

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE TO OCA  
WITNESS SMITH (OCA-T-3)  
(USPS/OCA-T3-1 - 6)

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice and Procedure, the United States Postal Service directs the following interrogatories to OCA witness Smith: USPS/OCA-T3-1 – 6.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

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Eric P. Koetting

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September 20, 2006

USPS/OCA-T3-1. Please refer to your testimony at page 23, lines 19 to 20.

- a. Please confirm that you state, in referring to your results using the DOIS data that: “My recommended equation is Equation ND6, which I believe is the preferable equation for addressing City Carrier Costs.”
- b. Please confirm that the variabilities produced by this equation are presented on page 17 of your testimony. If you do not confirm, please indicate where the variabilities produced by this equation can be located in your testimony.
- c. Please confirm that you are recommending the following variabilities from that equation (as presented on page 17):

Letters: 0.19372  
Flats: 0.12727  
Sequenced: 0.016056  
Parcels(sic): 0.035732

If you do not confirm please provide the variabilities you are recommending based upon that equation.

- d. Please confirm that the Commission makes use of variabilities by multiplying them against cost pools. If you do not confirm, please explain how you think the Commission makes use of variabilities.
- e. For each of the four variabilities you recommend, please provide the cost pool against which the variability should be multiplied. Please do so by completing the following table, in each instance also providing the source of the cost pool information

<b>Variability</b>	<b>Cost Pool Name</b>	<b>Cost Pool Dollar Amount</b>	<b>Source</b>
Letters			
Flats			
Sequenced			
Parcels.			

- f. Given that this equation does not provide a variability for collection mail, please provide the variability that the Commission should use to find volume variable street time collection costs.
- g. Given that this equation does not provide a variability for accountables, please provide the variability that the Commission should use to find volume variable street time accountables costs.

USPS/OCA-T3-2. In your opinion, is an Euler equation an equilibrium condition? Please provide a mathematical basis for your opinion.

USPS/OCA-T3-3. Please refer to page 5 of your testimony, lines 27 to 29.

- h. Please define the term “Postal Service management” as you use the term.
- i. Please describe your understanding of or assumptions about the level of management at which your hypothesized optimization takes place. For example, do you envision the decision being made by delivery unit supervisors, postmasters, or area vice presidents?
- j. Please describe your understanding about the timing of your hypothesized optimization process. For example, how often does it take place?

USPS/OCA-T3-4. Please refer page 57 of the file entitled, “LibrefPrograms2.doc” in Library Reference OCA-LR-T3-1.

- a. Please confirm that the program entitled CC2 reads in a data set entitled, “newdois.dense1.” If you do not confirm, please explain the SAS code on page 57 that apparently reads in this dataset.
- b. Please confirm that the variable “units” used on page 58 is from the data set “newdois.dense1.” If you do not confirm, please identify the data set from which “units” is drawn.
- c. Please provide your understanding of what the variable “units” represents and how it is measured.
- d. Please confirm that the variable “units” is not determined by the Postal Service. If you do not confirm, please explain, in detail, how the Postal Service determined the variable “units.”
- e. Please confirm that the formula for the density variable used in this program is “units/sqm.” If you do not confirm, please provide the formula for the density variable used in this program.

USPS/OCA-T3-5. Please refer to page 14 of your testimony where you state, “the marginal costs do not comport with *a priori* assumptions of reasonableness.” Please

provide your *a priori* assumptions of reasonableness, along with detailed operational justifications for those assumptions.

USPS/OCA-T3-6. Please refer to the regressions entitled CC8 through CC12 on page 11 of your testimony.

- a. Please confirm that the dependent variable in these regressions is the sum of regular delivery time and parcel/accountable delivery time for each ZIP Code day. If you do not confirm, please provide the definition of the dependent variable in these regressions.
- b. Please confirm that the values for the dependent variable in these regressions should never be smaller than the corresponding values for the dependent variable in a regression on the same ZIP Codes using just regular delivery time as the dependent variable. If you do not confirm, please explain how the time for the sum of regular delivery time and parcel/accountable delivery time could be less than the time for just regular delivery time.

## CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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