

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Periodic Reporting
(Proposal Six)

Docket No. RM2022-13

COMMENTS OF THE PUBLIC REPRESENTATIVE

(October 7, 2022)

I. INTRODUCTION

The Public Representative hereby provides comments pursuant to Commission Order No. 6262.¹ In that Order, the Commission established the above-referenced docket to receive comments from interested persons, including the undersigned Public Representative, regarding the Postal Service's proposal to make certain methodological changes related to the sampling and distribution of peak season highway transportation routes and costs.² Petition, Proposal Six at 1.

II. SUMMARY OF PROPOSAL SIX

Under the Proposal Six methodology, the Postal Service plans on additional sampling of peak season trips in the Transportation Cost System (TRACS) "to develop a separate distribution key for the costs in peak season highway accounts."³ *Id.* The

¹ Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal Six) and Order Initiating Docket, August 30, 2022 (Order No. 6262).

² Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Six), August 26, 2022 (Petition). The Postal Service also filed a notice of filing of non-public material relating to Proposal Six, as well as public and non-public materials supporting the proposal. See Notice of Filing of USPS-RM2022-13-1 and USPS-RM2022-13-NP1 and Application for Nonpublic Treatment, August 26, 2022.

³ Under the current methodology, the peak season highway contract route costs are distributed to products using the distribution key "based upon TRACS data for regular contracts (and not Emergency, Exceptional, or Christmas contracts) by quarter. Petition, Proposal Six at 3-4.

Postal Service will also “create a separate peak season cost pool apart from the regular highway cost pools.” *Id.* at 7.

The Postal Service conducted a study in November and December 2021 that it contends for FY 2022 fiscal quarter 1, resulted in “meaningful data, allowing a [peak season] distribution key to be developed.”⁴ *Id.* at 4. For the Postal Service’s FY 2022 Annual Compliance Report (ACR), it proposes to use the FY 2022 peak distribution key with which to distribute the peak season highway contracts cost pool to products. *Id.* at 6.

According to the Postal Service, “the only differences in the [Proposal Six] methodology, compared with the regular TRACS sampling [,]” are in developing the frame and in scheduling the peak season TRACS tests in November instead of September. *Id.* Under the Proposal Six methodology, “[t]he applied testing procedures are identical to those employed during regular highway contract TRACS tests.” *Id.*

For future ACRs, the Postal Service plans on increasing the number of peak season highway contract tests sampled to 300 and modifying the TRACS sample design process to include all trips that fall under the [accounting] classification of peak/Christmas accounts within the Transportation Contract Support System (TCSS) using late October and early November trip data. *Id.* at 6.

If approved in its entirety, “[t]he Postal Service recommends that the Commission adopt the general approach being proposed as a foundation, allow application of FY 2022 peak TRACS sample results as an interim step for FY 2022 [Quarter 1]⁵, and further approve the planned improvements described herein to the frame development process and sample size expansion for application in future years.” *Id.* at 6-7.

⁴ “This study yielded 38 tests out of 48...” *Id.*

⁵ “[t]he very small amount of costs accrued in peak highway accounts for Q2-Q4 would continue under the existing methodology to be distributed based on the TRACS sampling of regular highway contracts.” *Id.* at 7.

III. COMMENTS

The Public Representative reviewed the Postal Service's petition, datasets, SAS program, accompanying workpapers and responses to Chairman Information Requests and agrees with the Postal Service that Proposal Six represents an incremental improvement over the current methodology.

The Postal Service acknowledges that “[t]here remain additional opportunities for improvement to this peak sampling method.” *Id.* at 5. Specifically, it notes that no international products were sampled on these peak trips and “the coefficients of variation (CVs) were higher than is often preferred for this estimated distribution key.” *Id.* With the planned increase in peak season tests, the Postal Service believes the high CVs issue “can be addressed” and “[a]n increase in the number of tests would also increase the likelihood of capturing smaller-volume products, including international mail[.]” *Id.*

The Postal Service asserts that the 38 tests on which the proposed FY 2022 peak season distribution key is based, provided “meaningful data.” *Id.* at 4. However, because only one Christmas/peak season highway contract general ledger account⁶ is associated with all⁷ the tests (account number 53622-“...INTER AREA CHRISTMAS) in the SAS dataset “sample,”⁸ and there do not appear to be any tests for a relatively large

⁶ See Petition, Proposal Six at 7; Docket No. ACR2021, Library Reference USPS-FY21-6, December 29, 2021, Excel file “F21_6_F8_GL_Account_Descriptions.xlsx.”

⁷ The Public Representative could not find for 8 of the 38 tests, an associated account number. These were TESTID values 11251KR, 12011KS, 12051KH, 12091KM, 12151PY, 12161KW, 12171KU and 12241PY. PR Analysis of the SAS datasets in Library Reference USPS_RM2022-13-1, ZIP file “USPS-RM2022-13.Public.Files.zip,” folder “Peak Sample Data – Public,” SAS datasets: “sample.sas7bdat,” “form3c.sas7bdat,” “form3l.sas7bdat,” “pallet.sas7bdat.”

⁸ The “sample.sas7bdat” file contains the “Administrative and header information for each test.” See Library Reference USPS-RM2022-13-1, PDF file “RM22.13.Prop.6.TRACS.Public Preface.pdf” at 2.

portion of peak highway contract costs (account number 53625 “...INTRAAREA HQ XMAS”) in the other SAS peak sample datasets, a question related to the current sample representativeness is raised.

It may be that the Postal Service’s planned further sample modifications will result in a more representative sample of all peak season highway contract routes.⁹ The Postal Service states that for the future modified sample (to increase the number of peak tests to 300 total), “these tests would be systematically randomly selected from the full list of peak trips, the 300 tests would be allocated proportionally among the relevant contract types (e.g., Inter-SCF).” Petition, Proposal Six at 5-6. Further, “[to] ensure a fully representative frame, the design will include contracts not specifically included in the Logistics list of peak trips, but all trips that fall under the classification of peak/Christmas accounts with TCSS.” *Id. at 6.*

IV. CONCLUSION

For the reasons discussed above, the Public Representative supports Proposal Six with the caveat that in future ACR filings there is some verification that other types of peak highway contract routes (other than those in account 53622) increase in the number of sampled tests with meaningful data. The Public Representative respectfully submits the foregoing comments for the Commission’s consideration.

⁹ Admittedly, many of the peak season highway contract route accounts accrue a relatively small amount of the total associated FY 2022 quarter 1 costs. See Petition, Proposal Six at 7, Table 1: Highway Peak Contracts and Associated FY2022 Quarter One Costs. However, account number 53625 (“...INTRAAREA HQ XMAS”) is associated with about 21 percent of the total accrued highway peak contract costs, yet none of the 38 tests are associated with this account number. Public Representative analysis and linking of the SAS datasets provided in Library Reference USPS-RM2022-13-1, ZIP file “USPS-RM2022-13.Public.Files.zip,” folder “Peak Sample Data – Public,” SAS datasets: “sample.sas7bdat,” “form3c.sas7bdat,” “form3l.sas7bdat,” “pallet.sas7bdat.”

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