

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

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS PATELUNAS TO INTERROGATORIES OF  
UNITED PARCEL SERVICE REDIRECTED  
FROM WITNESS TAYMAN  
(UPS/USPS-T6-10-12)

The United States Postal Service hereby provides the responses of witness Patelunas to the following interrogatories of United Parcel Service: UPS/USPS-T6-10-12, filed on November 15, 2001, and redirected from witness Tayman.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking:

  
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November 29, 2001

**RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS PATELUNAS TO INTERROGATORIES OF  
UNITED PARCEL SERVICE  
(REDIRECTED FROM WITNESS TAYMAN USPS-T-6)**

**UPS/USPS-T6-10.** Explain why there are no "PMPC In-House" cost adjustments for FY 2003.

**Response:**

See my response to UPS/USPS-T6-4(b) redirected from witness Tayman and the Postal Service response to UPS/USPS-12(b). There are no PMPC in-house transition costs for FY2003 because the transition is expected to be completed in FY2002. As such, after FY2002, all PMPC in-house costs are included in the total costs of Cost Segments 3, 14, 15 and 16.

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(REDIRECTED FROM WITNESS TAYMAN USPS-T-6)**

**UPS/USPS-T6-11.** Refer to library reference USPS-LR-J-49, spreadsheet "Prg\_01\_s.XLS", page "Summary." Confirm that the net increase in costs from moving the Priority Mail Processing Center ("PMPC") operations "in-house" is \$201,969,000 in FY 2001. If not confirmed, please provide the correct number.

**Response:**

Confirmed as labeled. Library reference USPS-LR-J-49, spreadsheet "Prg\_01\_s.XLS", page "Summary" can also be seen in hardcopy as Exhibit G of the same library reference and this discussion will rely on Exhibit G. The individual amounts that constitute the totals shown in Exhibit G can be found in Exhibits A and B and it is useful to refer to the individual amounts to understand the presentation in Exhibit G. From Exhibits A and B, summing the lines for "PMPC in House" and "PMPC Contract" yields the total amounts shown in Exhibit G. As an additional explanatory aid, Attachment 1 that accompanies this response summarizes the individual amounts and the summations for FY 2001 and FY 2002.

Column (1) of Attachment 1 shows the relevant cost segments and column (2) shows the source in USPS-LR-J-49. Column (3) shows the PMPC transition costs of bringing the network in-house and column (4) shows the savings resulting from termination of the Emery contract. Column (5) is the sum of Columns (3) and (4). The footnote 1/ amounts are the net amounts for each year and they are also the amounts found in the "Summary" presented in Exhibit G.

Attachment 1  
 UPS/USPS-T6-11  
 Redirected from Witness Tayman

Cost Segment (1)	USPS-LR-J-49 (2)	PMPC In-House (3)	PMPC Contract (4)	PMPC Net (5)
3	Exhibit A, page 1	146,800		146,800
14	Exhibit A, page 2	259,500		259,500
15	Exhibit A, page 2	34,900		34,900
16	Exhibit A, page 2	3,200	(242,431)	(239,231)
<b>FY01 Subtotal</b>		<b>444,400</b>	<b>(242,431)</b>	<b>201,969</b> 1/
3	Exhibit B, page 1	64,800		64,800
14	Exhibit B, page 2	125,400		125,400
15	Exhibit B, page 2	18,600		18,600
16	Exhibit B, page 2	1,400	(347,670)	(346,270)
<b>FY02 Subtotal</b>		<b>210,200</b>	<b>(347,670)</b>	<b>(137,470)</b> 1/
<b>Grand Total</b>		<b>654,600</b>	<b>(590,101)</b>	<b>64,499</b>

1/ USPS-LR-J-49, Exhibit G, "Summary"

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**UPS/USPS-T6-12.** Refer to library reference USPS-LR-J-49, spreadsheet "Prg\_01\_s.XLS", page "Summary."

(a) Confirm that the cost savings from moving the Priority Mail Processing Center ("PMPC") operations "in-house" is \$137,470,000 in FY 2002. If not confirmed, provide the correct number.

(b) Explain in detail why the impact of moving the PMPC network in-house changed from a cost increase in FY 2001 to a cost savings in FY 2002.

**Response:**

(a) Confirmed as labeled.

(b) Both years, FY 2001 and FY 2002, need to be looked at together to understand the transition from phasing-out the contract to bringing the network in house. By referring to Attachment 1 to UPS/USPS-T6-11, it can be seen that it is the timing of events that causes the totals to change from a cost increase in FY 2001 to a cost savings in FY 2002. Looking at the FY01 Subtotal line shows that the \$444 million of transition costs are only partially offset by the \$242 million of contract savings. The reason for this is that there were contract costs of \$223 million in FY 2001. Looking at the FY02 Subtotal line shows that much of the transition cost had occurred, leaving \$210 million of transition costs. This was more than offset by the \$348 million of contract savings for the entire year.

**DECLARATION**

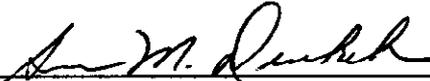
I, Richard Patelunas, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Richard Patelunas

Dated: 11/29/01

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

  
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Susan M. Duchek

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