the form of prepared written testimony and documentary exhibits which shall be filed in accordance with § 3001.31.

(b) Requests affecting more than one subclass. Each formal request filed under this subpart affecting more than one subclass or special service is subject to the requirements of §§ 3001.53(b) and (c).

[FR Doc. 02–32707 Filed 12–27–02; 8:45 am]

BILLING CODE 7710–FW–P

## ENVIRONMENTAL PROTECTION AGENCY

### 40 CFR Part 52

[KY 125–2–200308(b); FRL–7431–1]

### Approval and Promulgation of Implementation Plans for Kentucky: Air Permit Regulations

**AGENCY:** Environmental Protection Agency (EPA).

**ACTION:** Proposed rule.

**SUMMARY:** The EPA is proposing to approve revisions to the State Implementation Plan (SIP) of the Commonwealth of Kentucky which separate rule 401 KAR 50:035 into several rules based on the type of air permit, and renumber and rewrite in plain English rule 401 KAR 50:032 and the resulting rules from 401 KAR 50:035. The EPA is also removing 401 KAR 50:030 from the Kentucky SIP and correcting typographical errors in a separate, related action addressing rule 401 KAR 52:080, “Regulatory limit on potential to emit.” In the Final Rules section of this **Federal Register**, the EPA

is approving the State’s SIP revision as a direct final rule without prior proposal because the Agency views this as a noncontroversial submittal and anticipates no adverse comments. A detailed rationale for the approval is set forth in the direct final rule. If no significant, material, and adverse comments are received in response to this rule, no further activity is contemplated. If EPA receives adverse comments, the direct final rule will be withdrawn and all public comments received will be addressed in a subsequent final rule based on this rule. The EPA will not institute a second comment period on this document. Any parties interested in commenting on this document should do so at this time.

**DATES:** Written comments must be received on or before January 29, 2003.

**ADDRESSES:** All comments should be addressed to: Michele Notarianni, Air Planning Branch, U.S. Environmental Protection Agency Region 4, 61 Forsyth Street, SW, Atlanta, Georgia 30303–8960. (404/562–9031 (phone) or [notarianni.michele@epa.gov](mailto:notarianni.michele@epa.gov) (e-mail).)

Copies of the Commonwealth’s submittal are available at the following addresses for inspection during normal business hours: Environmental Protection Agency, Region 4, Air Planning Branch, 61 Forsyth Street, SW, Atlanta, Georgia 30303–8960. (Michele Notarianni, 404/562–9031, [notarianni.michele@epa.gov](mailto:notarianni.michele@epa.gov))

Commonwealth of Kentucky, Division for Air Quality, 803 Schenkel Lane, Frankfort, Kentucky 40601–1403. (502/573–3382)

**FOR FURTHER INFORMATION CONTACT:** Michele Notarianni at the address listed above or 404/562–9031 (phone) or [notarianni.michele@epa.gov](mailto:notarianni.michele@epa.gov) (e-mail).

**SUPPLEMENTARY INFORMATION:** For additional information see the direct final rule which is published in the Rules section of this **Federal Register**.

Dated: December 16, 2002.

**A. Stanley Meiburg,**

*Acting Regional Administrator, Region 4.*

[FR Doc. 02–32777 Filed 12–27–02; 8:45 am]

BILLING CODE 6560–50–P

## FEDERAL COMMUNICATIONS COMMISSION

### 47 CFR Part 54

[CC Docket Nos. 96–45, 98–171, 90–571, 92–237, 99–200, 95–116, 98–170; FCC 02–329]

### Federal-State Joint Board on Universal Service

**AGENCY:** Federal Communications Commission.

**ACTION:** Proposed rule.

**SUMMARY:** In this document, the Commission seeks comment on specific aspects of three connection-based proposals to further refine the record in its proceeding to revisit its universal service contribution methodology.

**DATES:** Comments are due on or before January 29, 2003. Reply comments are due on or before February 28, 2003. Written comments by the public on the proposed information collections are due on or before January 14, 2003. Written comments must be submitted by the Office of Management and Budget (OMB) on the proposed information collections on or before February 28, 2003.

**ADDRESSES:** All filings must be sent to the Commission’s Secretary, Marlene Dortch, Office of the Secretary, Federal Communications Commission, 445 12th Street, SW., Washington, DC 20554. See **SUPPLEMENTARY INFORMATION** for filing instructions.

**FOR FURTHER INFORMATION CONTACT:** Diane Law Hsu, Acting Deputy Chief, Wireline Competition Bureau, Telecommunications Access Policy Division, (202) 418–7400.

**SUPPLEMENTARY INFORMATION:** This is a summary of the Commission’s Second Further Notice of Proposed Rulemaking (*Second Further NPRM*) in CC Docket Nos. 96–45, 98–171, 90–571, 92–237, 99–200, 95–116, 98–170; FCC 02–329 released on December 13, 2002. The full text of this document is available for public inspection during regular business hours in the FCC Reference Center, Room CY–A257, 445 12th Street, SW., Washington, DC 20554. This *Second Further NPRM* contains proposed information collection(s) subject to the Paperwork Reduction Act of 1995 (PRA). It has been submitted to the Office of Management and Budget (OMB) for review under the PRA. OMB, the general public, and other Federal agencies are invited to comment on the proposed information collections contained in this proceeding.

### Paperwork Reduction Act

The *Second Further NPRM* contains a proposed information collection. The Commission, as part of its continuing effort to reduce paperwork burdens, invites the general public and OMB to comment on the information collection(s) contained in this *Second Further NPRM*, as required by the PRA, Pub. L. 104–13. Public and agency comments on the proposed information collections are due on or before January 14, 2003. Written comments must be submitted by the Office of Management