

December 2, 2004

Mr. Daniel J. Foucheaux, Esq.
Chief Counsel, Ratemaking
United States Postal Service
475 L'Enfant Plaza, SW
Washington, DC 20260-5000

Dear Dan,

The purpose of this letter is to request documentation and data that the Office of the Consumer Advocate (OCA) needs to prepare its direct case for submission in the next omnibus rate case. It has become clear that the Postal Service and the Commission have been unable to reach agreement on whether to make available to the public documentation covered by the expansion of Commission Rule 102. Hence I request the needed information informally. I make an unqualified commitment not to post any of the information on the Commission's website or to disseminate it publicly via any other medium.

On May 25, 2004, you transmitted most of the material covered by the expanded Rule 102. In a cover letter addressed to Steven Williams that accompanied the transmittal, you alluded to a letter sent to Mr. Williams on February 20, 2004. I have never seen the letter, but based on your description of it in paragraph 4 of the May 25 cover letter, I gather that the Postal Service is willing to provide the Commission "and any other interested parties" with "pertinent data and other materials relating to the carrier cost study briefing." You added that the Postal Service has a "preference" that it "remain the source of such materials." In addition, you requested that the information provided "not be posted on the Internet or otherwise publicly distributed." Finally, you held open the offer made in the February 20 letter and stated that interested parties could contact you to arrange for transfer of specific materials.

I would like to act upon the offer made in your May 25 letter. OCA's request encompasses some data covered by expanded Rule 102 and data/documentation beyond the scope of Rule 102. I am sure that it will come as no surprise that OCA is very interested in learning more about Dr. Bradley's new econometric analysis of city

carrier costs. Our first order of business is to try to understand what Dr. Bradley has done and see if we have any questions about it. Next, we will determine if alternative analyses devised by OCA might produce a marginal cost analysis that, in our opinion, is sounder technically or theoretically. It is entirely possible that we will find Dr. Bradley's approach preferable to our own attempts. If so, OCA will either encourage the Commission to adopt his approach or, at the very least, not oppose its use.

OCA staff (Jed Smith, Rand Costich, and Pam Thompson) have thoroughly examined the materials submitted under Rule 102 with respect to the attribution and distribution of city carrier costs. They have advised me that the following materials would be necessary to advance their understanding of Dr. Bradley's work and devise alternative analyses. I therefore ask that the Postal Service provide, informally (not for public dissemination), the following materials:

Data and Documentation for Dr. Bradley's Econometric Models

1. The sample design protocol, including statements of the reasons for the sample design choices.
2. The carrier selection and training procedure materials.
3. The study database, unscrubbed, and any other data collected but not used.
4. A statement of the reasons for scrubbing specific items of data.
5. The study database disaggregated by carrier route (with a specification of the type of carrier route; with a cross reference to the ZIP codes) in an electronic format that is compatible with software that runs in a PC environment. Also, an identification system (e.g., based on the matching of routes and ZIP codes in the two databases already furnished) for each route in the databases so that an analyst can see whether data from some routes were used as inputs for more than one econometric model. For example, would the data for flats and letters have been gathered in some cases on the same day/route/ZIP codes as the data for accountables and large packages? In addition to the two econometric models presented by Dr. Bradley, one could hypothesize a model in which data for accountables and large packages were modeled along with letters, flats, etc. at the ZIP code or possibly even route level. We do not know whether such an approach would be fruitful, but the requested data would be necessary in order to examine this potential approach.
6. The PC SAS computer programs, including econometric models, that were rejected in favor of those finally selected by Dr. Bradley.
7. Postal Service plans for updating the city carrier street time study database or revising the econometric model.

OCA would also like to develop an understanding of how the results of Dr. Bradley's study are used to distribute costs to categories of mail. Therefore, we request the following with respect to the distribution of Segment 7 costs:

Data and Documentation for Distribution of City Carrier Costs

8. The City Carrier Cost System (CCCS) data for FY 2003 used to distribute attributable city carrier costs to classes of mail in the CRA. (Listed in Order No. 1423).
9. A description of how total street costs are split between Segments 6 and 7. (We recall Dr. Bradley saying that the cost of mail sorting activities performed at the carrier's vehicle go to Segment 6.) Also, the workpapers that perform this split and any data used.
10. A description of how total Segment 7 costs are split among Components. Also, the workpapers that perform this split and any data used.
11. A description of each split (allocation, distribution) in the order in which it is performed.

You may recall that OCA retained an econometrician, Dr. Mark Roberts, in Docket No. R2001-1 to evaluate witness Bozzo's econometric analysis and perform an alternative analysis. At the present time, OCA hopes to retain Dr. Roberts' services for the next omnibus rate case. Since Dr. Roberts has time-consuming teaching responsibilities at Pennsylvania State University, OCA would like to obtain MODS data and other data Dr. Roberts used previously in estimating the volume variability of mail processing costs well in advance of the next rate case. This would allow Dr. Roberts to perform his work over a longer, less concentrated, period of time. To this end, OCA also requests the following materials pertinent to an evaluation of Dr. Bozzo's econometric model and to an update of Dr. Roberts' model.

Data and Documentation for Mail Processing Analysis

12. MODS input data used to estimate mail processing cost variabilities by activity. (Listed in Order No. 1423).
13. SAS computer programs showing how FY 2003 attributable mail processing costs were estimated and distributed to mail classes in the CRA. (Listed in Order No. 1423).
14. For fiscal years 2000-2004, data analogous to that provided in the following filings from Docket No. R2001-1. If complete data are not available, please provide available data and describe any omissions. FY 2000 data are requested to confirm that data provided now are analogous to (can be merged with) data provided in R2001-1.

- a. J-209, response to OCA/USPS-T14-7 (as described in file LR-J-209.doc)
- b. J-206, response to POIR No. 6, Q.11(a) (as described in file LR-J-206.doc)
- c. J-190, response to UPS/USPS-T14-2 (as described in file LR-J-190.doc)
- d. J-186, response to POIR No. 5, Q.7 (crosswalk: hard copy at <http://www.prc.gov/docs/30/30698/usps-lr-j-186.pdf>)
- e. J-179, response to OCA/USPS-172 (as described in file LR-J-179-1.doc)
- f. J-161, response to OCA/USPS-91(c) and (f), and 94 (revised) (as described in file LR-J-161.doc)
- g. J-56, two (2) diskettes (filed January 14, 2002) and one (1) CD (filed September 26, 2001)

Thank you for considering OCA's request. I look forward to hearing from you.

Sincerely,

Shelley S. Dreifuss
Director, Office of the Consumer Advocate