

UNITED STATES OF AMERICA  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

Evolutionary Network Development  
Service Changes

Docket No. N2006-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 6  
SEEKING, IN PART, INFORMATION TO BE PROVIDED  
UNDER PROTECTIVE CONDITIONS

(Issued July 12, 2006)

The United States Postal Service is requested to provide the information described below to assist in developing a record for the consideration of the Postal Service's request for an advisory opinion. In order to facilitate inclusion of the required material in the evidentiary record, the Postal Service is to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers at our hearing. The answers are to be provided as far in advance of the oral cross-examination scheduled for the Postal Service's direct case as possible.

1. Attachment 1 contains variability factors calculated for various operations for three sizes: small, medium, and large. The variability factors were calculated in the following manner. The USPS-LR-L-56 data file vv9905.xls was used to construct operation-size cutoffs for this analysis. The TPH variable for the operation (cost pool) in question was sorted in ascending order, and the non-zero TPH observations were then divided into thirds (small, medium, large) for the TPH cutoff values. Thirty-three separate regressions were run, using R2006-1 witness Bozzo's econometric models, to calculate the variability factor; that is 11 cost pools times 3 operation sizes (small, medium, large). The "tph > 0" statement in the following TPS regression programs submitted within USPS-LR-L-56 was replaced with the constructed TPH cutoff values:

- varmp\_tpf\_OTHAUTO\_by2005.tsp
- varmp\_tpf\_BCSSINGLE\_by2005.tsp
- varmp\_tpf\_AFSM\_by2005.tsp
- varmp\_pp\_MANPARPRI\_by2005.tsp
- varmp\_man\_LETFLT\_by2005.tsp

The 33 regressions were individually run with the original vv9905.xls input file.

The results of these regressions do not appear to support inferences of economies of scale or density. In order to obtain a more specific indication of what aspect of the structural cost equations support such an inference

- a. Please fill out the table in Attachment 2 using the data and methods employed by the Postal Service to estimate the cost functions described in its response to VP/USPS-T1-21.
  - b. Provide all underlying programs and data sets used in preparing the Postal Service's response to a. above. Please include an identification of the time period covered by the data set used and the docket from which the mail processing cost variability model came that is the source of the linearized equations that the END model uses.
  - c. Provide a rationale for the classification criteria used for each size within each operation.
2. Presiding Officer's Information Request No. 5, Question 9, asked the Postal Service to provide the initial model requirements report, and any subsequent reports, related to the Network Integration and Alignment (NIA) project. In response, the Postal Service filed Library Reference N2006-1/17, which appears to be a model requirements report for the END program drafted in June of 2006.
- a. Confirm that a model requirements report for the NIA project, drafted in January of 2002, and reports for subsequent phases of the NIA project, exist.

b. Provide these reports.

The Postal Service's responses to Questions 1.b. and 2.b. may be provided under the standard protective conditions attached to this information request as Attachment 3.

Dawn A. Tisdale  
Presiding Officer

<b>Variability factors by operation size for selected operations using the models and dataset provided in USPS-LR-L-56</b>			
<b>Source: Docket No. R2006-1, T-12, LR-L-56</b>			
<b>Witness Bozzo</b>			
<b>Operation</b>	<b>Size<sup>1</sup></b>	<b>TPH cutoffs</b>	<b>Variability factor</b>
<b>D/BCS Incoming</b>	Small	<= 72537	0.53702
	Medium	72538 - 156422	1.15008
	Large	> 156422	0.753747
<b>D/BCS Outgoing</b>	Small	<= 14456	0.570698
	Medium	14457 - 56826	0.725645
	Large	> 56826	1.32706
<b>OCR/</b>	Small	<= 11885	1.49201
	Medium	11886 - 30965	0.551178
	Large	> 30965	0.801015
<b>FSM/1000</b>	Small	<= 3437	0.992176
	Medium	3438 - 5773	0.734923
	Large	> 5773	0.744788
<b>SPBS</b>	Small	<= 2314	0.687394
	Medium	2314 - 5415	1.09805
	Large	> 5415	-0.171569
<b>Manual flats</b>	Small	<= 1438	1.16158
	Medium	1439 - 3437	0.931318
	Large	> 3437	0.254093
<b>Manual letters</b>	Small	<= 6078	-1.54237
	Medium	6079 - 14446	0.073337
	Large	> 14446	0.822586
<b>Manual parcels</b>	Small	<= 253	1.28123
	Medium	254 - 666	-9.23005
	Large	> 666	1.01047
<b>Manual Priority</b>	Small	<= 432	3.51535
	Medium	433 - 1477	-18.8484
	Large	> 1477	0.168578
<b>Cancellation</b>	Small	<= 13161	0.954874
	Medium	13162 - 29361	0.237738
	Large	> 29361	-1.22148
<b>Notes:</b>			
All observations with zero values were deleted			
1/ Size classifications were made by partitioning the number of nonzero observations into approximately thirds			

