

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

Periodic Reporting  
(Proposal Four)

Docket No. RM2017-8

CHAIRMAN'S INFORMATION REQUEST NO. 1

(Issued July 21, 2017)

On July 5, 2017, the Commission issued Order No. 3993 initiating a rulemaking proceeding to consider a change in analytical method used in periodic reporting.<sup>1</sup> This proceeding was established at the request of the Postal Service.<sup>2</sup> Proposal Four would update parcel delivery cost pool proportions to reflect the increase in parcel delivery activity. To assist in the evaluation of the proposal, the Postal Service is asked to provide a written response to the following questions. The responses should be provided as soon as possible, but no later than August 2, 2017.

1. Please refer to the Excel file in the "Proposed\_Cost\_Pool\_Proportions" folder of Library Reference USPS-RM2017-8/1.<sup>3</sup> Line 2 in this Excel file describes the data in column B and C as the "City Street – Revised Street Proportions" for "FY 2014" (column B) and "FY 2016" (column C). The Form 3999 proportions shown in the column labeled "FY 2014" for "Regular Delivery" (72.84% in cell B3) and for "Parcel\_Accountable\_Prop\_Form\_3999" (4.05% in cell B7) are the same values as those developed in Docket No. RM2015-7, Library Reference USPS-

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<sup>1</sup> Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal Four), July 5, 2017 (Order No. 3993).

<sup>2</sup> Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Four), June 30, 2017 (Petition).

<sup>3</sup> Library Reference USPS-RM2017-8/1, June 30, 2017, "Proposed\_Cost\_Pool\_Proportions" folder, Excel file "USPS.RM2017.8.1.Prop.Four.Adj.IR.Dev.Parcel.Prop.FY16.xlsx."

RM2015-7/1.<sup>4</sup> The Report presented by the Postal Service in Docket No. RM2015-7 describes the street time proportions as being based on Form 3999 evaluations conducted in FY 2012 or FY 2013.<sup>5</sup>

- a. Please confirm that the “FY 2014” column B proportions in Proposal Four were developed the same way and based on the same data as that discussed in the Report at 9-19. If not confirmed, please specify how the data in Column B were selected, screened or revised. If not confirmed, please also address whether each of the following screening criteria steps were employed for the route evaluation data and the number eliminated for each screening step listed: (1) the evaluation was done prior to certain years; (2) the evaluation reported data that were captured on Sunday; (3) the evaluation reported a negative value for one or more of the directly attributable street time activities; (4) the evaluation reported gross street time of over 12 hours; and (5) the evaluations reported negative gross street time.
- b. For the FY 2016 column C data, please specify how or whether the data screening criteria and Form 3999 data used in Proposal Four were revised or otherwise differ from those used to create the street time proportions in Docket No. ACR2016.<sup>6</sup> Please address whether each of the following screening criteria steps were employed for the route evaluation data and

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<sup>4</sup> See Docket No. RM2015-7, Library Reference USPS-RM2015-7/1, December 11, 2014, “Cost\_Impacts” folder, Excel file “I-FORMS\_Proposal\_13.xls”, “I-CS 6&7 FACTORS NEW” tab, cells E12 (“Regular Delivery”) and E13 (“PA Delivery”).

<sup>5</sup> The Report on the City Carrier Street Time Study in Docket No. RM2015-7, Library Reference USPS-RM2015-7/1, “Letter\_Route\_Report” folder, “City Carrier Street Time Study Report.pdf” file, December 11, 2014, at 15 (Report).

<sup>6</sup> See Docket No. USPS-RM2017-8/1, “SAS\_Materials” folder, “USPS.RM2017.8.1.Prop.Four.Cost.Pools.Form3999.lst” file. Additionally, in Docket No. PI2017-1, Chairman’s Information Request No. 2, June 17, 2017, question 9.c. requests additional information related to how the ACR2016, street time proportions were developed in Library Reference USPS-FY16-32, “USPS-FY16-32.B.Workpapers.zip” file, “I-Forms-Public-FY16.xlsm” file, “I-CS 6&7 FACTORS NEW” tab.

the number eliminated for each screening step listed: (1) the evaluation was done prior to certain years; (2) the evaluation reported data that were captured on Sunday; (3) the evaluation reported a negative value for one or more of the directly attributable street time activities; (4) the evaluation reported gross street time of over 12 hours; and (5) the evaluations reported negative gross street time.

