

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

POSTAL RATE AND FEE CHANGES

Docket No. R2006-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 16
(October 12, 2006)

The United States Postal Service hereby provides the responses to Presiding Officer's Information Request (POIR) No. 16, issued September 28, 2006. The responses to Questions 3, 6, and 8-12 are forthcoming. The following witnesses are sponsoring the identified responses to this POIR that are being filed today:

Witness Bradley (USPS-T-14)	Questions 17(e-g), 18-21
Witness Kelley (USPS-T-30)	Questions 13-15, 16(d-e)
Witness Loutsch	Question 7
Witness Milanovic	Question 16(a-c)
Witness Page	Questions 2, 5
Witness Smith	Questions 1, 4
Witness Stevens	Question 17(a-d)

Each question is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**RESPONSE OF POSTAL SERVICE WITNESS SMITH TO
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1. In the response to POIR 10, Question 2, and POIR 14, Question 5, witness Smith provides flat and parcel Adjustment Ratios and Adjusted Unit Costs for Standard ECR and First-Class presort, respectively.

Please provide, for the base year and the test year, versions of USPS-LR-L-53 and USPS-LR-L-99 (revised July 6, 2006) that incorporate these adjustments and calculate adjusted unit costs by MODS cost pool for the affected categories of mail. Please be sure to adjust all appropriate factors (including the ratio of TY to BY volumes) and link them to their sources. Please also include unit mail processing costs by MODS pool for (1) First-Class single-piece metered flats, and (2) First-Class single-piece permit imprint parcels, developed and presented in the same manner as the costs of First-Class single-piece metered letters. Please show all calculations, identify all data sources, and explain all assumptions.

RESPONSE:

The requested unit costs are provided in USPS-LR-L-184 for the USPS version and in USPS-LR-L-185 for the PRC version.

There are important caveats and concerns on providing the requested unit costs, suggesting caution in their use, as discussed below.

First, the important reservations indicated in my responses to POIR 10, Question 2, and POIR 14, Question 5, apply to the requested Standard ECR and First-Class presort flat and parcel unit costs presented in Library References 184 and 185. As indicated in my prior responses, the unknown nature of the inconsistency between certain costs and volumes and the large size of certain adjustments raise significant questions on the accuracy of these costs.

Second, in developing the First-Class single-piece parcel/IPP unit costs for permit imprint indicia, significant questions related to determining the costs and volumes for this category were encountered, irresolvable at this time.

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The test year First-Class single-piece parcel/IPP permit imprint unit costs indicated in USPS-LR-L-184 are 55.6 cents; those indicated in USPS-LR-L-185 are 60.3 cents. These costs were developed using the same methods previously applied to First-Class single-piece metered letters. As indicated below, IOCS does not provide indicia information for all tallies. In addition, the volumes for First-Class single-piece parcel/IPP unit costs for permit imprint indicia were obtained from USPS-LR-L-87, which presents revenue, pieces and weight by shape and other characteristics. As discussed below, there is cause to look into the potential inconsistency between volumes and costs that has arisen in other costs by shape, as discussed in my testimony, USPS-T-13, pages 34-35 and in my responses to POIR 10, Question 2, and POIR 14, Question 5.

For costs, IOCS tallies for First-Class single-piece parcel/IPP for certain types of containers (sacks and pallets) do not report indicia. This is true for all IOCS tallies obtained from Question 24, which asks about sacks and pallets of non-identical mail. In Question 24, IOCS data collectors record pieces by subclass and shape, but do not collect detailed information on mailpiece characteristics, such as indicia, that are recorded in Question 23. As a result, these costs cannot be directly assigned to any indicia, leading to a potential understatement of First-Class single-piece permit imprint parcels/IPP costs using the current methods.

In the case of volumes, the potential for inconsistency between costs and volumes for First-Class single-piece parcel/IPP permit imprint mail is an issue being investigated. RPW volumes by shape and indicia reported in USPS-LR-L-

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87 for First-Class single-piece permit imprint indicia are based on postage statements, while the volumes for the other indicia for First-Class single-piece permit imprint indicia are based on the ODIS-RPW sample based volumes. Over the next several weeks we will be exploring the ODIS-RPW sample based volumes for First-Class single-piece permit imprint indicia to see if there is a significant divergence between the postage statements and sample based results. If so, this would indicate a significant inconsistency between costs and volumes, thereby indicating one should not rely on this unit cost.

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Question 2.

