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

Periodic Reporting
(Proposal Six)

Docket No. RM2017-10

CHAIRMAN'S INFORMATION REQUEST NO. 3 AND NOTICE OF FILING UNDER SEAL

(Issued September 25, 2017)

To clarify the Postal Service's petition to consider changes to analytical principles, filed July 28, 2017, the Postal Service is requested to provide a written response to the following questions[1]. The answers should be provided by October 2, 2017.

For questions 1 through 3, please refer to Library Reference USPS-RM2017-10/NP3, Excel file "Prop.6.ChIR.2.NP15.xlsx."

1. Please refer to the worksheet "Summary." Please identify and discuss the factors the Postal Service believes are responsible for the difference between cell C5 and cell C6.

2. Please refer to the Postal Service's responses to Chairman's Information Request No. 2, question 6, and worksheets "M-DNDC-5D" and "IO-DNDC-5D."[2] The Postal Service states that, after making the revisions discussed in the Responses to CHIR No. 2, "the apparent anomaly cited in the question no longer exists." Responses to CHIR No. 2, question 6. Given these revisions, please

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[1] Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Six), July 28, 2017 (Petition).

[2] Responses of the United States Postal Service to Questions 1-12 of Chairman's Information Request No. 2, September 13, 2017 (Responses to CHIR No. 2).

confirm that the difference between cell J33 of worksheet “M-DNDC-5D” and cell J33 of worksheet “IO-DNDC-5D” accurately reflects the cost of processing parcels in these categories. If not confirmed, please explain.

3. Please refer to the Postal Service’s Responses to CHIR No. 2, question 4 and Library Reference USPS-RM2017-10/NP1, Excel file “PROP.SIX.DATA.xlsx,” worksheets “Calculation of PS Percentage” and “Calculation of PRS Percentage.” The Postal Service states that “due to small sample sizes, rate categories with low volumes and low usage of contract types would have unstable cost estimates.” Response to CHIR No. 2, question 4 (footnote omitted).

   a. Please discuss the feasibility of drawing a larger sample to estimate the proportional volumes of rate categories within each contract type.

   b. Please provide the percentage of sampled Parcel Select and Parcel Return Service parcels for which destination rate codes were not found, and please discuss the reason(s) why destination rate codes were not found for these sampled pieces.

   c. Please discuss how often the Postal Service plans to update these estimates.

4. Please refer to the Petition and the highlighted sheets in Excel file “Prop.6.ChIR.3.NP16_PRC.xlsx” filed under seal as a nonpublic attachment to this information request. The Postal Service states that the unexpected transportation leg methodology was developed because “[e]mpirical data suggests that each of the destination-entered price categories (DNDC, DSCF, and DDU) all incur costs for modes of transportation in which one might not expect to find any costs.” Petition at 7. The methodology implemented by the Postal Service uses an assumption Unexpected Transportation Legs are equal across relevant rate categories within each transportation mode. For example,

the estimate of long distance legs used by the Postal Service is the same for DDU, DSCF, and DNDC parcels. The attached Excel file "Prop.6.ChIR.3.NP16_PRC.xlsx" uses rate category data to calculate Unexpected Transportation Legs specific to relevant rate categories within each transportation mode.

a. Please confirm that the breakdown of Unexpected Transportation Legs into rate category-specific values in Excel file "Prop.6.ChIR.3.NP16_PRC.xlsx" worksheet "Other Inputs" cells B37:D47 and B58:D65 is an accurate disaggregation. If not confirmed, please explain.

b. Please discuss whether calculating Unexpected Transportation Legs specific to rate categories would be expected to improve the accuracy of unit transportation costs by rate category.

By the Chairman.

Robert G. Taub