

Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

Postal Rate and Fee Changes, 2006)

Docket No. R2006-1

RESPONSES OF OFFICE OF THE CONSUMER ADVOCATE
WITNESS J. EDWARD SMITH TO INTERROGATORIES OF
UNITED STATES POSTAL SERVICE (USPS/OCA-T2-1-8)
(October 17, 2006)

The Office of Consumer Advocate hereby submits responses of J. Edward Smith to interrogatories USPS/OCA-T2-1-8, dated October 3, 2006. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

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RESPONSE OF OCA WITNESS J. EDWARD SMITH
TO INTERROGATORIES USPS/OCA-T2-1-8

USPS/OCA-T2-1

Please refer to your testimony at page 1, entitled "Statement of Qualifications":

- (a) Have you written any articles in the area of econometric analysis which have been published? If yes, please provide citations for all articles.
- (b) Have you submitted any articles concerning econometric analysis for publication? If yes, please provide copies of all such articles.
- (c) Please provide copies of, or citations to, every piece of testimony concerning econometric studies which you have sponsored in front of any court, administrative agency, or regulatory agency.

RESPONSE TO USPS/OCA-T2-1

- (a) No.
- (b) No.
- (c) The following reports summarized corporate modeling efforts, including the application of econometric analyses developed by me or under my direction.

Before the District of Columbia Public Service Commission

F.C. No. 834, Phase II, Integrated Least Cost Plan, Fifteen Volumes, 1990.

F.C. No. 834, Phase III, Integrated Least Cost Plan, Twelve Volumes, 1992.

F.C. No. 921, Integrated Least Cost Plan, Seven Volumes, 1994. Review of programs, modeling efforts, and plans.

F.C. No. 921, Integrated Least Cost Plan, 1996. Two Volumes.

Before the Maryland Public Service Commission

Washington Gas, Maryland Division, Conservation Status Report, 1994.

Washington Gas, Maryland Division, Conservation Status Report, 1995.

Before the Virginia State Corporation Commission

Washington Gas, Virginia Division, Status Report of Washington Gas CLM Activities, 1995.

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Washington Gas, Virginia Division, Status Report of Washington Gas CLM Activities, 1996.

Before the Postal Rate Commission

Docket No. R97-1. Direct Testimony of J. Edward Smith, Jr. (OCA-T-600) on Behalf of the Office of the Consumer Advocate, December 30, 1997.

Docket No. 97-1. Rebuttal Testimony of J. Edward Smith, Jr. (OCA-RT-1000) on Behalf of the Office of the Consumer Advocate, March 9, 1998.

Docket No. R2000-1. Direct Testimony of J. Edward Smith (OCA-T-4) on Behalf of the Office of the Consumer Advocate, May 22, 2000.

Docket No. MC2002-2. Direct Testimony of J. Edward Smith (OCA-T-1) on Behalf of the Office of Consumer Advocate, December 20, 2002.

Docket No. R2006-1. Direct Testimony of J. Edward Smith (OCA-T- 2) on Behalf of the Office of the Consumer Advocate, September 6, 2006.

Docket No. R2006-1. Direct Testimony of J. Edward Smith (OCA-T- 3) on Behalf of the Office of the Consumer Advocate, September 6, 2006.

RESPONSE OF OCA WITNESS J. EDWARD SMITH
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USPS/OCA-T2-2

- (a) Please explain how the row entitled "Total Sales" in Table 1 was derived.
- (b) Please provide your analysis, workpapers, and citations supporting the entirety of Table 2, the column entitled "Total Time Observed Hours" in Table 3, and the entirety of Table 4. If any of the supporting data is in spreadsheet form, please provide electronic versions.

RESPONSE TO USPS/OCA-T2-2

- (a) "Total Sales" is the product of revenue per site multiplied by number of sites.

Please see Table1WindowService.xls in the associated Library Reference being filed concurrently with this response (OCA-LR-L-9).

- (b) Table2WindowService.xls is in the associated Library Reference being filed concurrently with this response (OCA-LR-L-9). Table2WindowService.xls is of a simulation nature, providing several "What if..." Scenarios.

Table3WindowService.xls is in the associated Library Reference. The column "Total Time Observed Hours," was incorrect and has been corrected; however, no conclusions were dependent on the value, and the testimony is unchanged from this clerical error. Table 4WindowService.xls is in the associated Library Reference.

RESPONSE OF OCA WITNESS J. EDWARD SMITH
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USPS/OCA-T2-3

Please refer to page 12 of your testimony.

- (a) Is it your view that total walk-time is proportional to the total transaction time, or that total walk-time is proportional to the total number of customers?
- (b) Is it your view that total transaction time should be directly proportional to the total number of customers?

RESPONSE TO USPS/OCA-T2-3

- (a) Total walk-time would be proportional to total transactions where the time is measured. However, the table from which data were obtained in the construction of Table 3 (Table3WindowService.xls) did not contain total transactions but, rather contained transaction time, the variable used.
- (b) No.