POIR 14, Question 4, asked the Postal Service to develop a cost adjustment to account for the anticipated migration of single-piece (permit imprint) parcels to the proposed Business Parcel categories. The response does not provide one, citing the anomalously high cost of presort parcels and difficulty gauging the presort profile of the shifted volumes. Please develop and present a final cost adjustment for the anticipated migration using the adjusted unit cost for First-Class presort parcels developed by witness Smith in response to POIR 14, Question 5. Please also assume the same presort profile for parcels that is utilized in the rate design and (initial) revenue calculations, as shown in USPS-LR-L-129, WP-FCM-5c (revised August 24, 2006). To be consistent with the response to PSA/USPS-T32-17, utilize the unit cost of First-Class single-piece permit imprint parcels provided in the response to Question 1 of this POIR. Please make any further necessary assumptions, provide explanations for the assumptions made, show all calculations, and identify all data sources.

RESPONSE:

The calculations responsive to question 2 for both the USPS and PRC final adjustments are contained in spreadsheets titled, "1st Class Adjustment" contained in respective workbooks Fin_Adj2008-USPS_POIR16.xls and Fin_Adj2008-PRC_POIR16.xls. As suggested above I used the data from USPS-LR-L-129, WP-FCM-5c (revised August 24, 2006) and the estimate of 36.2 percent of single-piece First-Class Mail parcels shifting to Presort as provided in the response to PSA/USPS-T32-17 for my calculations. I used the mail processing unit cost data witness Smith provided in USPS-LR-L-184 for the USPS version and USPS-LR-L-185 for the PRC version. I used the bundle sort costs from witness Miller from USPS-LR-L-43 and USPS-LR-L102. I used the volumes and volume distributions from witness Taufique as found in USPS-LR-L-129. This data was used to develop the volume taken from First-Class single-piece parcels migrating into First-Class Presort parcels because of the Business Class developed in witness Taufique's testimony. The impacts of the resulting cost adjustments required altering the formulae in spreadsheets "Total" in columns AR2007 and AR2008 in the First-Class Presort row under Mail Processing heading, and necessitated adding a row for First-Class single-piece under the Mail Processing heading and under the Total Final Adjustments

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heading. Please also refer to the response to Question 5 of this POIR for description of further changes made to the Final Adjustments calculations.

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4. Please refer to USPS-LR-L-52, revised August 22, 2006, and USPS LR-L-98, revised August 22, 2006.
- a. In the worksheet TYPBack.USPS.XLS, it appears that the costs used to calculate the class-specific piggyback factors are not using the revised rollforward costs as filed by witness Waterbury on August 16, 2006 as USPS-LR-L-165 through 167. Please provide a revised TYPBack.USPS.XLS worksheet using the revised rollforward costs.
 - b. In the worksheet TYPBack.finaladj.USPS.XLS, it appears that the costs used to calculate the class-specific piggyback factors for final adjustments are not using the revised rollforward costs as filed by witness Waterbury on August 16, 2006 as USPS-LR-L-165 through 167. Please provide a revised TYPBack.FinalAdj.USPS.XLS worksheet using the revised rollforward costs.
 - c. In the worksheet TYPBack.PRC.XLS, it appears that the costs used to calculate the class-specific piggyback factors are not using the revised rollforward costs as filed by the Postal Service on August 16, 2006 as USPS-LR-L-168, LR-L-169 1 and LR-L-169 2. Please provide a revised TYPBack.PRC.XLS worksheet using the revised rollforward costs.
 - d. In the worksheet TYPBack.finaladj.PRC.XLS, it appears that the costs used to calculate the class-specific piggyback factors for final adjustments are not using the revised rollforward costs as filed by the Postal Service on August 16, 2006 as USPS-LR-L-168, LR-L-169 1 and LR-L-169 2. Please provide a revised TYPBack.finaladj.PRC.XLS worksheet using the revised rollforward costs.

RESPONSE:

- a. &b. The requested spreadsheets are provided in USPS-LR-L-186 for the USPS version.
- c. & d. The requested spreadsheets are provided in USPS-LR-L-187 for the PRC version.

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Question 5.

Please refer to USPS-LR-L-59, revised August 24, 2006, and USPS-LR-L-111, revised August 17, 2006.

- a. In the worksheet Finaladjustments2008-USPS.XLS, specifically tab "roll forward", it appears that the costs are not the revised roll forward costs as filed by witness Waterbury on August 16, 2006 as USPS-LR-L-165 through 167. Please provide a revised Finaladjustments2008-USPS.XLS worksheet using the revised rollforward costs.
- b. In the worksheet Final Adjustments2008-PRC.XLS, specifically tab "roll forward", it appears that the costs are not the revised rollforward costs as filed by the Postal Service on August 16, 2006 as USPS-LR-L-168, LR-L-169 1 and LR-L-169 2. Please provide a revised Final Adjustments2008-PRC.XLS worksheet using the revised rollforward costs.
- c. Additionally, please include, in both Final Adjustments2008-USPS.XLS and Final Adjustments2008-PRC.XLS, the revised piggyback factors that are provided in the answer to the previous question above.