2. The Petition states that the correct FY 2016 regular delivery time and parcel proportions are 71.39 percent and 5.40 percent respectively, rather than the 71.45 percent and 5.36 percent figures that were filed with the FY 2016 ACR. Petition at 4, n6. Based on the output from the SAS program for the screened FY 2016 Proposal Four Form 3999 data, it appears that the FY 2016 adjustment, total time traveled proportion, and relay proportion in Proposal Four also differ from the FY 2016 ACR figures.<sup>7</sup>
  - a. Please specify the reasons why the FY 2016 adjustment, total time traveled proportion, and relay proportion in Proposal Four differ from the FY 2016 ACR figures.
  - b. The Postal Service states that there was an “overstatement of regular delivery costs of \$8.3 M” and “no impact on parcel costs.” *Id.* Do these statements take into consideration the different adjustment figure, total time traveled proportion, and relay proportion used in the FY 2016 ACR filing? If so, please explain how. If not, please address whether using the Proposal Four adjustment figure, total time traveled proportion, and relay proportion would have a material impact on the overstatement of regular delivery costs and no impact on parcel costs.

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<sup>7</sup> See in Library Reference USPS-RM2017-8/1, “SAS\_Materials” folder, “USPS.RM2017.8.1.Prop.Four.Cost.Pools.Form3999.lst” SAS output file, last page, last line.

3. Please refer to the Excel file in the "Form\_3999\_Excel\_File" folder in Library Reference USPS-RM2017-8/1.<sup>8</sup> The Form 3999 data set included with Proposal Four contains a small number (less than 2,000) of route evaluations conducted from January 8, 2014 through December 31, 2014. *Id.* The "FY 2016" proportions, based on the output code submitted with Proposal Four are based (after screening) on 27,795 evaluations conducted in FY 2015 and 111,891 evaluations conducted in FY 2016.<sup>9</sup>
  - a. Please discuss the reason(s) for the large year-to-year variation in the number of Form 3999 evaluations conducted annually.
  - b. Please discuss the reason(s) why a route would be evaluated in a given year and not in another. Please also include in the response what geographic, staffing, or other factors influence the decision as to whether a route or a group of routes are or are not evaluated.
  - c. Please describe the process leading up to a decision to evaluate whether a specific or group of city carrier routes are evaluated.
4. Please refer to the Form 3999, Excel file provided in Docket No. RM2015-7, Library Reference USPS-RM2015-7/1.<sup>10</sup> This Excel file contains a date-related field labeled "LAST\_ROUTE\_ADJ\_DATE\_3999" (in column D) that contains what appears to be the last date the route was evaluated (before the FY 2012-FY 2013 evaluation date shown in the "DATE\_3999" label in column E). The data field in this same file, labeled "OLDER\_3999\_LAST\_ADJ\_3999" (in column F) given the label and the entries ('Y', 'N'), suggest that this data field may be an

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<sup>8</sup> See Excel file "USPS.RM2017.8.1.Prop.Four.Form3999.Data.xlsx."

<sup>9</sup> See Library Reference USPS-RM2017-8/1 the "SAS\_Materials" folder, "USPS.RM2017.8.1.Prop.Four.Cost.Pools.Form3999.lst" SAS output file, first page, first three lines.

<sup>10</sup> See Docket No. RM2015-7, Library Reference USPS-RM2015-7, Excel file "Cost\_Pool\_Formation/Form\_3999\_Excel\_File" folder in the Excel file "Form\_3999\_ACTIVITIES.xlsx."

indicator as to whether the route was adjusted following or since the older route evaluation.

