

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

PERIODIC REPORTING
(PROPOSAL FOUR)

Docket No. RM2017-8

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 1-11 OF CHAIRMAN'S INFORMATION REQUEST NO. 1**
(August 2, 2017)

The United States Postal Service hereby provides its response to Questions 1-11 of Chairman's Information Request No. 1, issued July 21, 2017. The questions are stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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August 2, 2017

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1. Please refer to the Excel file in the "Proposed_Cost_Pool_Proportions" folder of Library Reference USPS-RM2017-8/1.¹ 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-RM2015-7/1.² 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 2013.³
 - 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. ACR2016.⁴ Please 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

¹ 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."

² 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").

³ 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).

⁴ 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.

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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.

RESPONSE:

a. Confirmed

b. A detailed description of the screening criteria used to develop the FY 2016 cost pool proportions was provided in Docket No. PI2017-1, in the response to ChIR No. 2, Item 9 part c(i) filed on July 25, 2017. Thus, as noted therein, criteria (1)-(6) were applied to develop the cost pool proportions for ACR2016. Two changes were made in the criteria applied in ACR2016 compared to ACR2015. First, criterion (1) was changed to only include the previous two fiscal years rather than calendar years. Second, an additional criterion (6) was added to insure that the calculated street hours (sum of sector segment hours, parcel hours, accountable hours, relay hours, travel within hours, travel to hours, travel from hours, and blue box collection hours) from the Form 3999s were not greater than the gross street hours from the Form 3999.

Similar to ACR2015, in ACR2016 route evaluations that failed a criterion were only eliminated once. Thus, if a route evaluation occurred in 2008 (criterion (1)) and occurred on Sunday (criterion (2)), it would not be included as being eliminated in criterion (2) because it was removed with criterion (1). Criterion (0) is the complete set of Form 3999s downloaded before any adjustments and criterion (7) is the final number of Form 3999s used in forming the cost pool proportions in Docket No. ACR2016.

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Table 1 shows sequentially the criteria that were applied and the number eliminated by each filter.

Table 1: ACR2016 (Filed) Form 3999s Removed by Criterion

Criterion No.	Criterion Description	No. Form 3999s Before Criterion Applied	No. Form 3999s Removed to Criterion	Remaining Form 3999s
(0)	Complete Set	142,776		142,776
(1)	Eval > Sept 30, 2014	142,776	0	142,776
(2)	Eval done Mon-Sat	142,776	19,524	123,252
(3)	Nonnegative values for the following: a) Sector Segment Hours, b) Parcel Hours, c) Accountable Hours, d) Relay Hours, e) Travel To Hours, f) Travel From Hours, g) Travel Within Hours, and h) Blue Collect Hours	123,252	614	122,638
(4)	Gross Street Hours > 12	122,638	66	122,572
(5)	Gross Street Hours < 0	122,572	61	122,511
(6)	Calc Str Hrs < Gross Str Hrs	122,511	124	122,387
(7)	Set used for FY 2016 Cost Pool Proportions	122,387	0	122,387

¹The route evaluations are read into SAS from an Excel workbook, and the dates of the 3999s were erroneously imported as being from 2071 through 2076, rather than 2011 through 2016. Thus, this criterion (1) resulted in no Form 3999s being eliminated from the cost pool proportions. There were 1,910 route evaluations that should have been deleted by this criterion. In addition, the criterion should have been constructed to remove route evaluations done after September 30, 2016. It did not, and that resulted in an additional 130 route evaluations being included in the computation of the FY 2016 cost pool proportions. Errors in the FY 2016 cost pool proportions were acknowledged and corrected in Docket No. RM2017-8, Proposal Four at 3 (footnote 6).

²In the Form 3999 dataset there were not 19,524 route evaluations conducted on Sunday. However, erroneously reading in the year as acknowledged in note 1 resulted in 19,524 route evaluations being removed from the calculation of the cost pool proportions.

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Table 2 shows the impact of the filtering process when the correct dates for the Form 3999s are used. Using the correct dates added more than 17 thousand for a total in excess of 139 thousand route evaluations to the corrected filtered set. The corrected set was used in Docket No. RM2017-8, Proposal Four.