RESPONSE:

- a. I included the revised roll forward costs as filed by witness Waterbury on August 16, 2006 as USPS-LR-L-165 through 167. These are contained in the workbook Fin_Adj2008-USPS_POIR16.xls in the spreadsheet "roll forward". Also the Priority Mail costs shown in spreadsheet "Priority data" changed due to the roll forward changes.
- b. I included the revised roll forward costs as filed by witness Waterbury on August 16, 2006 as USPS-LR-L-168 through 169. These are contained in the workbook Fin_Adj2008-PRC_POIR16.xls in the spreadsheet "roll forward". Also the Priority Mail costs shown in spreadsheet "Priority data" changed due to the roll forward changes.
- c. I included the revised piggyback factors that are provided in the answers to POIR 16 question 4, filed as USPS-LR-L-186 and USPS-LR-L-187. These data were included in spreadsheets "Piggys" for the final adjustments.

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Please also refer to the response to Question 2 of this POIR for discussion of further changes to the final adjustments model responsive to the requests made in this POIR.

RESPONSE OF POSTAL SERVICE WITNESS LOUTSCH TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 16, QUESTION 7

7. The Office of Personnel Management announced that the average increase in the Federal Employees Health Benefits Program (FEHBP) will be 1.8 percent. See www.opm.gov/whatsnew/index.aspx. The announcement stated that approximately 63 percent of FEHBP enrollees will not have a premium increase and another 15 percent will experience an increase of 5 percent or less.

Postal Service witness Loutsch in his testimony, USPS-T-6 revised at page 37, says that FEHBP premiums are estimated to rise 7 percent in January, 2007, before the impact of employee health plan changes and that is what he used to estimate the increase in health benefit costs. What effect would use of the 1.8 percent figure have on Postal Service estimates for health benefits costs in FY 2007 and the test year?

RESPONSE:

The 1.8% figure cited by the OPM announcement appears to relate to total health benefit premiums, both employer and employee shares. Postal Service costs are impacted by the employer share only.

The final impact of the change in health benefit premiums will not be known until January 2007 after the open season closes in December 2006. During the open season employees are able to change plans and this will impact Postal Service costs.

The application of the new employer premiums effective in January 2007 to the current employee population, results in an increase of 2.3 percent, compared to the 7 percent increase estimated in the revenue requirement. This represents a decrease of approximately \$169 million in FY 2007 and an additional carryover reduction of \$56 million in the test year, for a total reduction of \$225 million

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between the two years. This amount will change depending on how many employees switch plans and to which plans they switch.

It should also be noted that the increase in employee health benefit premiums effective in January 2007 is being held down by use of reserve funds. As stated in the FederalTimes article at:

<http://www.federaltimes.com/index.php?S=2116690> , "Tapping into the reserves lowered premiums by 5%". It appears that prior to the application of reserves, the actual increase in the employer share, given the current Postal Service mix of plan participants, was greater than 7 percent. Whether the application of reserves in FY 2007 will adversely affect the percentage or amount of premium increases for FY 2008 is unknown.

**Response of Postal Service Witness Kelley (USPS-T-30)
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13. In Docket No. R2005-1, witness Kelley testified that he determined the strata boundary for the sample of the two smaller sized strata in the 2002 City Carrier Street Time Study (CCSTS) according to the cum \sqrt{f} rule, and that the third stratum contained all ZIP Codes with more than 60 letter routes¹.

a. Were the same rules used to determine the strata boundaries in the 2004 Survey? If not, please explain the rules and statistical formulae used to determine strata boundaries.

b. Please populate the table provided in the Postal Service response to OCA/USPS-T16-3 with the corresponding values from the 2004 survey. That table had one column entitled "City Routes per ZIP Code" and six rows with number of routes increasing by increments of 10. The second column showed the frequency of City Routes corresponding to each row in column 1, and the third column showed the cum \sqrt{f} corresponding to each row in column 1.

Response:

a. Yes, the same rules were used to determine the strata boundaries in the 2004 survey.

b. The table with the requested information is included below:

City Routes per ZIP Code	Frequency f(y)	Cum $\sqrt{f}(y)$
1-10	6,392	79.9
11-20	2,645	131.4
21-30	1,776	173.5
31-40	884	203.3
41-50	344	221.8
51-60	117	232.6

¹ Docket No. R2005-1, Direct Testimony of John Kelley on Behalf of the United States Postal Service, USPS-T-16, at 5.

