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

Postal Rate and Fee Changes   Docket No. R2006-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 7

(Issued June 29, 2006)

The United States Postal Service is requested to provide the information
described below to assist in developing a record for the consideration of the Postal
Service's request for a recommended decision on proposed rates, fees and
classifications. To facilitate inclusion of the required material in the evidentiary record,
the Postal Service is to have a witness attest to the accuracy of the answers and be
prepared to explain to the extent necessary the basis for the answers. The answers are
to be provided by July 13, 2006.

1.   Please refer to USPS-LR-L-129, WP-FCM-5c.
   a.   At the bottom of WP-FCM-5c, a note states that pieces weighing less than
           1.6 ounces will be subject to the nonmachinable surcharge. Please
           reconcile this note with USPS-T-32, page 20, at lines 2 and 3, which
           states that pieces weighing less than two ounces will be subject to the
           nonmachinable surcharge.
   b.   Please identify the source of the assumption that 3 percent of the FCM
           Business Parcels that migrate from Single-Piece will be subject to the
           nonmachinable surcharge. Please also provide the rationale for the
           assumption.
   c.   Please identify the source of the assumption that 58 percent of the FCM
           Business Parcels that migrate from Nonautomation Presort will be subject

to the nonmachinable surcharge. Please also provide the rationale for the assumption.

2.   Please refer to USPS-LR-L-129, WP-FCM-18.

   a.   Please confirm that the presort parcel savings in column [B], rows [l], [m], and [n] are calculated based on the costs presented in USPS-LR-L-43, FCM PRESORT FLATS.xls, sheet "BUNDLE OPS SUMMARY," column (5) Additional Unit Cost. If not confirmed, please provide the source of the figures. If confirmed, please provide the rationale for estimating the cost savings from the presortation of parcels based on the additional unit cost of parcels above the unit cost of flats, as opposed to the estimated costs of the parcels presented in column (4) Bundle Operations Piece Distribution.

   b.   Please identify the specific source of the additional cost of nonmachinable parcels presented in column [B] row [r]. Please also provide the rationale for the selection of this figure.

   c.   Please confirm that the parcel costs presented in columns [H], [I], and [J], row [y] represent costs of First-Class Presort parcels. If not confirmed, please provide the source of the figures. Since WP-FCM-5c indicates that roughly 150 million of the 154 million TYAR volume of FCM Business Parcels derives from what would otherwise be Single-Piece parcels, please explain the rationale for utilizing Presort parcel costs to estimate the additional cost (above letter costs) of these pieces.

Questions 3-8 request information pertaining to the coefficient estimates and other calculations related to window service variability performed in USPS-LR-L-80, and USPS-LR-L-81.

3.   Please confirm that the file "wscleanpos.11.3.05.xls" in USPS-LR-L-80 contains positive values of the variable "items," and zero values for the variable "quantity"