[1] Operation	[2] Classification Criteria	[3] Average TPH per Hour	[4] Variability Factor	[5] Marginal Cost Consistent with Variability Factor
<b>OCR</b>				
Small	< _____			
Medium	____ to ____			
Large	> _____			
<b>MPBCS</b>				
Small	< _____			
Medium	____ to ____			
Large	> _____			
<b>DBCS</b>				
Small	< _____			
Medium	____ to ____			
Large	> _____			
<b>Man. Letters</b>				
Small	< _____			
Medium	____ to ____			
Large	> _____			
<b>Man. Flats</b>				
Small	< _____			
Medium	____ to ____			
Large	> _____			
<b>FSM</b>				
Small	< _____			
Medium	____ to ____			
Large	> _____			
<b>Man. Priority</b>				
Small	< _____			
Medium	____ to ____			
Large	> _____			
<b>Man. Parcels</b>				
Small	< _____			
Medium	____ to ____			
Large	> _____			

<b>SPBS</b>				
Small	< _____			
Medium	____ to ____			
Large	> _____			
<b>AFCS</b>				
Small	< _____			
Medium	____ to ____			
Large	> _____			
<b>APPS</b>				
Small	< _____			
Medium	____ to ____			
Large	> _____			
<b>AFSM100</b>				
Small	< _____			
Medium	____ to ____			
Large	> _____			
<b>PSM</b>				
Small	< _____			
Medium	____ to ____			
Large	> _____			
<b>NMO</b>				
Small	< _____			
Medium	____ to ____			
Large	> _____			
<b>Platform</b>				
Small	< _____			
Medium	____ to ____			
Large	> _____			
<b>Open Unit Pref</b>				
Small	< _____			
Medium	____ to ____			
Large	> _____			
<b>Open Unit Bulk</b>				
Small	< _____			
Medium	____ to ____			
Large	> _____			
<b>Pouching</b>				
Small	< _____			
Medium	____ to ____			
Large	> _____			

<b>SPBS Other</b>				
Small	< _____			
Medium	_____ to _____			
Large	> _____			

## STATEMENT OF COMPLIANCE WITH PROTECTIVE CONDITIONS

The following protective conditions limit access to materials provided in Docket No. N2006-1 by the Postal Service in response to Presiding Officer's Information Request No. 6 (hereinafter, "these materials"). Individuals seeking to obtain access to these materials must agree to comply with these conditions, complete the attached certifications, provide the completed certifications to the Commission, and serve them upon counsel for the party submitting the confidential material.

1. Only a person who is either:
  - (a) an employee of the Postal Rate Commission (including the Office of the Consumer Advocate) with a need-to-know; or
  - (b) a participant in Postal Rate Commission Docket No. N2006-1, or a person employed by such participant, or acting as agent, consultant, contractor, affiliated person, or other representative of such participant for purposes related to the litigation of Docket No. N2006-1, shall be granted access to these materials. However, no person involved in competitive decision-making for any entity that might gain competitive advantage from use of this information shall be granted access to these materials. "Involved in competitive decision-making" includes consulting on marketing or advertising strategies, pricing, product research and development, product design, or the competitive structuring and composition of bids, offers or proposals. It does not include rendering legal advice or performing other services that are not directly in furtherance of activities in competition with a person or entity having a proprietary interest in the protected material.
2. No person granted access to these materials is permitted to disseminate them in whole or in part to any person not authorized to obtain access under these conditions.
3. Unless otherwise changed pursuant to paragraph 4, the final date of any participant's access shall be the earlier of:
  - (a) the date on which the Postal Rate Commission issues its final advisory opinion or otherwise closes Docket No. N2006-1;