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14. In Docket No. R2005-1, witness Kelley (USPS-T-16) discussed the process by which the original CCSTS sample of 221 ZIP Codes was reduced to a final sample of 167 ZIP Codes². In the 2004 Survey, 122 ZIP Codes were presented as the final sample.

a. Please explain the decisions, rules, and statistical formulae used to determine optimal sample size for the 2004 Survey.

b. Was the 2004 Survey reduced from an initially larger optimal sample size? If so, discuss the methods by which the sample was reduced and the statistical implications of this reduction.

Response:

a. Two principal factors determined the final sample size of 122 ZIP Codes for the 2004 survey. The first factor was that, since the level of precision attained in the CCSTS was better than our objective (ten percent coefficient of variation on the majority of variables of interest), I saw an opportunity to reduce the sample size and therefore reduce associated costs, while still meeting or exceeding our precision objectives.

Resources are an important consideration with sample surveys. Each ZIP Code included in the survey resulted in significant (relative to their size) costs to collect the necessary data. Carriers were compensated for training, scanning, and volume counts throughout the two-week survey. Supervisors were compensated for verifying volume counts and responding to carrier questions throughout the data collection period. In addition, study coordinators incurred travel costs to learn about the survey, as well as labor costs to administer training and manage the survey on location. As a result of the precision achieved in the 2002 CCSTS and the significant costs for each ZIP Code included, I thought it

² Docket No. R2005-1, Direct Testimony of John Kelley on Behalf of United States Postal Service, USPS-T-16 at 11-13.

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was prudent to reduce the size of the sample to a level that still would accomplish our precision objectives at a significantly reduced cost.

This resulted in an original sample of 141 ZIP Codes. After careful consideration of the second factor, delivery operational concerns, it was decided to restrict the sample to one ZIP Code per Finance Number. As with the CCSTS, this was decided only after the field was notified of the 141 originally selected ZIP Codes. Rather than redraw the entire sample, I decided to use the same reduction method for the 2004 survey that was used for the CCSTS, which resulted in a final sample of 122 ZIP Codes.

In summary, as was shown in my response to POIR No. 4, question 4 in this case, the expected coefficient of variation for the 2004 survey was higher due to the smaller sample size (six percent for 2004 compared with five percent for CCSTS), but still well below our target. Therefore I deemed it of sufficient size with a significant reduction in cost.

b. Yes. The original sample size was 141 ZIP Codes, which consisted of 20 ZIP Codes from stratum one, 80 ZIP Codes from stratum two, and 41 ZIP Codes from stratum three. The sample size was reduced from 141 to a final sample size of 122 ZIP Codes by subsampling Finance Numbers from the original sample of 141 ZIP Codes that contained more than one sampled ZIP Code and randomly choosing one of those ZIP Codes to participate in the 2004 survey. The final sample consisted of 20 ZIP Codes from stratum one, 76 ZIP Codes from stratum two, and 26 ZIP Codes from stratum three. Two locations which have multiple large offices (greater than 60 letter routes) accounted for thirteen of

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the fifteen ZIP Codes being eliminated from the stratum three sample. The method of reducing the sample for the 2004 study was the same as for the 2002 CCSTS, as described on pages 12-13 in my direct testimony from Docket R2005-1.

The statistical implications of the reduction in sample size are that not all ZIP Codes within a stratum in the final sample had the same probability of selection. However, by comparing the original sample sizes by stratum to the final sample sizes, it can be seen that most of the impact on the reduction is limited to stratum three. ZIP Codes that were originally selected under the same Finance Number had a lower chance of being included in the final sample due to the subsampling. This resulted in biased cost pool proportion estimates.

I considered the reduction method favorable to the alternative of finalizing the sample without any reduction, over the field's objections. This approach likely would have caused considerable non-response, likewise resulting in biased estimates, but at a higher cost.

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15. Please populate a table with each column calculated in the same manner as it was in response to OCA/USPS-T16-7, in Docket No. R2005-1, for DPS'd letters, cased letters, cased flats, sequenced mail, collection mail, small parcels, large parcels, and accountables.

Response:

Please refer to the attached spreadsheet.

