

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORY OF VALPAK (VP/USPS-3)  
(July 28, 2006)

The United States Postal Service hereby provides its response to the following interrogatory of Valpak, filed on July 14, 2006: VP/USPS-3.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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Chief Counsel, Ratemaking

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July 28, 2006

**Response of the United States Postal Service to Interrogatories Posed by  
Valpak Direct Marketing Systems, Inc Association, Inc. and Valpak Dealers'  
Association, Inc.**

**VP/USPS-3.**

Please refer to the Postal Service response to VP/USPS-T14-6 (redirected from witness Bradley). This interrogatory seeks clarification of part b of that response. For simplicity, please assume that a participating ZIP code area has only three routes (Route Nos. 1, 2, and 3), and that the carriers deliver letters (L), flats (F), parcels (P), and sequenced mail (S).

a. Would it be correct that, at the end of day 1, this ZIP code area would generate three observations, one for each route, with each observation containing the volume of each type of mail delivered on each route that day, along with time on the route? If this is not essentially correct, please explain what the initial, basic data entries consist of.

b. Assuming that each carrier delivered his/her own route on day 1 (*i.e.*, there were no pivots), and V stands for volume, the observations for each route might be recorded as follows, with the sum of the day's activity in the ZIP area on the bottom line.

Route No.	Letters	Flats	Parcels	Sequenced Mail	Time
1	V1L	V1F	V1P	V1S	T1
2	V2L	V2F	V2P	V2S	T2
3	V3L	V3F	V3P	V3S	T3
Sum: Zip-Day	VL	VF	VP	VS	T1 +T2 +T3

Is this what is meant by the response that “data ... are ... aggregated first at the route level, and ultimately (for purposes of estimating regressions) at the ZIP level” as set forth in the response to VP/USPS-T14-6(b)? If this is not a reasonable (simplified) depiction of the way that data for one day's activities in a ZIP code area are recorded and aggregated, please explain how the basic volume data ( $V_{ij}$ ) would be grouped and aggregated.

c. Does one day's activity for all carriers in the ZIP code area represent one observation that is used in the regressions, or are data over several days of carrier activity in the ZIP code area (*e.g.*, one week) first aggregated before running the regressions?

d. Were any regressions run using the basic data — *i.e.*, the daily observations — for individual (unaggregated) routes? If so, please indicate the model or models described in the testimony of witness Bradley, USPS-T-14, in Docket No. R2005-1, for which such regressions were run, and provide summary results similar to those reported in USPS-T-14.

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**Response**

a and b. Given this interrogatory's assumption that street times and volumes are combined into single time variable and into the variables letters, flats, parcels, and sequenced mail, the table presented in part b does accurately represent the aggregation of these times and volumes over all carriers within each route in a ZIP, and then across all routes in the ZIP to the ZIP code level.

c. Each record in the regression dataset consists of the sums of delivery times, volumes by type (delivered letters, delivered flats, delivered parcels, all collection mail, etc.), and possible delivery points over all routes within the given ZIP code on a single day.

d. Please see the testimony of witness Bradley, R2005-1 USPS-T-14, at pages 46-47 for a presentation of the results of the route-level regular-delivery regression he estimated on the 2002 CCSTS data. The SAS run that produced this regression is presented in Section G.2 of the attachment to witness Bradley's response to R2005-1 OCA/USPS-T14-11. No regressions were run based on any dataset below the route-day level. For example, regressions were not run on any dataset containing a separate record for each individual carrier listing the times and volumes that carrier may have recorded for any given route on any day.

## 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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