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POSTAL RATE COMMISSION
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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes

Docket No. R97-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 11

(January 30, 1998)

The United Parcel Service is requested to provide the information described below to assist in developing a record for the consideration of its proposals in this case. In order to facilitate inclusion of the requested material in the evidentiary record, the United Parcel 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 at our hearings. The answers are to be provided within 14 days.

1. The Service's base year presentation uses MODS related data to determine Segment 3 (Clerks and Mailhandlers, A-J Offices) functional component (mail processing, window service, and administrative) accrued costs. In response to OCA discovery, the Service filed USPS LR-H-315 that was intended to show results assuming the established Docket No. R94-1 mail processing variability analysis was used in conjunction with Postal Service witness Degen's MODS based procedure for distributing attributable costs. In USPS LR-H-315, Table A, page 1, the Service identifies \$679,221 thousand as non-6522 (clocking in and out) administrative costs and \$127,182 thousand as window service costs that are in the mail processing functional component in the Postal Service's base year presentation.

Witness Sellick states (UPS-T-2 at 13) that "the 'migration' of some costs previously classified as administrative (and assigned to Cost Segment 3.3) but now included in Cost Segment 3.1 must be reversed to ensure treatment consistent with the Commission's established practice." The workpapers of witness Sellick identify

\$383,505 thousand in base year fixed costs as being backed out of mail processing costs and \$421,231 thousand in base year costs as being transferred from mail processing to administrative. No costs are identified as being transferred from mail processing to window service. UPS-Sellick-WP-1-I-A1, W/S 3.0.2 and W/S 3.0.4.

a. Please explain why witness Sellick did not back out the remaining \$385,172 thousand in administrative and window service costs that the Postal Service identifies as migrating to mail processing under the MODS based approach.

b. Please prepare a presentation that moves the administrative and window service costs that the Postal Service identifies as migrating to mail processing under the MODS based cost system and calculate the base year and test year costs by subclass.

2. It is also requested that UPS consider the following potential corrections to witness Sellick's presentation and, if appropriate, incorporate them in the above analysis. If UPS does not include these potential corrections, please explain why its treatment is appropriate.

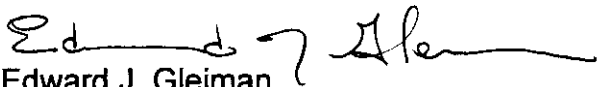
a. Postal Service witness Alexandrovich's' WP A-3 develops distribution keys for equipment maintenance labor costs (component 74 distributed by component 1259), included in Cost Segment 11, Custodial Maintenance Services; equipment maintenance parts and supplies (component 184 distributed by component 1289), included in Cost Segment 16, Supplies and Services; and equipment depreciation (component 235 distributed by component 1229), included in Cost Segment 20, Depreciation and Other Costs.

In his WP 1-I-A3, UPS witness Sellick develops an adjusted distribution key component 1259, which reflects the UPS proposal for mail processing variability. However, he does not adjust cost distribution components 1229 and 1289 for his proposed mail processing variability.

b. The attributable costs of Cost Segment 2 higher level supervisors are developed by applying a special study variability factor (.46) to the "degree of attribution of the composite of salary costs in segments 2 through 12 ..." which is cost distribution component 294. USPS LR-H-1 at 2-8 and witness Alexandrovich WP-A1 at 145. Thus

if the "degree of attribution" of component 294 changes, the attributable costs of higher level supervisors changes.

Witness Sellick makes adjustments to component 294 to reflect the UPS mail processing variability proposal which changes the "degree of attribution" of the component. However, the attributable costs for higher level supervisors in WP-1-I-A2, C/S 2 Adjustments for Changes in Mail Processing, is the same as shown in Postal Service WP A2 at 27-28. Witness Sellick appears to redistribute the Postal Service higher level supervisor attributable costs based on the UPS adjusted cost distribution component 294. It would appear that based on the description of the determination of higher level supervisor attributable costs above, that the amount of higher level supervisor attributable costs under the UPS proposal would also change.


Edward J. Gleiman
Presiding Officer