when the variable "bkstid" took the following values: 5190920204, 5190920307,

5200762971, 5200762974, 5200763027, 5200763043, 5200763050,

5200763136, 5200763137, 5200763248, 5200763249, 5200763264,

5200763275, 5200763296, 5200763321, 5200763340, 5200763347,

5200763371, 5200763375, 5200763377, 5200763380, 5202686713,

5202686737, 5202686878, 5204600356, 5204600363, 5204600414,

5204600621, 5204600631, 5204600684, 5204600692, 5204600715,

5205967718, 5205967774, 5209254848, 5209255045, 5209255062,

5209255068, 5211475232, 5215045283, 5217064747, 5217064759,

5217064854, 5217065025, 5217873360, 5217873438, 5217966505,

5219586271, 5219586293, 5220159928, 5220159940, 5220159956,

5220159984, 5220159987, 5220160041, 5220160052, 5220160132,

5220160282, 5220160365, 5221161403, 5222133721, 5224524621,

5224524626, 5224524641, 5224524679, 5224524901, 5224807795,

5225215130, 5225215201, 5225215313, 5225215331, 5226135297,

5228548352, 5228548472, 5228829280, 5230299425, 5230299434,

5230299444, 5230299468, 5230299469, 5230299507, 5230299572,

5232851551, 5232851574, 5235403080, 5238153528, 5238153533,

5239543490, 5239543491, 5239543513, 5239543802, 5243812452,

5244979149, 5245114318, 5245114333, 5245114358, 5245114361,

5245114369, 5245114464, 5245114739, 5245114833, 5245114847,

5245114873, 5249034362, 5249034363, 5249034374, 5249426251,

5249426623, 5249426782, 5249426900, 5250085862, 5250085889,

5253926401, 5253926442, 5253926501, 5253926632, 5255577819,

5255577835, 5255577836, 5255577839, 5255577844, 5258530327,

5258530467, 5260112364, 5260112375, 5260112393, 5260112420,

5260112427, 5212132580, 5220160199, 5224524601, 5226135409,

5228548319, 5230299621, 5231776302, 5239543566, 5245114769,

5256606210, 5224998285, 5228548321, 5228829263, 5230299479.

If you do not confirm, please identify the values of "bkstid" where the variable "items" was positive and the variable "quantity" was zero.

4.   Please confirm that this anomaly occurred because the file "wscleanpos.11.3.05.xls" incorrectly counted a zero-value for a window service item as a positive value for the variable "item."

5.   Did the data sets used for the regressions performed in USPS-LR-L-80 and USPS-LR-L-81 contain incorrect values for the variable "item" due to this anomaly?

6.   If the answer to question 5 is in the affirmative, please do the following:

a.   provide a corrected version of "wscleanpos.11.3.05.xls;"

b.   rerun all regressions performed in USPS-LR-L-80 and USPS-LR-L-81, and duplicate the regression output contained in these library references;

c.   provide revised versions of the Excel spreadsheets "Calculating Variabilties.Addendum.xls," and "Average Product Times.R2006.xls;"

d.   provide an Excel spreadsheet showing the calculations made to obtain the following values contained in "Calculating Variabilties.Addendum.xls," if the answers are not provided in response to OCA/USPS-T-17-1;

   i.   number of SISQ transactions for each product shown in step 2, worksheet "Variability Calculation;"

   ii.   number of SIMQ transactions for each product shown in step 2, worksheet "Variability Calculation;"

   iii.   Mean Volumes for each product shown in step 2, worksheet "Variability Calculation;"

Please provide data sources for all calculations made in response to the question.

e.   Provide an Excel spreadsheet showing the calculations made to obtain the following values contained in "Average Product Times.R2006.xls," if the answers are not provided in response to OCA/USPS-T-17-1:

   i.   Transactions;

   ii.   SISQ Time;

   iii. SIMQ Time;

   iv.   Total Quantity.

   Please provide data sources for all calculations made in response to the question.

7.   On pages 22-24 of USPS-T-17, witness Bradley discusses removing 9 observations that had large values. Witness Bradley also discusses removing 10 observations with large negative residuals on page 25. Did witness Bradley employ a statistical test to determine which observations had "large" residuals?

   a.   If not, please provide the results of a suitable test for outliers for the recommended models in USPS-LR-L-80 and USPS-LR-L-81 performed with the sample data, along with documentation of these tests. Please identify the outlier statistic used, the value used to identify observations with potentially large influences on least squares estimates, and a listing of the potentially influential observations identified by its value for the variable "bkstid" along with the corresponding outlier test static value. Please rerun the regressions performed in USPS-LR-L-80 and USPS-LR-L-81 after eliminating the identified influential observations, and report the regression output.

   b.   Please provide the information requested in 7.a., if witness Bradley did perform such a statistical test for outliers.

8.   Please confirm that the t-statistics and other tests for significance witness Bradley relied upon for the models recommended in USPS-LR-L-80 and USPS-LR-L-81 depend on the assumption that the equation errors are approximately normal. Please provide the results of a suitable test for normality of residuals for these two models, along with documentation of these tests.

9.   Please refer to USPS LR-L-36, ECR rate design worksheets.

   a.   Please explain why the pound formula was used for the high density letter rate. Confirm that using this formula results in a presort discount for high density letters of 4.3 cents rather than the 3.4 cents stated as the rate differential.

   b.   Please explain in detail how the difference in the pound rate for letters and non-letters was calculated.

                                   George Omas
                                   Presiding Officer