- (b) the date on which that participant formally withdraws from Docket No. N2006-1;
  - (c) the last date on which the person who obtains access is under contract or retained or otherwise affiliated with the Docket No. N2006-1 participant on whose behalf that person obtains access, whichever comes first. The participant immediately shall notify the Postal Rate Commission and counsel for the party who provided the protected material of the termination of any such business and consulting arrangement or retainer or affiliation that occurs before the closing of the evidentiary record.
- 4. Immediately after the Commission issues its final advisory opinion in Docket No. N2006-1, a participant (and any person working on behalf of that participant) who has obtained a copy of these materials shall:
  - (a) certify to the Commission that the copy was maintained in accordance with these conditions (or others established by the Commission); and
  - (b) either certify that the copy (and any duplicates) either have been destroyed or returned to the Commission, or present written consent from the Postal Service to extend the obligation to destroy or return copies until a date certain or until the occurrence of some other event specified by the Postal Service.
- 5. The duties of any persons obtaining access to these materials shall apply to material disclosed or duplicated in writing, orally, electronically, or otherwise, by any means, format, or medium. These duties shall apply to the disclosure of excerpts from or parts of the document, as well as to the entire document.
- 6. All persons who obtain access to these materials are required to protect the document by using the same degree of care, but no less than a reasonable degree of care, to prevent the unauthorized disclosure of the document as those persons, in the ordinary course of business, would be expected to use to protect their own proprietary material or trade secrets and other internal, confidential, commercially-sensitive, and privileged information.

7. These conditions shall apply to any revised, amended, or supplemental versions of materials provided in Docket No. N2006-1.
8. The duty of nondisclosure of anyone obtaining access to these materials is continuing, terminable only by specific order of the Commission, or as specified in paragraphs 10 through 15, below.
9. Any Docket No. N2006-1 participant or other person seeking access to these materials by requesting access, consents to these or such other conditions as the Commission may approve.
10. The Postal Service shall clearly mark the following legend on each page, or portion thereof, that the Service seeks to protect under this agreement: "Confidential—Subject To Protective Conditions In Docket No. N2006-1 Before the Postal Rate Commission" or other markings that are reasonably calculated to alert custodians of the material to its confidential or proprietary nature. Except with the prior written consent of the Postal Service, or as hereinafter provided, no protected information may be disclosed to any person.
11. Any written materials — including but not limited to discovery requests and responses, requests for admission and responses, deposition transcripts and exhibits, pleadings, motions, affidavits, written testimony and briefs — that quote, summarize, or contain materials protected under these protective conditions are also covered by the same protective conditions and certification requirements, and shall be filed with the Commission only under seal. Documents submitted to the Commission as confidential shall remain sealed while in the Secretary's office or such other place as the Commission may designate so long as they retain their status as stamped confidential documents.
12. Any oral testimony, argument or other statements that quote, summarize or otherwise disclose materials protected under these protective conditions shall be received only in hearing sessions limited to Postal Service representatives and other persons who have complied with the terms of the protective order and have signed the attached certifications. The transcript pages containing such protected testimony shall be filed under seal and treated as protected materials under paragraph 11.

13. Notwithstanding the foregoing, protected material covered by paragraphs 11 or 12 may be disclosed to the following persons without their execution of a compliance certificate. Such disclosure shall not exceed the extent necessary to assist in prosecuting this proceeding or any appeals or reconsideration thereof.
  - (a) Members of the Commission.
  - (b) Court reporters, stenographers, or persons operating audio or video recording equipment for such court reporters or stenographers at hearings or depositions.
  - (c) Any other person designated by the Commission in the interest of justice, upon such terms as the Commission may deem proper.
  - (d) Reviewing courts and their staffs. Any person seeking to disclose protected information to a reviewing court shall make a good faith effort to obtain protective conditions at least as effective as those set forth in this document. Moreover, the protective conditions set forth herein shall remain in effect throughout any subsequent review unless overridden by the action of a reviewing court.
  