Table 2: ACR2016 (Corrected) Form 3999s Removed by Criterion

Criterion No.	Criterion Description	No. Form 3999s Before Criterion Applied	No. Form 3999s Removed to Criterion	Remaining Form 3999s
(0)	Complete Set	142,776		142,776
(1)	Sept 30, 2014 < Eval < Sept 30, 2016	142,776	2,040	140,736
(2)	Eval done Mon-Sat	140,736	195	140,541
(3)	Nonnegative values for the following: a) Sector Segment Hours, b) Parcel Hours, c) Accountable Hours, d) Relay Hours, e) Travel To Hours, f) Travel From Hours, g) Travel Within Hours, and h) Blue Collect Hours	140,541	701	139,840
(4)	Gross Street Hours > 12	139,840	75	139,765
(5)	Gross Street Hours < 0	139,765	79	139,686
(6)	Calc Str Hrs < Gross Str Hrs	139,686	138	139,548
(7)	Set used for Revised FY 2016 Cost Pool Proportions	139,548	0	139,548

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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.⁵
- 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.

RESPONSE:

a. The FY 2016 adjustment factor, total time traveled proportion, and relay proportion in Proposal Four differ from the FY 2016 ACR figures because they were calculated from a different, larger, set of Form 3999 evaluations. The reasons that the FY 2016 corrected cost pool proportions used approximately 17 thousand more route evaluations were thoroughly explained in Docket No. PI2017-1, in the response to ChIR No. 2, Item 9 part c(i) (July 25, 2017), and in response to Item 1 of this Information Request.

b. No. The estimated impacts of \$8.3 M and \$0.0 M in accrued regular delivery time and parcel costs respectively from the petition were calculated by

⁵ 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.

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multiplying the differences between the filed and corrected cost pool proportions for regular delivery time and parcel and accountable time by the accrued letter route costs of \$11.9 B. However, as suggested in the question, a more accurate estimate of the direct labor cost impacts on the regular delivery and parcel costs is found by using the complete set of revised cost pool proportions and recalculating the cost model, CS06&7. The following table displays the results of that effort.

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**Accrued and Volume Variable Cost Impact of Erroneous Cost Pool Proportions
on Regular Delivery, In-Receptacle Parcels, and Deviation Parcels and
Accountables Cost Pools**

City Carrier Letter Route	ACR2016	ACR2016	Difference
	Filed	Corrected (RM2017-8)	Filed-Corrected
Street Time Proportions			
REGULAR DELIVERY ACCRUED (\$000)	\$ 9,318,171	\$ 9,313,473	\$ 4,698
REGULAR DELIVERY VVC (\$000)	\$ 3,307,429	\$ 3,305,761	\$ 1,668
IR PARCEL ACCRUED (\$000)	\$ 524,223	\$ 524,144	\$ 79
IR PARCEL VVC (\$000)	\$ 255,978	\$ 255,940	\$ 38
DEVIATION PARCEL/ACCOUNTABLE DELIVERY AND TRAVEL ACCRUED (\$000)	\$ 642,992	\$ 642,896	\$ 96
DEVIATION PARCEL/ACCOUNTABLE DELIVERY AND TRAVEL VVC (\$000)	\$ 333,456	\$ 333,406	\$ 50
STREET SUPPORT COSTS ACCRUED (\$000)	\$ 1,082,831	\$ 1,086,211	\$ (3,380)
STREET SUPPORT COSTS ACCRUED REGULAR DELIVERY (\$000)	\$ 933,186	\$ 935,951	\$ (2,765)
STREET SUPPORT COSTS VVC REGULAR DELIVERY (\$000)	\$ 331,229	\$ 332,210	\$ (981)
STREET SUPPORT COSTS ACCRUED IR PARCEL (\$000)	\$ 52,499	\$ 52,673	\$ (174)
STREET SUPPORT COSTS VVC IR PARCEL (\$000)	\$ 25,635	\$ 25,720	\$ (85)
STREET SUPPORT COSTS ACCRUED DEVIATION PARCEL/ACCOUNTABLE (\$000)	\$ 64,394	\$ 64,607	\$ (214)
STREET SUPPORT COSTS VVC DEVIATION PARCEL/ACCOUNTABLE (\$000)	\$ 33,395	\$ 33,505	\$ (111)
REGULAR DELIVERY VVC (\$000) INCLUDING SUPPORT	\$ 3,638,658	\$ 3,637,972	\$ 686
IR PARCEL VVC (\$000) INCLUDING SUPPORT	\$ 281,613	\$ 281,660	\$ (47)
DEVIATION PARCEL/ACCOUNTABLE VVC (\$000) INCLUDING SUPPORT	\$ 366,850	\$ 366,911	\$ (61)

