

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 INTERROGATORY OF UNITED PARCEL SERVICE
(UPS/USPS-T12-1)

The United States Postal Service hereby provides the response of witness Patelunas to the following interrogatory of United Parcel Service: UPS/USPS-T11-2, filed on November 15, 2001. A full objection to UPS/USPS-T12-1 and a partial objection to UPS/USPS-T12-2(a) were filed on November 26, 2001. A partial response to UPS/USPS-T12-2(a) was filed on November 29, 2001. Subsequently, UPS and the Postal Service were able to reach a compromise solution on the objections, and the Postal Service is thus providing the attached response to UPS/USPS-T12-1. Both UPS and the Postal Service have agreed that this answer will be deemed responsive to the interrogatory and will resolve the issues raised in both objections. UPS, however, reserves its right to follow up on the response and the Postal Service reserves its right to object to any such follow ups.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:



Susan M. Duchek

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December 6, 2001

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WITNESS PATELUNAS TO INTERROGATORIES OF
UNITED PARCEL SERVICE**

UPS/USPS-T12-1. Refer to your response to interrogatory UPS/USPS-T6-2(a)(i), redirected from witness Tayman. Provide the supporting documentation and workpapers for calculating the costs to operate the Priority Mail Processing Center ("PMPC") network in-house for FY2001 and FY 2002.

Response:

Please refer to Attachment 1 that accompanies this response. Attachment 1 shows the calculation of the \$211,600,000 of labor costs discussed in my earlier response to UPS/USPS-T6-2(a)(i), redirected from witness Tayman. That earlier response provided a general description of some of the site-by-site factors used to calculate the labor expenses of the transition. The earlier response further explained that nine-thirteenths of the total was applied to Fiscal Year 2001 and the remainder was applied to Fiscal Year 2002. My response to UPS/USPS-T12-2(b) should also be referenced as part of the explanation because, as I explained in that response, the labor costs of the transition shown in the rate case include all labor costs and they are all distributed to Priority Mail.

Referring to Attachment 1, Column (1) shows the general function or area of the personnel and Column (2) shows the related pay category. The footnotes for the second column explain the reasoning behind the workhours shown in Column (3). Footnote 1/ shows the calculation of the Casual and PS-5 mail processing hours using data from the previous year. Actual site volumes were summed to the "Total Volume" and it was assumed that 80% of this mail received a second handling; the sum of these two pieces yields the "Total Handled Volume". It was assumed that this mail was processed at a rate of 150

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Response continued:

pieces per hour; thus, dividing the "Total Handled Volume" by 150 PPH yields total workhours. Agreements with Postal unions set the constraint of 75% Full-Time hours and 25% Casual hours.

Footnote 2/ denotes additional mail processing hours that were derived from discussions with the field concerning implementation. Footnote 3/ is the first line mail processing supervision calculation and it utilized actual PMPC supervisor hours from the previous year. Footnotes 4/ and 5/ display the assumed support personnel required for the operation of the sites: Maintenance and Higher Level Supervisors.

The Average Rate per Hour in Column (4) is multiplied by the Workhours in Column (3) to arrive at the Total Cost in Column (5). Each of the amounts in Columns (3) through (5) are based on the previous year, so the Total Cost of \$205,738,000 was multiplied by a 2.8% Escalation Rate to estimate Fiscal Year 2001 dollar amounts. This generates the Total Cost of \$211,600,000 that appears in the rate case. As explained earlier, the Total Cost of \$211,600,000 was allocated to nine APs in Fiscal Year 2001 and four APs in Fiscal Year 2002.

**Attachment 1
UPS/USPS-T12-1**

(1)	(2)		Workhours (000s) (3)	Rate per hour (4)	Total Cost (000s) (5)
Mail Processing	Casual	1/	1,800	11.12	20,012
Mail Processing	PS-5	1/	5,399	30.66	165,534
Mail Processing	PS-05	2/	44	30.66	1,349
Mail Processing	PS-06	2/	18	32.17	579
Mail Proc. Supervision	EAS-16	3/	241	35.40	8,531
Maintenance	PS-07	4/	54	33.23	1,794
Maintenance	PS-10	5/	18	38.59	695
Human Resources	EAS-15	5/	1	33.91	20
Human Resources	EAS-17	5/	26	38.75	1,008
Operations Support	EAS-21	4/	55	45.31	2,492
Manager	EAS-23	4/	55	49.35	2,714
Manager	EAS-25	5/	18	56.07	1,009

7,728

205,738

1.028 Escalation Rate
211,601

	FY 2001	FY 2002
9 APs	146,493	
4 APs		65,108

1/ Development of Casual/Full-time workhours:

	(000s)
Total Volume	599,890
80% Second Handling	479,912
Total Handled Volume	1,079,802
Total Hours @ 150 PPH	7,199
Full Time 75%	5,399
Casual 25%	1,800

2/ Additional mail processing requirements

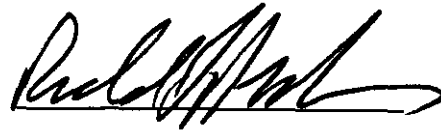
3/ Calculated using actual supervisor hours for PMPC sites during previous year

4/ Three positions per site

5/ One position per site

DECLARATION

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

A handwritten signature in black ink, appearing to read "Richard Patelnas", written over a horizontal line.

Dated: 12/6/01

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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