Response to POIR No 16 Question 15

STRATUM	ACTIVITY	N_i/n_h	n_h	n_i/N_h	SQUARE OF THE SAMPLE MEAN OF TOTAL TIME ACROSS ALL ACTIVITIES	RATIO OF SUM OF TIME SPENT IN THIS ACTIVITY TO TOTAL TIME ACROSS ALL ACTIVITIES	SAMPLE VARIANCE OF TIME SPENT IN THIS ACTIVITY (Y)	SAMPLE VARIANCE OF GRAND TOTAL TIME IN THIS STRATUM (X)	SAMPLE COVARIANCE OF TIME SPENT IN THIS ACTIVITY AND TOTAL TIME ACROSS ALL ACTIVITIES	Variance Component	Standard Error	CV
1	Total Delivery - All Regular Delivery Route Sections	294.00	995	0.003	266,936,122	0.696	40,399,040	33,251,007	28,803,412	0.00006		
2	Total Delivery - All Regular Delivery Route Sections	75.04	19,533	0.013	266,792,455	0.696	61,246,569	68,949,288	53,800,517	0.00000		
3	Total Delivery - All Regular Delivery Route Sections	1.58	14,710	0.634	230,619,238	0.696	34,592,139	31,430,902	23,175,263	0.00000		
ENTIRE SAMPLE	Total Delivery - All Regular Delivery Route Sections	1,781,473	35,238	0.020	251,375,700	0.696				0.00007	0.00820	1.2%
1	Network Travel	294.00	995	0.003	266,936,122	0.097	6,792,029	33,251,007	1,109,748	0.00003		
2	Network Travel	75.04	19,533	0.013	266,792,455	0.097	6,913,435	68,949,288	4,205,269	0.00000		
3	Network Travel	1.58	14,710	0.634	230,619,238	0.097	6,799,833	31,430,902	2,312,919	0.00000		
ENTIRE SAMPLE	Network Travel	1,781,473	35,238	0.020	251,375,700	0.097				0.00003	0.005277	5.4%
1	Total Delivery Activities Support	294.00	995	0.003	266,936,122	0.125	4,553,896	33,251,007	1,480,637	0.00002		
2	Total Delivery Activities Support	75.04	19,533	0.013	266,792,455	0.125	10,958,886	68,949,288	7,331,602	0.00000		
3	Total Delivery Activities Support	1.58	14,710	0.634	230,619,238	0.125	9,087,866	31,430,902	3,914,489	0.00000		
ENTIRE SAMPLE	Total Delivery Activities Support	1,781,473	35,238	0.020	251,375,700	0.125				0.00002	0.00453	3.6%
1	General Collections	294.00	995	0.003	266,936,122	0.0015	19,392	33,251,007	161,594	0.00000		
2	General Collections	75.04	19,533	0.013	266,792,455	0.0015	105,057	68,949,288	9,779	0.00000		
3	General Collections	1.58	14,710	0.634	230,619,238	0.0015	31,704	31,430,902	-22,487	0.00000		
ENTIRE SAMPLE	General Collections	1,781,473	35,238	0.020	251,375,700	0.0015				0.00000	0.00031	20.6%
1	Express Collections	294.00	995	0.003	266,936,122	0.0001	11	33,251,007	178	0.00000		
2	Express Collections	75.04	19,533	0.013	266,792,455	0.0001	6,104	68,949,288	7,998	0.00000		
3	Express Collections	1.58	14,710	0.634	230,619,238	0.0001	3,022	31,430,902	630	0.00000		
ENTIRE SAMPLE	Express Collections	1,781,473	35,238	0.020	251,375,700	0.0001				0.00000	0.00004	31.0%
1	Carrier Pickups	294.00	995	0.003	266,936,122	0.0002	744	33,251,007	-1,610	0.00000		
2	Carrier Pickups	75.04	19,533	0.013	266,792,455	0.0002	2,779	68,949,288	-2,739	0.00000		
3	Carrier Pickups	1.58	14,710	0.634	230,619,238	0.0002	2,610	31,430,902	4,254	0.00000		
ENTIRE SAMPLE	Carrier Pickups	1,781,473	35,238	0.020	251,375,700	0.0002				0.00000	0.00006	36.9%
1	Total Parcel/Accountable, Deviation Delivery and Travel Time	294.00	995	0.003	266,936,122	0.0801	2,001,743	33,251,007	1,663,629	0.00001		
2	Total Parcel/Accountable, Deviation Delivery and Travel Time	75.04	19,533	0.013	266,792,455	0.0801	3,821,889	68,949,288	3,593,326	0.00000		
3	Total Parcel/Accountable, Deviation Delivery and Travel Time	1.58	14,710	0.634	230,619,238	0.0801	4,099,038	31,430,902	2,043,946	0.00000		
ENTIRE SAMPLE	Total Parcel/Accountable, Deviation Delivery and Travel Time	1,781,473	35,238	0.020	251,375,700	0.0801				0.00001	0.00290	3.6%