In terms of volume variable costs, the impact of the revised proportions was that the filed regular delivery costs, including support, were overstated by \$686 thousand, and the In-Receptacle and Deviation Parcel and Accountable cost pools were

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understated by \$47 and \$61 thousand respectively. Thus, the revised cost pool proportions do not have a material impact on either regular delivery or parcel costs.

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3. Please refer to the Excel file in the "Form_3999_Excel_File" folder in Library Reference USPS-RM2017-8/1.⁶ 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 2016.⁷
- 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.

RESPONSE:

The evaluation counts for FY 2015 and FY 2016 used to calculate the FY 2016 cost pools cited in the question are incorrect because they are based on calendar years and not fiscal years. The correct fiscal year counts for FY 2015 and FY 2016 are 11,102 and 128,446 respectively.

a. The set of observations filed in Docket No. RM2017-8/1 does not contain the total number of evaluations taken each year. Rather, it contains the set of most recent route evaluations for each route. Thus, one cannot determine the total number of evaluations done in FY 2015 from that data set. However, the set demonstrates that at least 128,446 route evaluations were conducted in FY 2016, which is more than 90

⁶ See Excel file "USPS.RM2017.8.1.Prop.Four.Form3999.Data.xlsx."

⁷ 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.

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percent of the routes that should have been used to calculate the FY 2016 cost pool proportions. As stated in response in Docket No. PI2017-1, ChIR No 2, Item 9f, the Postal Service intends to conduct a street route observation on each route at least once a year, and the data indicate that the Postal Service largely met that objective.

b. As stated in response to Docket No. PI2017, ChIR No. 2, Item 9f, the Postal Service intends to conduct street evaluations on each route at least once a year. Resource availability is a critical factor in determining when a ZIP Code is evaluated during the year. In FY 2016, the Postal Service performed street observations on over 90 percent of its letter routes.

c. Route evaluations are coordinated by the district and conducted by ZIP Code. To minimize disruptions, the district only initiates a set of route evaluations in a ZIP Code if they can be completed in a timely and efficient manner. Accordingly, adequate resources need to be available to conduct the evaluations. In prioritizing the sequence of ZIPs to be evaluated, consideration is given to factors such as the vintage of the latest set of evaluations, and the performance of the ZIP Code, measured by comparing actual time to base time. For example, priority would generally be given to those ZIP Codes with wide discrepancies between their actual times and base times. However, with all other things being equal, a ZIP Code with a set eleven months old would have priority over a ZIP Code with a set eight months old.

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4. Please refer to the Form 3999, Excel file provided in Docket No. RM2015-7, Library Reference USPS-RM2015-7/1.⁸ 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 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.⁹
 - 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.

⁸ 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."

⁹ See Library Reference USPS-RM2017-8/1, Excel file "USPS.RM2017.8.1.Prop.Four.Form3999.xlsx."

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RESPONSE:

a. i. and ii. An entry of 'Y' in column F indicates that the date of latest Form 3999 evaluation, column E, occurred before the date of the latest route adjustment, column D. Accordingly, an entry of 'N' in column F indicates that the date of latest Form 3999 evaluation, column E, occurred on or after the date of the latest route adjustment, column D. A route adjustment is considered to have been done when a route's base time is changed. Restructuring is not an official term used with regard to changing routes. Thus, an event such as changing the sequence of deliveries on a route (possibly due to construction or traffic) may be considered to be a restructuring because the route is not the same, but it would not qualify as an adjustment because the route's base time was not changed. Route adjustments are only considered to have occurred if a route's base time is adjusted.

b. The set of route evaluations filed in RM2015-7/1 that were used to calculate the cost pool proportions (based on calendar years 2012 and 2013) shows that 19,325 routes, or 17 percent of the routes, were adjusted after the latest Form 3999 evaluation. However, this does not mean that 17 percent of routes were adjusted as a result of the latest Form 3999 done on that route. A route adjustment date later than the latest Form 3999 date does not necessarily imply that the route was adjusted based on the latest street evaluation.

