

EQUIPMENT AND FACILITY RELATED COSTS

I. PREFACE

A. Purpose and Content

The primary purpose of USPS-FY11-8 is to provide inputs to determine the volume variable equipment and facility-related costs by subclass for the CRA. USPS-FY11-8 also provides inputs for the calculation of cost pool and operations specific piggyback factors in USPS-FY11-25.

The CRA equipment-related costs are equipment depreciation (component 20.1), interest expense (component 20.5), maintenance labor (component 11.2), and parts & supplies (component 16.3.2). USPS-FY11-8 provides these costs by 26 cost pools defined by equipment type, using data from Postal Service accounting and engineering records. For each cost pool, costs are related to subclass through distribution keys indicated for each pool. Inputs are also provided to the CRA to calculate the distribution key to apportion costs for Intelligent Mail Devices (IMDs) Scanners.

The CRA facility-related costs are for space provision and space support. The space provision costs are rents (component 15.1), depreciation (component 20.3) and interest (component 20.5). The space support costs are fuel and utilities (component 15.2), custodial services labor (component 11.1), contract cleaners (component 11.1.2), building equipment maintenance labor (component 11.3), custodial supplies and services (component 16.3.1) and building security (component 18.1.2). These costs are divided into cost pools (or by activity) based on the FY 2010 estimates of square feet and rents by operation. These estimates are based on the FY1999 facility survey, updated using information on equipment deployments since FY1999. USPS-FY11-8 also provides a description of the variabilities and distribution keys for these cost pools.

B. Predecessor Document

Docket No. R2006-1, USPS-LR-L-54 and Docket ACR, FY 2010, USPS-FY10-8.

C. Corresponding Non-Public Document

There is no corresponding non-public document.

D. Methodology

USPS-FY11-8 uses the same facility space costing methodology as USPS-FY10-8 from Docket No. ACR2010, with the exception of the following changes in calculations consistent with PRC approved methodology changes in mail processing labor and the need to fix an error, as discussed below.

In FY2011 there were three changes in the calculations of Facility Space in this folder and the associated treatment of facility related costs in the CRA. The first two changes, additions of the space categories **FSS** and **Non-MODS Distribution to P.O. Box**, parallel the proposed and accepted changes in mail processing labor cost pools for Proposals Five and Six of Docket No. RM2011-12.¹ The third change corrects an error in past work, by eliminating the **DDU Accountables Cage** category and incorporating this space into the three processing space categories that include this activity.

The first modification adds Flat Sequencing System (FSS) as a space category to reflect current operations. This change parallels Proposal Five of Docket No. RM2011-12, which added an FSS cost pool for MODS (plants) and another for NDCs. The new FSS space category is for total FSS space, combining the space associated with the two new labor cost pools. The amount of space was based on the mid-FY deployment of 56 FSS (of the 100 FSS deployed). The amount of space per FSS machine was the same as done in FY2010 facility space calculations. (In FY2010, the space for the 10 FSS deployed were included in the AFSM 100 category (see Docket No. ACR2010, USPS-FY10-8)). For FY2011 there was 2.1 million sq. ft. in the FSS category, about 0.7 percent of total Postal Service facility space. The variability of the costs related to this space, 80 percent, is the same as that for flat sorting operations, and is consistent with past practice of utilizing the variability for similar space for new categories. The distribution key for this space is obtained by aggregating the mail processing labor cost pool costs for the two new FSS cost pools from USPS-FY11-7.

The second modification of facility space calculations is done to be consistent with Proposal Six of Docket No. RM2011-12, which added five additional mail processing labor cost pools for non-MODS post offices. One of these new cost pools, Non-MODS Distribution to P.O. Box, is added as a space category. The amount of facility space for this new category was based on the Proposal Six calculation of labor costs for this cost pool. A portion of facility space was taken from the Non-MODS space categories of Manual Flats, Manual Letters and Manual Parcels equal to the new cost pool's share of labor costs associated with each of these corresponding labor cost pools as done in Proposal Six.² No facility space was taken from the Non-MODS Allied space category, since only a small share of the labor costs for Non-MODS Allied go to the new cost pool and the ratio of space to labor costs in Non-MODS Allied is not likely to be

¹ See Order No. 920, Docket No. RM2011-12 (Oct. 21, 2011). See also USPS-FY11-7.

² See Table 2a of Tab "P6. non-MODS Addl Cpools Impact" of the Excel file "Props6&7.Mail.Proc.Impact.xls."

pertinent for the new cost pool. The variability of the costs related to this space, 80 percent, is the same as that for Non-MODS Manual Flats and Manual Letters space categories, which contribute the bulk of the space for the new category. The distribution key for this space is the new mail processing labor cost pool costs, Non-MODS Distribution to P.O. Box, from USPS-FY11-7.

