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

Periodic Reporting
(Proposal Seven)

Docket No. RM2021-1

CHAIRMAN'S INFORMATION REQUEST NO. 1

(Issued December 17, 2020)

To clarify the Postal Service's petition to consider proposed changes in analytical principles, filed November 9, 2020, the Postal Service is requested to provide written responses to the following questions.[1] The responses should be provided as soon as they are developed, but no later than January 7, 2021.

1. Please refer to the Bradley Study that states "cost-to-capacity variabilities were last estimated in Docket No. RM2014-6, based upon data collected for FY 2013" and "the cost-to-capacity variabilities from corresponding regular highway accounts were adopted and applied to the relevant Christmas accounts." Bradley Study at 3-4. Bradley Study also states "[t]he nine accounts that capture Christmas transportation costs are 53604, 53608, 53613, 53617, 53622, 53623, 53624, 53625, and 53626." *Id.* at 2, n.2.

   a. Please confirm that the referenced above nine Christmas accounts are the same as they were in FY 2013. If not confirmed, please discuss the changes and provide the list of Christmas accounts that captured transportation costs in FY 2013.

[1] Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Seven), November 9, 2020 (Petition). Along with the Petition, the Postal Service filed a report supporting Proposal Seven. Petition, Research on Updating Purchased Highway Transportation Variabilities to Account for Structural Changes (Bradley Study).

b. Please confirm that the dataset used to estimate cost-to-capacity variabilities in Docket No. RM2014-6 did not include data on any Christmas accounts. If not confirmed, please list Christmas accounts for which data were included in the referenced FY 2013 dataset.

2. Please refer to the Bradley Study that states "Christmas contracts typically begin providing transportation around Thanksgiving and run until somewhere around the end of the calendar year." Bradley Study at 2. Please also refer to Figure 1 in Bradley Study that provides the FY 2019 Christmas contract cost proportions by postal quarter. Bradley Study, Figure 1 at 3.

a. Please confirm that the proportions of Christmas contract costs shown in Figure 1 of Bradley Study apply to postal quarters (as stated in the title for Figure 1), and not to fiscal quarters. If confirmed, please provide the exact dates for the beginning and end of each postal quarter in FY 2019.

b. Please explain why not all costs of the Christmas contracts occur in the first quarter. *See id.*

c. Please discuss in detail how the timing for Christmas contracts is determined for each fiscal year.

3. For Figures 1 through 4 and Tables 1 through 29 in the Bradley Study, please identify the data sources and provide references to the relevant library references and SAS files or Excel worksheets.

4. Please refer to the Bradley Study that states "Christmas contracts were not included in the [Transportation Cost System (TRACS)] sampling frame, so separate capacity-to-volume variability equations could not be estimated for this type of highway transportation….To date, TRACS data are not available for estimating capacity-to-volume variabilities for Christmas contracts, so the assumed variability of 100 percent will be maintained for this analysis." Bradley Study at 26. Please also refer to the Commission Order No. 3973 that states "[i]n regard to capacity-to-volume variabilities for [emergency and Christmas] routes, the Commission suggests that the Postal Service perform further research (*e.g.,*

in the form of a special study) that would allow updating variabilities for these routes, if feasible.[2]

a. Please discuss the progress, if any, in regard to research or special study that would allow updating capacity-to-volume variabilities for Christmas and emergency routes or contracts.

b. Please discuss whether the Postal Service recently considered any modification of TRACS sampling frame to include Christmas contracts, and if not, why not?

5. Please refer to the Bradley Study that states "[t]o identify anomalous and unduly influential observations, Cook's D statistic, with a cutoff of 0.10 [that was used in Docket No. RM2014-6] will be again used." Bradley Study at 19. Considering that, "[t]here is no statistically-based critical value for Cook's D [statistic],"[3] and the size of the dataset might affect a cutoff value,[4] please explain the reasons for choosing a cutoff of 0.10 in the current study again.

6. Please refer to Library Reference USPS-RM2021-1-1, November 9, 2020, folder "Public Impact Analysis." For hardcoded numbers in all worksheets of the Excel file "Impacts of New Variabilities.Public.xlsx," please provide links to the relevant files, worksheets and cells to show how these numbers are calculated.

7. Please refer to the Bradley Study that states "[in] Fiscal Year 2018, the Postal Service began replacing traditional Intra P&DC highway contracts with a new type of transportation contract at a substantial number of sites. These new contracts, called Dynamic Route Optimization (DRO) contracts, have important differences from the traditional purchased highway transportation contracts."

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[2] Docket No. RM2016-12, Order on Analytical Principles Used in Periodic Reporting (Proposal Four), June 22, 2017, at 40 (Order No. 3973).

[3] Docket No. RM2014-6, Library Reference USPS-RM2014-6-1, June 20, 2014, Word file "Rpt.Updat.PHT.Cost.Cap.Variab.docx" (Report on Updating the Cost-to-Capacity Variabilities for Purchased Highway Transportation) at 23.

[4] *Id.* at 23, 24, n.12.

Bradley Study at 29. Please provide documentation with the detailed description of DRO contracts.

8. Please refer to the Docket No. ACR 2019, Library Reference USPS-FY19-32, December 27, 2019, folder "B Workpapers," Excel file "CS14-Public-FY19.xlsx," Worksheet "WS14.3." (FY 2019 Transportation Worksheet). Please also refer to the Bradley Study that states "DRO contracts replace standard Intra P&DC contracts. In other words, they serve the same type of facilities that are served by regular Intra P&DC contracts. Consequently, their costs are included in the set of accounts that comprise Intra SCF accrued costs. The best proxy, therefore, is the Intra SCF capacity-to-volume variability." Bradley Study at 42.

   a. Please confirm that variabilities for "Highway-Intra-SCF-Regular-Contracts" of 0.4968 (line 99 of the FY 2019 Transportation Worksheet) were used as proxy for "TR-Dynamic Route Optimization Contracts" variabilities (line 102 of the FY 2019 Transportation Worksheet) because the costs for DRO accounts "are included in the set of accounts that comprise Intra SCF accrued costs." Bradley Study at 42. If not confirmed, please discuss how variabilities for DRO contracts were determined for the purposes of FY 2019 Transportation Worksheet.

   b. If question 8.a. is confirmed, please explain why variabilities for "Transp ML/EME-Dom-HS-Intra P&DC Regular" (line 103 of the FY 2019 Transportation Worksheet) are not the best proxy for DRO contracts variabilities considering that "DRO contracts replace standard intra P&DC contracts [and] serve the same type of facilities that are served by regular Intra P&DC contracts." *Id.*

   c. If question 8.a. is confirmed, please discuss why the best proxy for DRO variabilities was chosen from the account "Highway-Intra-SCF-Regular-Contracts" that provides only $29,000 of FY 2019 accrued costs or 0.001 percent of the total Intra SCF adjusted accrued costs. *See* FY 2019 Transportation Worksheet, column H, lines 99 and 113.

9. Please refer to Library Reference USPS-RM2021-1-1, folder “Analysis Data Set,” SAS data file “tcss_fy19.sas7bdat.” For each abbreviated variable included in this file (“route”, “tripmiles”, “trip”, “tripfreq” etc.), please provide the full name and the detailed description.

By the Chairman.

Robert G. Taub