

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

EVOLUTIONARY NETWORK DEVELOPMENT  
SERVICE CHANGES, 2006

Docket No. N2006-1

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO QUESTIONS 1 AND 4  
OF PRESIDING OFFICER'S INFORMATION REQUEST NO. 7

The United States Postal Service hereby files its responses to Questions 1 and 4 of Presiding Officer's Information Request No. 7. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux  
Chief Counsel, Ratemaking

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Michael T. Tidwell

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2998; Fax -5402  
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**RESPONSE OF UNITED STATES POSTAL SERVICE TO PRESIDING  
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**Question 1**

During oral cross examination witness Shah stated that the Postal Service created "a three digit to three digit volume map...for the purposes of this modeling." Tr. 2/241. Commissioner Goldway asked the Postal Service to provide this volume map for both the current network and the future network. Mr. Tidwell said that the Service could provide that information. Tr. 2/313-14. Accordingly, please provide the three-digit to three-digit volume map that was created to reflect the current network and the three-digit to three-digit volume map that has resulted from the latest run of the END models.

**RESPONSE**

See USPS Library Reference N2006-1/25.

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### **Question 4**

In attempting to estimate the mail processing variability models by size category, the Response of the United States Postal Service to POIR No. 6, Question 1 (Revised: July 21, 2006) suggested that when partitioning the dataset, vv9905.xls, into size categories (and estimating variability models by size category), methods should be used that will:

assign all observations for a facility to the same size category;

insure that seasonal fluctuations in piece handlings will not affect the size classification; and

ensure that facilities will be assigned to the same size category (or categories) across operations.

The Postal Service's response asserts that it has investigated methods that overcome these methodological problems. Please explain in full detail how this was done. Include all changes made to the TSP programs, and all manipulations within the vv9905.xls data file.

### **RESPONSE**

While the Postal Service investigated the three criteria listed in the question, only the first two were implemented for the results provided in the response to POIR No. 6, Question 1. It is not uncommon for sites to have proportionally larger operations for some cost pools than for others, particularly across shapes. Also, this approach minimized differences with the Commission's size classifications from POIR No. 6, Question 1. It should, however, be understood that the identities of facilities in the various size categories need not be the same in all operations.

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### RESPONSE to Question 4 (continued):

Using a site-specific size measure, rather than operation-specific size measures such as operation-level TPF, the procedures described below can be straightforwardly modified to implement all three criteria.

The first two features are implemented by the following code fragment, referenced in N2006-1/LR-22 and present in the TSP programs therein:

```
? Calculates facility size category
  smpl 1 n_obs;
  size1.=0;
  smplif(size.>0);
  size1.=1;
  smpl 1 n_obs;
  panel(mean,noreg,id=idnum) size.;
  mat work = @mean#e32;
  unmake work sizeavg1.;
  panel(mean,noreg,id=idnum) size1.;
  mat work = @mean#e32;
  unmake work sizeavg2.;
? Adjusts for average category value for zero obs.
  sizeavg. = 0;
  smplif (sizeavg2.>0);
  sizeavg. = sizeavg1./sizeavg2.;
? Assigns site to nearest category
  sizeavg. = round(sizeavg.);
  panel (mean,noreg,id=idnum) idnum sizeavg.;
```

The variable "size." is a categorical variable indicating the observation-level size category assignment, using the cutoffs from POIR No. 6, Question 1. (In this code, the operation group number substitutes for the periods in the execution of the code loop.) This variable takes on values of 0, 1, 2, and 3 for, respectively, zeroes and the small, medium, and large categories. These variables were computed from the data in Docket No. R2006-1, USPS-LR-L-56, and collected in a spreadsheet file, 'prcsize.xls,' which is attached to this response.

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**RESPONSE to Question 4 (continued):**

The TSP command:

```
panel(mean,noreg,id=idnum) size.;
```

computes the average size category by site (including zeroes), and the command:

```
panel(mean,noreg,id=idnum) size1.;
```

computes a correction factor by site to eliminate the effect of observations in the zero category, used in the calculation of the "sizeavg." variable. The averaging procedure eliminates within-site variation, including seasonal variation. Then, "sizeavg." is rounded to the nearest category value. The effect of these calculations is that all observations for a given combination of operation group and site are assigned to a common size category.

Finally, the TSP command:

```
panel (mean,noreg,id=idnum) idnum sizeavg.;
```

reports the final assigned size category by site ID number for each operation group.