

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

Periodic Reporting
(Proposal Seven)

Docket No. RM2021-1

CHAIRMAN'S INFORMATION REQUEST NO. 4

(Issued February 22, 2021)

To clarify the Postal Service's petition to consider proposed changes in analytical principles, filed November 9, 2020,¹ the Postal Service is requested to provide written responses to the following questions. The responses should be provided as soon as they are developed, but no later than March 1, 2021.²

The questions are derived from the second motion filed by the Public Representative, who asserts that this additional information "will allow participants to provide more constructive comments and evaluate whether the proposal meets the applicable legal and regulatory requirements."³

1. Please refer to the Bradley Report which states that because the re-estimation of Intra P&DC variabilities to correct for the removal of DRO routes, "is a re-estimation of an existing set of established models, model specification is straightforward. The established translog model, in both cubic foot-miles and route length, will be estimated for all three sets of contract cost segments."

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 Report).

² The comment deadline for this docket was initially February 26, 2021. Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal Seven), November 18, 2020 (Order No. 5756). The Commission extended this deadline to March 6, 2021. Order Granting Motion to Extend Comment Deadline, February 22, 2021 (Order No. 5835).

³ Public Representative Motion for Issuance of Information Request 2, February 18, 2021, at 1.

Bradley Report at 45. Please also refer to Docket No. RM2014-6, Library Reference USPS-RM2014-6/1, June 20, 2014, Word file "Rpt.Updat.PHT.Cost.Cap.Variab.docx" (Bradley 2014 Report). Please confirm that in Docket Nos. RM2021-1 and RM2014-6, Intra P&DC variabilities are derived from econometric models that have the same model specification. If not confirmed, please explain the statement above as quoted from the Bradley Report.

2. Please refer to the Bradley Report that states: "Because box routes were not affected by the introduction of DRO contracts, there was no need to update the box route variability. The established variability for box routes will be used in calculating the overall Intra P&DC cost-to-capacity variability." Bradley Report at 52, n.29.
 - a. Please discuss why box routes were not affected by the introduction of DRO contracts.
 - b. Please discuss the circumstances that would require the Postal Service to update the box route variabilities.
3. Please refer to Library Reference USPS-RM2021-1-1, November 9, 2020, folder "5. Intra P&DC Transportation Models," SAS program "INTRA PDC Variability Equations.sas" (Intra PDC SAS File).
 - a. Please confirm that if the SAS code provided below is inserted into the Intra PDC SAS File at the end of "Identify Transportation Contracts" section, the resulting SAS dataset "Box" will have 603 observations.
data box; set intra_pdc; if vcube le 300 or routetypedesc = 'box route'; run;

- b. If question 3.a. is confirmed or partially confirmed, please explain whether the observations contained in the SAS dataset “Box” represent contracts on which an Intra P&DC box route regression could be performed.
- c. If question 3.a. is not confirmed, please provide the number of contracts in the SAS dataset “Box” and discuss whether the observations contained in the “Box” represent contracts on which an Intra P&DC, box route regression could be performed.

By the Chairman.

Michael Kubayanda