c. The set of route evaluations filed in RM2017-8/1 that should have been used to calculate the cost pool proportions (corrected set) shows that 14,503

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routes, or 10percent of the routes, were adjusted after the latest Form 3999 evaluation. However, as stated in response to part b., this does not mean that 10 percent of routes were adjusted as a result of the latest Form 3999 done on that route. A route adjustment date later than the latest Form 3999 date does not necessarily imply that the route was adjusted based on the latest street evaluation.

d. Because the proportions computed in responses to part b. and c. of this question are not useful metrics to indicate whether routes were adjusted based on the latest Form 3999 evaluation, there is no meaningful basis to explain why these numbers happen to be different.

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5. Please refer to the Excel file in the "Form_3999_Excel_File" folder in Library Reference USPS-RM2017-8/1.¹⁰ 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.¹¹ 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 144,571.¹² Please explain the reason(s) for the different count of city carrier routes between these two sources.

RESPONSE:

- a. Not confirmed. The route evaluation observations filed with USPS-RM2017-8/1 are the most recent route evaluations for the city routes listed in the workbook. Only city letter routes that are managed via the Delivery Operation Information System (DOIS) are included in the set filed in USPS-RM2017-8/1. There is not a central database available for street evaluations for city letter routes that are not managed via DOIS.
- b. As stated in response to part a., the difference is explained by the fact that not all city letter routes are managed via DOIS. The city letter routes that are not managed via DOIS are generally located in small remote offices where there is no

¹⁰ See Excel file "USPS.RM2017.8.1.Prop.Four.Form3999.Data.xlsx."

¹¹ 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.

¹² 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.

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supervisor dedicated to managing carriers. In those offices, the supervisory responsibilities generally are performed by postmasters, whose other duties would make performing the full range of tasks required by supervisors in DOIS offices difficult to perform.

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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.

RESPONSE:

As stated in response to Docket No. PI-2017, ChIR No. 2, Item 9f, the Postal Service intends to conduct street evaluations on each route at least once a year. Going forward, the Postal Service currently has no intention of changing its policies as they relate to conducting street evaluations on city letter routes.

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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.

RESPONSE:

As stated in its response to Docket No. PI2017, ChIR No 2, Item 9f, the Postal Service conducts street evaluations to observe the carriers in the performance of their duties to ensure that routes are delivered in a safe, efficient, and effective manner. However, if the information from the Delivery Management System (DMS) (i.e., GPS data) could be garnered and packaged in an efficient manner, it theoretically could lead to fewer observations performed by local management. As stated in response to Item 6 of this ChIR, however, there are no current plans to change the frequency of street observations as they are currently performed. Because street evaluations consume numerous and valuable resources, it also seems unlikely, without a seismic shift in the delivery network, that the current objective of conducting at least one route observation would be changed to have more frequent observations. Accordingly, the most likely scenario is that the Postal Service maintains its current objective of conducting at least one street observation per route per year. The current policy relating to the frequency of street observations has been in effect for decades.

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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.

RESPONSE:

As illustrated in response to Docket No. PI2017-1, ChIR No 2, Item 9c(ii), over 80 percent of the evaluations used to compute the FY 2016 cost pool proportions were done between March and October. This is because route evaluations are scheduled to try to reflect a typical day for that route, so that its normal workload consists of eight hours. Delivery days occurring in March through October better reflect a typical day for the route and, consequently, that period is a more appropriate time to conduct the route evaluations. Hence, unless the seasonal patterns of the mail materially changes, the Postal Service does not anticipate modifying the seasonal distribution of route evaluations.

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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.

RESPONSE:

FY 2014 was selected as the baseline because that is when the Package and Accountable Field Study was conducted where the In-Receptacle Parcel (IRP) and Deviation Parcel and Accountable (DPA) times were carefully measured by empirical observations. FY 2016 was selected to measure growth because it is the most recent set available for an entire fiscal year. In future years, the latest set of Form 3999s would be used to measure the growth in Form 3999 DPA time shown in Step 1 from the Petition at 4.

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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.