**Response of Postal Service Witness Kelley (USPS-T-30)
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16. LR-L-179.doc, found in USPS-LR-L-179, states on page 4 that "...time pool proportions were not calculated by delivery mode...."
- d. Please confirm that all cells in all files contained in USPS-LR-L-67 Revised can be derived without reference to any cells in USPS-LR-L-5, "CS06&7.XLS," that are currently differentiated according to delivery mode.
- e. If you confirm, please match each value in USPS-LR-L-179, file "Street_Costpools final.xls," worksheet 1, to the appropriate cells in the files contained in USPS-LR-L-67 Revised. If you do not confirm, please use data from the 2004 Survey to populate the cells contained in USPSLR-K-79, "MDCD.CPSUM.FINAL.xls," as requested in Presiding Officer's Information Request No.4, Question 5.b.

Response:

(Parts a. – c. answered by witness Milanovic.)

d. Confirmed that all cells in all files contained in USPS-LR-L-67

Revised can be derived without reference to any cells in USPS-LR-L-5,

"CS06&7.xls" that are currently differentiated according to delivery mode.

e. The version of CS06&7.xls attached to the response of witness Milanovic to part b. of this question also provides the inputs used to produce a corresponding version of USPS-LR-L-67, as provided in the attached POIR.16.Q.16.e.zip.

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16. LR-L-179.doc, found in USPS-LR-L-179, states on page 4 that "...time pool proportions were not calculated by delivery mode...."

- a. Please confirm that all cells in USPS-LR-L-5, "CS06&7.XLS," worksheet entitled "Outputs to CRA," can be derived without reference to cell values from worksheets in this file that are differentiated according to delivery mode.
- b. If you confirm, please match each value in USPS-LR-L-179, file "Street_Costpools final.xls," worksheet 1, to the appropriate cells in USPSLR-L-5, "CS06&7.XLS," to produce the file "Outputs to CRA" updated with appropriate values from the 2004 Survey.
- c. If you do not confirm, please use data from the 2004 Survey to populate the cells contained in Docket No. R2005-1, USPS-LR-K-79, "MDCD.CPSUM.FINAL.xls," as requested in Presiding Officer's Information Request No.4, Question 5.b.
- d. Please confirm that all cells in all files contained in USPS-LR-L-67 Revised can be derived without reference to any cells in USPS-LR-L-5, "CS06&7.XLS," that are currently differentiated according to delivery mode.
- e. If you confirm, please match each value in USPS-LR-L-179, file "Street_Costpools final.xls," worksheet 1, to the appropriate cells in the files contained in USPS-LR-L-67 Revised. If you do not confirm, please use data from the 2004 Survey to populate the cells contained in USPSLR-K-79, "MDCD.CPSUM.FINAL.xls," as requested in Presiding Officer's Information Request No.4, Question 5.b.

RESPONSE

- a. Confirmed, that calculation of costs in cost segment 7 does not depend on time pool proportions by delivery mode.
- b. Please see the attached Q.16b.CPSUM.FY2004SURVEY.xls, which contains time pool proportions by delivery mode derived from the 2004 carrier survey, and Q.16b.I_FORMS.zip and Q.16b.CS06&7.zip, which use these time pool proportions to derive the requested "Outputs to CRA".
- c. Not Applicable.

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d-e. Answered by witness Kelley (USPS-T-30).

**Response of Postal Service Witness Dennis P. Stevens
To Presiding Officer's Information Request No. 16**

17. Please refer to the SAS Log entitled "City Carrier Street Time Model.2004 data.variability equations.encrypted.log" in USPS-LR-L-180, where the text begins "Note: 36226 records were read from the infile PAVOL," yet four lines later, the log reads "[t]he data set work.pavol has 36224 observations...."
- a. Please confirm that the file entitled "PAVolume.MaskedZips.xls," found in USPS-LR-L-179 is the source for file PAVolume.MaskedZips.prn.
 - b. Please confirm that PAVolume.MaskedZips.xls has 36226 observations.
 - c. Please confirm that the PAVolume.MaskedZips.xls does not contain an "XX" value for the variable rteno.
 - d. If you do not confirm, please identify which ZIP Code, date combination(s) contains a rteno value of "XX."
 - e. Please confirm that SAS would not create any missing observations for the term nrteno = 1*rteno produced in the portion of "City Carrier Street Time Model.2004 data.variability equations.encrypted.log", line 1121, entitled "data pavol2."
 - f. If you do not confirm, please identify the ZIP Code, date, and rteno combination(s) for which SAS creates a missing value(s) for nrteno = 1*rteno.
 - g. If you confirm either c. or e., please explain why the SAS log in the above-mentioned file contains two fewer observations for the file entitled work.pavol1 than the infile PAVOL." Please identify the two observations deleted from PAVolume.MaskedZips.xls by ZIP Code, date, and rteno combination.

