

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

Modification of Costing Methods 2008 –  
Postal Service Proposals Ten and Eleven

Docket No. RM2008-6

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO COMMISSION INFORMATION REQUEST NO. 1  
(September 24, 2008)

On September 19, 2008, the Commission filed Commission Information Request No. 1 in this docket. Responses of the Postal Service are attached. Each item is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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September 24, 2008

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1. In Proposal Ten, the Postal Service proposes to disaggregate cost data for parcels into Single-Piece Parcel Post, Parcel Select, and Parcel Return Service (PRS) products using actual observations recorded in the In-Office Cost System (IOCS), City Carrier Cost System (CCCS), and Transportation Cost System (TRACS). Because these data systems were not able to separate data for these products previously, it can be inferred that changes have been made to the data system manuals. Therefore, the Postal Service is requested to provide updated copies for FY 2008 of the:
  - a. IOCS Statistical and Computer Documentation manual;
  - b. Manual that describes the questions for which TRACS statistical data collectors/technicians must provide answers; and
  - c. Manual that describes the questions for which CCCS statistical data collectors/technicians must provide answers.

If the manuals have not been updated, please provide the most recent versions. The Postal Service is also requested to describe what updates are planned for FY 2009 to the IOCS, TRACS, and CCCS manuals.

**RESPONSE:**

There are no more recent versions of any of the requested manuals than the versions previously filed in omnibus rate cases. Therefore, to provide information on the relevant data system changes, a zip file is electronically attached with all of the Statistical Program (SP) letters for FY06-FY08. (On a few of the SP letters, the names of specific mailers have been redacted from the text or from reproductions of their mailpieces.) Collectively, the SP letters describe the changes in the data systems over that period. In terms of plans for FY09, while data collected pursuant to such changes will not be available for purposes of preparing the FY08 ACR (which is the purpose of Proposal Ten), arrangements are being made to provide similar information to the Commission shortly, albeit outside the context of this proceeding.

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2. In the background section supporting Proposal Ten, the Postal Service indicates that TRACS is unable to separate Parcel Select data from PRS data for Quarter 1 of FY 2008. Please explain how the Postal Service plans to separate Parcel Select and PRS data for this quarter.

**RESPONSE:**

While perhaps not clearly articulated in the September 12 petition, the Postal Service proposes to use available TRACS distribution data from quarters two, three, and four to impute a distribution for quarter one. Specifically, for each quarter in FY08, the Transportation Cost System (TRACS) will estimate a distribution factor for Bulk Parcel Post, for each TRACS cost pool. These distribution factors are multiplied by the volume variable costs in the cost pool to estimate quarterly Bulk Parcel Post costs. Bulk Parcel Post consists of two products – Parcel Select and Parcel Return Service. For quarters two, three, and four, TRACS will estimate a separate distribution factor, by cost pool, for both Parcel Select and Parcel Return Service. In other words, for those quarters, it will be possible to disaggregate Bulk Parcel Post directly into the two components, Parcel Select and Parcel Return Service. For quarter one in FY08, however, it will not be directly possible to disaggregate Bulk Parcel Post, because separate data for the two components were not collected in that quarter. Therefore, the disaggregation for FY08 quarter one will be done using the TRACS data from quarters two, three, and four, and imputing the average distribution factor (between the two components of Bulk Parcel Post) for each cost pool. More specifically, the quarter one volume variable costs for Parcel Select and Parcel Return Service will be estimated using the available cost and

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distribution factor information from quarters two through four with the formulas listed below:

Notation:

BPP – Bulk Parcel Post

PS – Parcel Select

PRS – Parcel Return Service

VVC – Volume Variable Cost

d - distribution factor

i – TRACS Cost Pool

j – FY08 Postal Quarter

$$BPP_{i1} = VVC_{i1} \times d_{i1(BPP)} = PS_{i1} + PRS_{i1}$$

$$PS_{i1} = \frac{\sum_{j=2}^4 (VVC_{ij} \times d_{ij(PS)})}{\sum_{j=2}^4 (VVC_{ij} \times d_{ij(PS)}) + \sum_{j=2}^4 (VVC_{ij} \times d_{ij(PRS)})} \times BPP_{i1}$$

$$PRS_{i1} = \frac{\sum_{j=2}^4 (VVC_{ij} \times d_{ij(PRS)})}{\sum_{j=2}^4 (VVC_{ij} \times d_{ij(PS)}) + \sum_{j=2}^4 (VVC_{ij} \times d_{ij(PRS)})} \times BPP_{i1}$$

## **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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