RESPONSE OF OCA WITNESS J. EDWARD SMITH
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USPS/OCA-T2-4

This interrogatory attempts to accurately reproduce the results that you report in OCA-LR-3. Please consider the following table:

	Replication of Bradley Recommended Model	Bradley Recommended Model with Walk	Difference
First Class	15.50142	15.4987	0.00272
Stamps Bulk	3.51428	3.49426	0.02002
Stamps Non-	0.57943	0.58171	-0.00228
Priority Mail	28.27652	28.28101	-0.00449
Money Order	36.17514	36.23265	-0.05751
Parcel Post	41.33933	41.18931	0.15002
Other Weigh & Rate	25.90035	25.91913	-0.01878
Express Mail	78.88407	78.77349	0.11058

- (a) Please confirm that first column of the table accurately represents the estimated coefficients for the listed variables from your replication of witness Bradley's recommended model. If you do not confirm, please provide the correct coefficients.
- (b) Please confirm that second column of the table accurately represents the estimated coefficients for the listed variables from your estimation of witness Bradley's recommended model including walk time. If you do not confirm, please provide the correct coefficients.
- (c) Please confirm that the third column of the table accurately represents the difference in the estimated coefficients for the listed variables from the two versions of the estimate equation discussed in parts a. and b. above. If you do not confirm, please provide the correct differences.
- (d) Please provide a valid test of whether these differences are statistically different from zero.

RESPONSE OF OCA WITNESS J. EDWARD SMITH
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RESPONSE TO USPS/OCA-T2-4

- (a) Confirmed.
- (b) Confirmed.
- (c) Confirmed.
- (d) In the table below, the HC standard error is reported for each coefficient. A simple visual inspection shows that for each case the two coefficients are well within one standard error. There is no statistical difference between the two coefficients.

	Bradley Recommended Model	HC Standard Error	Consistent Covariance Estimates	Recommended Model with Walk
First Class	15.50142	1.221191	1.491307	15.4987
Stamps Bulk	3.51428	0.807587	0.6521965	3.49426
Stamps non-Bulk	0.57943	0.13556	0.0183766	0.58171
Priority Mail	28.27652	1.705945	2.9102484	28.28101
Money Order	36.17514	3.976126	15.809582	36.23265
Parcel Post	41.33933	8.191589	67.102125	41.18931
Other Weigh & Rate	25.90035	5.659228	32.026862	25.91913
Express Mail	78.88407	4.412701	19.471934	78.77349

RESPONSE OF OCA WITNESS J. EDWARD SMITH
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USPS/OCA-T2-5

In your testimony at page 21 you state:

Witness Bradley's response to Question 7 of POIR No. 7 provided a list of studentized residuals with an absolute value above 2. He concluded that observations with a studentized residual above absolute value 3 are likely outliers, and that those with a studentized residual above 2 in absolute value bear investigation.

- (a) Please confirm that neither your testimony nor your library references contain an investigation of the 250 observations with residuals above 2 in absolute value.
- (b) If you do not confirm, please provide a citation to where in your testimony there is a discussion of the nature and results of the investigation of the 250 observations.
- (c) If you do not confirm, please provide a citation to where in your library references the procedure to be followed in the investigation are presented and where the computer programs accomplishing the investigation are located.

RESPONSE TO USPS/OCA-T2-5

- (a) Confirmed.
- (b) Not applicable.
- (c) Not applicable.

RESPONSE OF OCA WITNESS J. EDWARD SMITH
TO INTERROGATORIES USPS/OCA-T2-1-8

USPS/OCA-T2-6

Please confirm that program entitled Studentized3 Model in OCA-LR-3 is a replication of the econometric model presented by witness Bradley in his response to question 7 of POIR #7.

RESPONSE TO USPS/OCA-T2-6

Confirmed.

RESPONSE OF OCA WITNESS J. EDWARD SMITH
TO INTERROGATORIES USPS/OCA-T2-1-8

USPS/OCA-T-2-7

Please refer to the program listing entitled "Studentized3 Output" in OCA-LR-3.

- (a) Please confirm that the regression is estimated on a data set containing 7,798 observations.
- (b) Please confirm that one of those observations has a value for Stamps Non-Bulk of 1,440. If you do not confirm please explain why the value of "Maximum" in the Proc Means output for the variable is listed as 1,440.
- (c) Please confirm that this means that 1,440 individual stamps were sold in this transaction. If you do not confirm, please provide your interpretation of this number.
- (d) Please confirm that the average value for Stamps Non-Bulk is listed in the same output as 1.933. If you do not confirm, please provide the average value for Stamps Non-Bulk listed in that program.

RESPONSE TO USPS/OCA-T2-7

- (a) Confirmed.
- (b) Confirmed.
- (c) Confirmed.
- (d) Confirmed.

RESPONSE OF OCA WITNESS J. EDWARD SMITH
TO INTERROGATORIES USPS/OCA-T2-1-8

USPS/OCA-T2-8

Please refer to the program listing entitled "Studentized2 Output" in OCA-LR-3.

- (a) Please confirm that the regression is estimated on a data set containing 7,665 observations.
- (b) Please confirm that one of those observations has a value for Stamps Non-Bulk of 800. If you do not confirm please explain why the value of "Maximum" in the Proc Means output for the variable is listed as 800.
- (c) Please confirm that this means that 800 individual stamps were sold in this transaction. If you do not confirm, please provide your interpretation of this number.
- (d) Please confirm that the average value for Stamps Non-Bulk is listed in the same output as 1.713. If you do not confirm, please provide the average value for Stamps Non-Bulk listed in that program.

RESPONSE TO USPS/OCA-T2-8

- (a) Confirmed.
- (b) Confirmed.
- (c) Confirmed.
- (d) Confirmed.