Response:

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. Not Applicable.
- e.-g. Answered by Prof. Bradley (USPS-T-14).

**Response of Postal Service Witness Michael D. Bradley (USPS-T-14)
To Presiding Officer's Information Request No. 16**

17. Please refer to the SAS Log entitled "City Carrier Street Time Model.2004 data.variability equations.encrypted.log" in USPS-LR-L-180, where the text begins "Note: 36226 records were read from the infile PAVOL," yet four lines later, the log reads "[t]he data set work.pavol has 36224 observations...."
- a. Please confirm that the file entitled "PAVolume.MaskedZips.xls," found in USPS-LR-L-179 is the source for file PAVolume.MaskedZips.prn.
 - b. Please confirm that PAVolume.MaskedZips.xls has 36226 observations.
 - c. Please confirm that the PAVolume.MaskedZips.xls does not contain an "XX" value for the variable rteno.
 - d. If you do not confirm, please identify which ZIP Code, date combination(s) contains a rteno value of "XX."
 - e. Please confirm that SAS would not create any missing observations for the term nrteno = 1*rteno produced in the portion of "City Carrier Street Time Model.2004 data.variability equations.encrypted.log", line 1121, entitled "data pavol2."
 - f. If you do not confirm, please identify the ZIP Code, date, and rteno combination(s) for which SAS creates a missing value(s) for nrteno = 1*rteno.
 - g. If you confirm either c. or e., please explain why the SAS log in the above-mentioned file contains two fewer observations for the file entitled work.pavol1 than the infile PAVOL." Please identify the two observations deleted from PAVolume.MaskedZips.xls by ZIP Code, date, and rteno combination.

Response:

- a. Answered by witness Stevens.
- b. Answered by witness Stevens.
- c. Answered by witness Stevens.
- d. Answered by witness Stevens.
- e. Not confirmed. I believe that this is a conditional statement. That is, if the variable entitled "rteno" had a missing value, then SAS would create a

**Response of Postal Service Witness Michael D. Bradley (USPS-T-14)
To Presiding Officer's Information Request No. 16**

missing value for the variable "nrteno." However, the SAS log indicates that there are no missing values for the variable "rteno."

- f. The relevant section of the SAS log is reproduced below. Note that the log indicates that SAS converted character values to numerical values, not that there are any missing variables created.

- g. Two observations were dropped because they contain missing values.
The two observations are listed below:

<u>Masked ZIP Code</u>	<u>Route Number</u>	<u>Date</u>
47421	25	04/26/04
76367	09	04/21/04

```
1105 DATA pavol1;
1106 infile PAVOL;
1107 input mzip rteno $ date $ pcl sprs act
1108 ltra lham ftub fham mham ptub
1109 prregcol prpickup paregcol papickup eregcol epickup;
1110
1111
1112
1113 *****
1114 *** This section of the program converts alphabetic route numbers**** ;
1115 *** and constructs a unique Zip-Route ID for each route*****.
1116 *****
1117
1118
```

The infile PAVOL is:
File Name=C:\PAVolume.MaskedZips.prn,
RECFM=V,LRECL=256

NOTE: 36226 records were read from the infile PAVOL.
The minimum record length was 126.
The maximum record length was 128.

**Response of Postal Service Witness Michael D. Bradley (USPS-T-14)
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NOTE: SAS went to a new line when INPUT statement reached past the end of a line.

NOTE: The data set WORK.PAVOL1 has 36224 observations and 18 variables.

NOTE: DATA statement used:

real time 0.54 seconds
cpu time 0.13 seconds

```
1119 data pavol2; set pavol1;
1120 if rteno = "XX" then nrteno=99.9; else
1121 nrteno=1*rteno;
1122 if nrteno="." then nrteno=11.1;
1123 rtind=nrteno/100;
1124 *****
1125 ** Convert the collection mail volume from *****
1126 ** tubs, hampers and trays into pieces *****
1127 *****
1128 ziprt=mzip+rtind;
1129
1130
1131 *****
1132 *** This section of the program eliminates any duplicate *****
1133 *** Zip-route, day observations in the PA Volume data *****
1134 *****
1135
```

NOTE: Character values have been converted to numeric values at the places given by: (Line):(Column).