14. A participant may apply to the Commission for a ruling that documents, categories of documents, or deposition transcripts, stamped or designated as confidential, are not entitled to such status and protection. The Postal Service or other person that designated the document or testimony as confidential shall be given notice of the application and an opportunity to respond. To revoke confidential status, the proponent of declassification must show by a preponderance of the evidence that public disclosure of the materials is consistent with the standards of the Freedom of Information Act, 5 U.S.C. 552(b)(1)-(9), and Commission precedent. Alternatively, a proponent may show that the final order of a court has directed that the materials be disclosed under the Freedom of Information Act because of an express determination that the information therein is not entitled to exemption from disclosure under 5 U.S.C. 552(b)(1)-(9).

15. Subpoena by Courts or Other Agencies. If a court or other administrative agency subpoenas or orders production of confidential information which a participant has obtained under the terms of this protective order, the target of the subpoena or order shall promptly (within two business days) notify the Postal Service (or other person who designated the document as confidential) of the pendency of the subpoena or order to allow the designating party time to object to that production or seek a protective order.

### CERTIFICATION

The undersigned represents that:

Access to materials provided in Docket No. N2006-1 by the Postal Service in response to Presiding Officer's Information Request No. 6 (hereinafter, "these materials" or "the information") has been authorized by the Commission.

The cover or label of the copy obtained is marked with my name.

I agree to use the information only for purposes of analyzing matters at issue in Docket No. N2006-1.

I certify that I have read and understand the above protective conditions and am eligible to receive access to materials under paragraph 1 of the protective conditions. I further agree to comply with all protective conditions and will maintain in strict confidence these materials in accordance with all of the protective conditions set out above.

Name \_\_\_\_\_

Firm \_\_\_\_\_

Title \_\_\_\_\_

Representing \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

CERTIFICATION UPON RETURN OF  
PROTECTED MATERIALS

Pursuant to the Certification which I previously filed with the Commission regarding information provided in Docket No. N2006-1 by the Postal Service in response to Presiding Officer's Information Request No. 6 (hereinafter, "these materials" or "the information"), received on behalf of myself and/or the party which I represent (as indicated below), I now affirm as follows:

1. I have remained eligible to receive access to materials under paragraph 1 of the protective conditions throughout the period those materials have been in my possession. Further, I have complied with all conditions, and have maintained these materials in strict confidence in accordance with all of the protective conditions set out above.
2. I have used the information only for purposes of analyzing matters at issue in Docket No. N2006-1.
3. I have returned the information to the Postal Rate Commission.
4. I have either surrendered to the Postal Rate Commission or destroyed all copies of the information that I obtained or that have been made from that information.

Name \_\_\_\_\_

Firm \_\_\_\_\_

Title \_\_\_\_\_

Representing \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

## STATEMENT OF COMPLIANCE WITH PROTECTIVE CONDITIONS

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1. Only a person who is either:
  - (a) an employee of the Postal Rate Commission (including the Office of the Consumer Advocate) with a need-to-know; or
  - (b) a participant in Postal Rate Commission Docket No. N2006-1, or a person employed by such participant, or acting as agent, consultant, contractor, affiliated person, or other representative of such participant for purposes related to the litigation of Docket No. N2006-1, shall be granted access to these materials. However, no person involved in competitive decision-making for any entity that might gain competitive advantage from use of this information shall be granted access to these materials. "Involved in competitive decision-making" includes consulting on marketing or advertising strategies, pricing, product research and development, product design, or the competitive structuring and composition of bids, offers or proposals. It does not include rendering legal advice or performing other services that are not directly in furtherance of activities in competition with a person or entity having a proprietary interest in the protected material.
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  - (d) Reviewing courts and their staffs. Any person seeking to disclose protected information to a reviewing court shall make a good faith effort to obtain protective conditions at least as effective as those set forth in this document. Moreover, the protective conditions set forth herein shall remain in effect throughout any subsequent review unless overridden by the action of a reviewing court.
  
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Name \_\_\_\_\_

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Title \_\_\_\_\_

Representing \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_