- a. Please confirm or explain the meaning and interpretation of the data fields and values used that are labeled “LAST\_ROUTE\_ADJ\_DATE\_3999” (column D) and “OLDER\_3999\_LAST\_ADJ\_3999” (column F) in the Form 3999 data file provided in Docket No. RM2015-7. *Id.*
  - i. If the data label meanings are confirmed, please include in the response whether an “adjustment” also includes a route restructuring.
  - ii. Please discuss what types of adjustments would be made and whether (and how) an adjustment would differ from a route restructuring.
- b. Please specify the number and percentage of routes with an evaluation conducted in FY 2012 or FY 2013 that were adjusted or restructured as a result or following the route evaluation provided in the Docket No. RM2015-7 Form 3999 data file. *Id.*
- c. Please specify the number and percentage of routes that were adjusted or restructured following the most recent route evaluation (conducted in FY 2015 or FY 2016) provided in the Proposal Four Form 3999 data file.<sup>11</sup>
- d. If the percentage of routes adjusted or restructured following or as a result of the FY 2012-FY 2013 evaluations differs from the percentage of routes adjusted or restructured following or as a result of the FY 2015-FY 2016 evaluations, please discuss the reason(s) why.

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<sup>11</sup> See Library Reference USPS-RM2017-8/1, Excel file “USPS.RM2017.8.1.Prop.Four.Form3999.xlsx.

5. Please refer to the Excel file in the “Form\_3999\_Excel\_File” folder in Library Reference USPS-RM2017-8/1.<sup>12</sup> Column D data in the Excel file “USPS.RM2017.8.1.Prop.Four.Form3999.Data.xlsx” is labeled “Date\_Last\_3999.”
  - a. Please confirm that this file contains the most recent route evaluation for all city carrier routes. If not all existing city carrier routes are included, please specify which types of routes are excluded and the reason(s) why.
  - b. The Proposal Four Form 3999 data set contains 142,776 observations or rows, with each row presumably a specific unique city carrier route evaluation.<sup>13</sup> In Docket No. ACR2016, the Postal Service’s FY 2016 Annual Report to Congress shows the total number of FY 2016 city carrier routes figure as 144,571.<sup>14</sup> Please explain the reason(s) for the different count of city carrier routes between these two sources.
6. Please indicate whether on a going-forward basis the Postal Service intends to increase, decrease, or hold constant the annual number of city carrier route evaluations it conducts in a fiscal year.
7. Please explain the reasons why the Postal Service would increase, decrease, or hold constant the annual number of city carrier route evaluations it conducts in a given fiscal year.

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<sup>12</sup> See Excel file “USPS.RM2017.8.1.Prop.Four.Form3999.Data.xlsx.”

<sup>13</sup> Note this number is difficult to ascertain directly from the EXCEL file due to the collapsing of rows within the file itself. The number of observations was verified and is also shown in the SAS processing log following the “PROC IMPORT” section of code in Library Reference USPS-RM2017-8/1, “SAS\_Materials” folder, “USPS.RM2017.8.1.Prop.Four.Cost.Pools.Form3999.log” file.

<sup>14</sup> See Docket No. ACR2016, Library Reference USPS-FY16-17, United States Postal Service FY 2016 Annual Report to Congress (FY 2016 Annual Report to Congress), December 29, 2016, at 51.

8. Please explain whether the Postal Service expects its seasonal distribution of route evaluations to remain constant or whether it expects to modify the seasonal distribution and the reason(s) why.
9. Please discuss the rationale for the selection of the base year(s) Form 3999 evaluations used to measure growth in the Form 3999 DPA time shown in Step 1. Petition at 4.
10. Please specify how the proposed method will be applied in future years. Please include in your response which base year(s) Form 3999 evaluations will be selected for the FY 2017 growth rate calculation.
11. The same DPA growth rate is applied to the study in-receptacle parcel proportion and the study deviation parcel and accountables proportion shown in Step 1. *Id.* Has the Postal Service done any analysis as to whether the growth rate for in-receptacle parcels is the same or different than the growth rate for deviation parcels and accountables? If so, please discuss the results of the analysis. If not, please discuss the reasons why not, and whether and when it intends to do so.

By the Chairman.

Robert G. Taub