Another change stemming from Proposal Six concerns the distribution of facility related costs for Non-MODS Miscellaneous space. In FY2010, this distribution was based on the Non-MODS Miscellaneous labor cost pool. As indicated in Proposal Six, the Non-MODS Miscellaneous labor cost pool is split into five cost pools: Bulk Acceptance, Business Reply, CFS, Other Accountables and Non-MODS Miscellaneous labor cost pools.³ The latter cost pool contains the remainder of the FY2010 Non-MODS Miscellaneous labor cost pool. The revised distribution for Non-MODS Miscellaneous facility space category uses the combination of these five labor cost pools to essentially reconstitute the FY2010 Non-MODS Miscellaneous labor cost pool. This calculation is the same as dividing the FY2010 Non-MODS Miscellaneous facility space into five categories based on the labor shares (which is the only information available) and then using each respective labor cost pool as the distribution key.

The third calculation revision was to fix an error concerning the category DDU Accountables Cage. Since work in the DDU Accountables Cage is part of mail processing, the facility space associated with DDU Accountables Cage should have been incorporated into the space categories for the mail processing cost pools which included this work. As a result, the DDU Accountables Cage space category was eliminated and its space is included in the space categories Mail Processing Support/Miscellaneous Activity, LDC 48- Customer Services/Special Services and Non-MODS Miscellaneous. The original survey data was used to determine the share of DDU Accountables Cage sq. ft. that would be associated with plant, MODS station/branch, or non-MODS station/branch. These shares are applied to the sq. ft. that DDU Accountables Cage would have had for FY2011 to obtain the amounts to be added to the three facility space categories that include this activity, as listed above.

USPS-FY11-8 uses the same equipment cost methodology as USPS-FY10-8 from Docket No ACR2010, with the exception of the following changes in calculations. First, a FSS equipment category was added, which is consistent with the PRC approved methodology changes in mail processing labor. In FY2010, the depreciation and maintenance expenses for FSS had been included with the AFSM 100 category. Second, the equipment categories for OCR and MPBCS were eliminated as this equipment has been removed.

³ See Table 2a of Tab "P6. non-MODS Addl Cpools Impact" of the Excel file "Props6&7.Mail.Proc.Impact.xls," and see USPS-FY11-7.

E. Input/Output

FY 2011 facility-related cost factors use FY 2005 square feet and rents by operation from Docket No. R2006-1, USPS LR-L-54, page I-17, and also incorporate two additional facility space categories contained in the FY 2006 CRA (see Periodic Reports/Data Reports, filed July 27, 2007). The FY 2005 square feet and rents by operation are from the FY 2004 facility space and rents by operation from Docket No. R2005-1, USPS LR-K-54, part I, and additional facility space data are from the “Facility Space Usage Study”, USPS LR-K-62. Rental rates per sq. ft. are based on USPS LR-G-120 in Docket No R94-1, Facility Cost Development Update, December 1993. Data on MODS workhours are from USPS-FY11-7, Cost Segment 3 Cost Pools and Other Information, part I. Engineering provided equipment deployment data. Information on Caller Service storage space is from USPS-FY08-28, Caller Service2008.xls.

FY 2011 equipment-related costs are based on maintenance labor and parts and supplies costs by equipment category from the Maintenance Activity Reporting and Scheduling (MARS) system. Depreciation costs by equipment category are based on equipment accounting records. Trial Balance costs are obtained from USPS-FY11-5.

USPS-FY11-8 provides the following inputs for the CRA Model (Nonpublic Version), USPS-FY11-NP13 and CRA Model (Public Version), USPS-FY11-31. Facility space factors are contained in FCILTY11.XLS, sheets “Outputs to PRC CRA” and “POBox-Caller Service Split.” The equipment factors are contained in FY11equip.XLS, sheet “Output to CRA.” FY11.IMD.SCANNER.KEY.INPUT.XLS provides inputs for the CRA to calculate the distribution key used for distributing the depreciation, maintenance labor and parts & supplies costs for the Intelligent Mail Device (IMD) Scanners, which is component 997.

USPS-FY11-25, Operation Specific Piggyback Factors, relies on USPS-FY11-8 for facility space square feet and rents by category and for equipment-related costs by category.

II. ORGANIZATION

CRA FACILITY RELATED COST FACTORS, VARIABILITIES & DISTRIBUTION	FCILTY11.XLS
CRA PROCESSING AND OTHER EQUIPMENT MAINTENANCE, PARTS AND SUPPLIES COSTS: FACTORS & DISTRIBUTION	FY11equip.XLS
CRA PROCESSING AND OTHER EQUIPMENT CAPITAL COSTS: FACTORS & DISTRIBUTION.....	FY11equip.XLS

CRA INPUTS FOR IMD SCANNER DISTRIBUTION

KEY.....FY11.IMD.SCANNER.KEY.INPUT.XLS

Each of these Microsoft Office Excel workbooks contains an overview of its contents.