1121:10 1122:11

**Response of Postal Service Witness Michael D. Bradley (USPS-T-14)
To Presiding Officer's Information Request No. 16**

18. Please refer to USPS-LR-L-180, file "City Carrier Street Time Model.2004 data.variability equations.encrypted.sas." Please confirm whether the following are true:
- the term "ldp*mlet*dp" in the pdelt calculation should, instead, be "ldp*mlet*mdp;"
 - the term "dens*mdens" should also be included in this same calculation for the variable pdelt; and
 - if confirmed, please provide the corrected elasticities for each calculation of pdelt where these errors occurred.

RESPONSE:

- Confirmed
- Confirmed.
-

Regular Delivery Time Equation

Docket No.2005-1 Specification

	Full Quadratic		Full Quadratic w/ Non-Motorized & Business Ratios		Restricted Quadratic w/ Non-Motorized & Business Ratios	
	Revised Variability	Original Variability	Revised Variability	Original Variability	Revised Variability	Original Variability
Letters	24.21%	23.57%	17.76%	17.62%	17.71%	17.42%
Flats	10.79%	10.51%	11.57%	11.47%	11.74%	11.55%
Sequenced	0.62%	0.60%	1.39%	1.38%	1.38%	1.35%
Collection	0.80%	0.78%	0.76%	0.75%	1.83%	1.80%
Small Parcels	9.84%	9.57%	7.62%	7.56%	8.32%	8.18%

"Three Bundle" Specification

	Full Quadratic		Full Quadratic w/ Non-Motorized & Business Ratios		Restricted Quadratic w/ Non-Motorized & Business Ratios	
	Revised Variability	Original Variability	Revised Variability	Original Variability	Revised Variability	Original Variability
DPS	27.55%	27.33%	26.52%	25.17%	19.78%	19.11%
Cased LFP	15.20%	15.08%	11.36%	10.93%	14.93%	14.43%
Sequenced	0.30%	0.30%	1.22%	1.18%	1.42%	1.37%
Collection	1.49%	1.48%	1.76%	1.69%	1.94%	1.88%

**Response of Postal Service Witness Michael D. Bradley (USPS-T-14)
To Presiding Officer's Information Request No. 16**

19. The September 22, 2006 Response of Postal Service Witness Michael D. Bradley to Presiding Officer's Information Request No.4, Question 11, states "I thus eliminated just the cross product terms including possible deliveries." The Restricted Quadratic models witness Bradley performed in this response also include several variables that were not included in his USPS-T-14 testimony in Docket No. R2005-1. This question requests the variabilities from a model most similar in form to the Restricted Quadratic model used in witness Bradley's July 6, 2005 Response of the United States Postal Service to Item 9 of Presiding Officer's Information Request No. 9, Docket No. R2005-1.
- a. Please estimate the variabilities for letters, flats, sequenced mail, collection volume, and small parcels, by eliminating just the cross product terms including possible deliveries, from the first Full Quadratic Model provided in the September 22, 2006 response referred to in the introduction to this question.

RESPONSE:

a.

Requested Variables	Estimated Variability
Letters	23.28%
Flats	11.19%
Sequenced	0.41%
Collection	2.52%
Small Parcels	9.93%

**Response of Postal Service Witness Michael D. Bradley (USPS-T-14)
To Presiding Officer's Information Request No. 16**

20. The variables LTRA,LHAM, FTUB,FHAM,MHAM, PTUB found in USPS-LR-L-179, file "PAVolume.MaskedZips.xls" contain values such as .25 .50, and .75.
- a. Please confirm that a value such as .50 refers to a half-full container.
 - b. If you do not confirm, please explain the units by which these variables are measured.

RESPONSE:

- a. Confirmed
- b. Not Applicable.

**Response of Postal Service Witness Michael D. Bradley (USPS-T-14)
To Presiding Officer's Information Request No. 16**

21. Please refer to USPS-LR-L-180, file "City Carrier Street Time Model.2004 data.variability equations.encrypted.sas." At one point, this file calculates the variable "cv" by multiplying several variables by some numbers. For example:
 $ltra * 271.16 + lham * 3403.29 \dots$
- a. Please confirm whether the numbers, such as 271.16 and 3403.29, refer to the average number of mailpieces that can be held in each type of container.
 - b. If you do not confirm, please explain the units to which these values refer.

RESPONSE:

- a.& b. It is my understanding that the numbers, such as 271.16, are the Postal Service's conversions from collection containers to collection mail pieces.