

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSES OF UNITED STATES POSTAL SERVICE
WITNESS NIETO TO INTERROGATORIES OF
OFFICE OF CONSUMER ADVOCATE [OCA/USPS-T24-9-12]
(July 28, 2006)

The United States Postal Service hereby provides the responses of Postal Service witness Norma B. Nieto to the above-listed interrogatories of Office of the Consumer Advocate, filed on June 13, 2006.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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Response of Postal Service Witness Norma B. Nieto
To Interrogatories Posed by the OCA

OCA/USPS-T24-9. The purpose of this interrogatory is to attempt to understand the characteristics of window transactions as related to site size. Your answer to OCA/USPS-T24-6 indicates that 1535 transactions were not included in the final database of 7915 transactions.

- (a) How many of the 1535 transactions were from small sites, and how many were from large sites?
- (b) Of the 7915 transactions, how many of the transactions were from small sites, and how many were from large sites?

Response

a. & b. See table below.

Strata	Excluded	Included
Large	980	6074
Small	555	1841
Total	1535	7915

Note that of the 555 excluded transactions from the Small strata, 235 came from a single day/office and resulted from a one-time data upload malfunction in the POS-ONE data warehouse. Outside this exception, the excluded transactions were evenly distributed among the sites both large and small.

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OCA/USPS-T24-10. The purpose of this interrogatory is to develop information on whether the database is adequate for the analysis. Your answer to OCA/USPS-T24-2 indicates that you did not perform an analysis of the number of transaction observations needed for each product but that, "Rather, the objective of the transaction time study was to create a database that contained sufficient transactions to allow an update of the established transaction time econometric model."

- (a) How did you determine that you had "sufficient transactions"?
- (b) Please explain the statistical methodology that you used to determine the number of sites, the number of observations per site, and the stratification that guaranteed a level of confidence (please state the level of confidence) that on a product-by-product basis you had "sufficient transactions."
- (c) Assuming that you had "n" types of transactions, with some transactions containing single products and some transactions containing multiple products, please explain how you would determine the number of observations required for a statistically accurate sample.

Response:

- a. Since this study was an update of the transaction time study used to support the estimation of the transaction supply side variabilities for window service costs originally presented by the Postal Service in Docket No. R97-1, "sufficient transactions" was defined as a number of transactions approximately equal to or greater than the number of transactions used to estimate the transaction supply side variabilities presented in Docket No. R97-1 and used by both the Postal Service and the Commission in Docket No. R2000-1, Docket No. R2001-1, and Docket No. R2005-1, which was 7,175 transactions.
- b. No formal statistical methodology was used to guarantee a level of confidence at the product-level as that was not a pre-specified objective in the study update. Rather, as stated above, the objective for this transaction time study update was

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to obtain a number of transactions similar to that of the original transaction time study presented by the Postal Service in Docket No. R97-1. As stated previously, in so far as I could determine, no party to that proceeding criticized or took issue with the approach or the results. The Commission accepted it without criticism or suggestion for improvement or revision. The resulting variabilities were used by both the Postal Service and the Commission in Docket No. R2000-1, Docket No. R2001-1, and Docket No. R2005-1. In none of those dockets did any party criticize or object to any part of the analysis. Given this history, it seemed appropriate to adopt a similar study design and sample size, and adjust as necessary to reflect any operational changes since then. Listed below are the elements of the study design reviewed.

1) Geographic Stratification of Sites – In the R97-1 study, the sample consisted of offices selected from each of the ten USPS Areas. I consulted with experts in Retail Operations to confirm that the Area was still the appropriate administrative and geographic division for the purpose of this study. Since USPS now had nine Areas instead of ten, the nine Areas were used as the starting point for selecting the sites.

2) Number of Offices Sampled in Each Area – In the R97-1 study, the sample consisted of two offices selected from each of the ten USPS Areas, for a total of 20 sampled offices. Again, because there were no criticisms or suggestions for improvements in the sample size for the R97-1 study, two offices from each Area

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was used as the baseline. In order to allow for unforeseen issues, the sample size was increased by one additional office per Area, which was the most the sample could be increased by given the availability of data collector resources and the time available to complete the study.

3) Number of Days and Windows Observed Per Site – In the R97-1 study, the sampling plan consisted of two data collectors observing for two days at each office (with exceptions for one-window offices). Again, because there were no criticisms or suggestions for improvements in the sampling plan for the R97-1 study, and consultations with Retail Operations experts did not necessitate any changes, the same sampling plan was used in this study.

4) Size Stratification – In the R97-1 study, the stratification by office size was based on the CAG designation as a proxy for office size. When the R97-1 transaction time study was conducted, POS-ONE had not been deployed, and there existed various methods of conducting transactions, including the IRT terminals and manual entry which were closely associated with the CAG (and thus size) of the office. Because this study update would include only POS-ONE terminal sites (which are by definition the largest offices as determined by annual revenue) and due to the availability of revenue per site data from the POS-ONE database, I instead used revenue per site as the indicator of office size. Please refer to my response to OCA/USPS-T24-1, parts a. and h. for how strata and the number of offices in each were selected.

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- c. Without a definition of exactly what is meant by “statistically accurate” in the context of the transaction supply side variability estimation model, I cannot provide a response. However, if one simply wished to obtain a target level of single and multiple transaction observations, one could calculate a historical average of the number of single and multiple transactions per day for the universe of offices, and estimate the number of office-days needed to obtain the level of desired transactions, and add additional office-days to allow for a desired margin to allow for any data collection errors and other issues.

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OCA/USPS-T24-11. The purpose of this transaction is to develop data on the overall activities at locations. In OCA/USPS-T24-7 you provide by location and day the number of data collectors assigned to registers.

- (a) Please indicate, by location and day, the total number of hours for which a data collector collected data on transactions, including waiting times, breaks, and all other activities.
- (b) Please provide, by location and day, the total number of hours for which non-transactional time was measured, broken down by type of non-transactional activity.

Response:

- a. Please refer to the Excel spreadsheet "AttachmentOCA11.xls" contained in USPS-LR-L-159. Hours for multiple data collectors on the same day are combined.
- b. Please refer to the Excel spreadsheet "AttachmentOCA11.xls" contained in USPS-LR-L-159. As has been noted in my previous interrogatory responses, the data on activities other than transactions was not used by either myself or witness Bradley. As such, this data has not been cleaned or validated. The main purpose of collecting the non-transactional time data was to account for time throughout the day, allowing for easier matching to the POS-data.

Because the data collector's first priority was to collect the transaction time data by ensuring the observation of the beginning and the end of the customer transaction, data collectors had discretion in assigning activity codes to non-transactional time. Note also that data collectors did not record clerk breaks

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explicitly. Time associated with clerk breaks could be included in time for data collectors breaks, or time recorded as Clerk Away from the Window.

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OCA/USPS-T24-12. The purpose of this interrogatory is to obtain data on “walk” time, which appears to be an integral part of a transaction, given that a customer must walk to a window to perform a transaction. Please turn to your response to OCA/USPS-T24-3, where you indicate that “The “walk” part of the transaction was recorded for those transactions in which the walk was long enough to allow a data collector to record a separate measurement.” Please provide data for the “walk” part of the transaction for each of the 7915 transactions, recognizing that in many cases the “walk” time will be zero.

Response:

Please refer to the Excel spreadsheet “AttachmentOCA12.xls” contained in USPS-LR-L-159. This Excel spreadsheet contains the data originally provided in USPS-LR-L-79 as WSCleanPOSData.xls with the walk time added as a column, with zeros indicating no specific walk time was recorded for the transaction.