RESPONSE:

As discussed in the petition on page 4, this proposal would annually adjust the letter route street activity cost pool proportions through a three-step process. The process estimates the established IPR and DPA percentages by the *growth* in the Form 3999 DPA time. The three steps are described in detail below. The first step is new, and the remaining two steps simply apply the established methodology to the new IPR and DPA proportions. Because the petition had some typographical errors in its formulae detailing the steps, the description of the steps and the corrected formulas are included below. The steps explain the process specific to how the adjustment would be applied for FY 2017, but the same procedures to update the costs pool proportions annually would continue to be used for as long as this method were the established methodology.

Step 1: – Multiply the IPR and DPA values from ACR 2014 by the growth in the Form 3999 DPA time. This growth is measured by the ratio of the FY 2017 Form 3999 DPA time to the ACR 2014 Form 3999 DPA time:

$$(IRP_{Adj\ FY\ 2017}) = (IRP_{Study}) \frac{DPA_{Form\ 3999}^{FY\ 2017}}{DPA_{Form\ 3999}^{ACR\ 2014}} = (3.84\%) \frac{\alpha}{4.05\%} = \beta$$

$$(DPA_{Adj\ FY\ 2017}) = (DPA_{Study}) \frac{DPA_{Form\ 3999}^{FY\ 2017}}{DPA_{Form\ 3999}^{ACR\ 2014}} = (4.71\%) \frac{\alpha}{4.05\%} = \gamma$$

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In these formulas, α represents the DPA time proportion for the most recent year (here FY2017). Note that is method is mathematically identical to annually updating the previous year's IRP ratio (β) and DPA ratio (γ) by the growth in the Form 3999 DPA ratio from the previous year to the current year. For example:

$$(IRP_{Adj\ FY\ 2017}) = (IRP_{Adj\ 2016}) \frac{DPA_{Form\ 3999}^{FY\ 2017}}{DPA_{Form\ 3999}^{ACR\ 2016}} = \beta$$

Step 2 – Calculate IRP and DPA Cost Pool Proportions by Applying the Ratio of Total Street Time to Directly Attributable Street Time to the Proportions Calculated in Step 1.

$$IRP_{ACR\ 2017} = IRP_{Adj\ FY\ 2017} \times \frac{Total\ Street\ Time_{FY\ 2017}}{Directly\ Attrib\ Street\ Time_{FY\ 2017}} = \beta \times \varphi$$

$$DPA_{ACR\ 2017} = DPA_{Adj\ FY\ 2017} \times \frac{Total\ Street\ Time_{FY\ 2017}}{Directly\ Attrib\ Street\ Time_{FY\ 2017}} = \gamma \times \varphi$$

In these formulas, φ represents the ratio of total street time in the current year to directly attributable street time in the current year.

Step 3: Calculate the Final Regular Delivery Street Time Proportion by Offsetting the Initial Regular Delivery Cost Pool Proportion by the Aggregate Change in the IRP and DPA Proportion Calculated in Step 2.

$$RegDel_{FY2017} = \theta$$

$$\Delta RegDel_{FY\ 2017} = -[(IRP_{ACR\ 2017} - IRP_{Study}) + (DPA_{ACR\ 2017} - DPA_{Study})] = \varepsilon$$

$$RegDel_{ACR\ 2017} = RegDel_{FY\ 2017} + \Delta RegDel_{FY\ 2017} = \theta + \varepsilon$$

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 1**

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.

RESPONSE:

Yes, the Postal Service has analyzed both growth in aggregate parcel and accountable volumes and the change in the relative shares of in-receptacle parcels (IRP) and deviation parcel and accountable (DPA) volumes between FY 2014 and FY 2016, measured by the City Carrier Cost System (CCCS). The following table summarizes that analysis. It shows that aggregate parcel accountable growth was approximately 25 percent, and that the relative shares of IRP and DPA have remained stable over the same time period, as the IRP proportion has been between 52 and 54 percent.

FY	Volume CCCS (000)	TOTAL (IN RECEPTACLE + DEVIATION/ACCOUNTABLE GROWTH) - BASELINE ACR 2014	IN-RECEPTACLE PARCELS PROPORTION OF TOTAL PARCELS/ACCOUNTABLES	DEVIATION PARCELS AND ACCOUNTABLES PROPORTION OF TOTAL PARCELS/ACCOUNTABLES
2014	2,269,748		54.2%	45.8%
2015	2,515,863	10.8%	52.4%	47.6%
2016	2,829,404	24.7%	53.3%	46.7%