

# DOCKET SECTION

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

RECEIVED

JAN 27 4 43 PM '98

POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

Docket No. R97-1

POSTAL RATE AND FEE CHANGES, 1997

UNITED STATES POSTAL SERVICE  
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO  
UNITED PARCEL SERVICE WITNESS SELICK  
(USPS/UPS-T2-1-17)

Pursuant to rules 25 and 26 of the Rules of Practice and Procedure and rule 2 of the Special Rules of Practice, the United States Postal Service directs the following interrogatories and requests for production of documents to United Parcel Service witness Sellick: USPS/UPS-T2-1-17.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

  
Susan M. Duchek

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2990; Fax -5402  
January 27, 1998

USPS/UPS-T2-1. Please refer to UPS-Sellick-WP-1-I-C2 and UPS-Sellick-WP-D2. In the first workpaper, please refer to ROLL\_0.XLS, CS 2 Sheet and in the second workpaper, please refer to RLL100.XLS, CS 2.

- a. Please confirm that the sources for columns [22] - [28] of both sheets is "PHB Base Year Recalculation Model, CS 2 Sheet". If you do not confirm, please explain fully.
- b. Please confirm that the amounts shown for columns [22] - [28] are different for both sheets. If you do not confirm, please explain fully.
- c. Please confirm that the amounts on page 2 of ROLL\_0.XLS, CS 2 Sheet, columns [22] - [28] are intended to replicate the Postal Service base year amounts shown on page 1, columns [1] - [7]. If you do not confirm, please explain fully.
- d. Please confirm that on page 4 of ROLL\_0.XLS, CS 2 Sheet, columns [34] - [42], are intended to replicate the test year amounts appearing on page 1, columns [8] - [14]. If you do not confirm, please explain fully.
- e. Please explain fully the calculation and purpose of the line labeled "Factor" for columns [36] - [42] on page 4 of ROLL\_0.XLS, CS 2 Sheet.

USPS/UPS-T2-2. Please refer to UPS-Sellick-WP-1-I-C2 and UPS-Sellick-WP-D2. In the first workpaper, please refer to ROLL\_0.XLS, CS 3 Sheet and in the second workpaper, please refer to RLL100.XLS, CS 3 Sheet.

- a. Please confirm that the sources for columns [46] - [60] of both sheets is "PHB Base Year Recalculation Model, CS 3 Sheet". If you do not

confirm, please explain fully.

- b. Please confirm that the amounts shown for columns [46] - [60] are different for both sheets. If you do not confirm, please explain fully.
- c. Please confirm that the amounts on page 4 of ROLL\_0.XLS, CS 3 Sheet, columns [46] - [60] are intended to replicate the Postal Service base year amounts shown on page 1, columns [1] - [15]. If you do not confirm, please explain fully.
- d. Please confirm that on page 6 of ROLL\_0.XLS, CS 3 Sheet, columns [76] - [90] are intended to replicate the test year amounts appearing on page 2, columns [16] - [30]. If you do not confirm, please explain fully.
- e. Please explain fully the calculation and purpose of the line labeled "Factor" for columns [76] - [90] on page 6 of ROLL\_0.XLS, CS 3 Sheet.

USPS/UPS-T2-3. Please refer to UPS-Sellick-WP-1-I-C2 and UPS-Sellick-WP-D2. In the first workpaper, please refer to ROLL\_0.XLS, CS 4 Sheet and in the second workpaper, please refer to RLL100.XLS, CS 4 Sheet.

- a. Please confirm that the sources for column [4] of both sheets is "PHB Base Year Recalculation Model, CS 4 Sheet". If you do not confirm, please explain fully.
- b. Please confirm that the amounts shown for column [4] are different for both sheets. If you do not confirm, please explain fully.
- c. Please confirm that the amounts on page 2 of ROLL\_0.XLS, CS 4 Sheet, column [4] are intended to replicate the Postal Service base year amounts

shown on page 1, column [1]. If you do not confirm, please explain fully.

- d. Please confirm that on page 2 of ROLL\_0.XLS, CS 4 Sheet, columns [6] are intended to replicate the test year amounts appearing on page 1, column [2]. If you do not confirm, please explain fully.
- e. Please explain fully the calculation and purpose of the line labeled "Factor" for column [6] on page 2 of ROLL\_0.XLS, CS 4 Sheet.

USPS/UPS-T2-4. Please refer to UPS-Sellick-WP-1-I-C2 and UPS-Sellick-WP-D2. In the first workpaper, please refer to ROLL\_0.XLS, CS 11 Sheet and in the second workpaper, please refer to RLL100.XLS, CS 11 Sheet.

- a. Please confirm that the source for column [13] of both sheets is "PHB Base Year Recalculation Model, CS 11 Sheet" and the sources for columns [14] - [16] of both sheets is "PHB Base Year Recalculation Model, PESSA Costs Sheet". If you do not confirm, please explain fully.
- b. Please confirm that the amounts shown for columns [13] - [16] are different for both sheets. If you do not confirm, please explain fully.
- c. Please confirm that the amounts on page 2 of ROLL\_0.XLS, CS 11 Sheet, columns [13] - [16] are intended to replicate the Postal Service base year amounts shown on page 1, columns [1] - [4]. If you do not confirm, please explain fully.
- d. Please confirm that on page 3 of ROLL\_0.XLS, CS 11 Sheet, columns [21] - [24] are intended to replicate the test year amounts appearing on page 1, columns [5] - [8]. If you do not confirm, please explain fully.

- e. Please explain fully the calculation and purpose of the line labeled "Factor" for columns [21] - [24] on page 3 of ROLL\_0.XLS, CS 11 Sheet.

USPS/UPS-T2-5. Please refer to UPS-Sellick-WP-1-I-C2 and UPS-Sellick-WP-D2. In the first workpaper, please refer to ROLL\_0.XLS, CS 15 Sheet and in the second workpaper, please refer to RLL100.XLS, CS 15 Sheet.

- a. Please confirm that the sources for columns [7] - [8] of both sheets is "PHB Base Year Recalculation Model, PESSA Costs Sheet". If you do not confirm, please explain fully.
- b. Please confirm that the amounts shown for columns [7] - [8] are different for both sheets. If you do not confirm, please explain fully.
- c. Please confirm that the amounts on page 2 of ROLL\_0.XLS, CS 3 Sheet, columns [7] - [8] are intended to replicate the Postal Service base year amounts shown on page 1, columns [1] - [2]. If you do not confirm, please explain fully.
- d. Please confirm that on page 2 of ROLL\_0.XLS, CS 3 Sheet, columns [11] - [12] are intended to replicate the test year amounts appearing on page 1, columns [3] - [4]. If you do not confirm, please explain fully.
- e. Please explain fully the calculation and purpose of the line labeled "Factor" for columns [11] - [12] on page 2 of ROLL\_0.XLS, CS 3 Sheet.

USPS/UPS-T2-6. Please refer to UPS-Sellick-WP-1-I-C2 and UPS-Sellick-WP-D2. In the first workpaper, please refer to ROLL\_0.XLS, CS 16 Sheet and in the second

workpaper, please refer to RLL100.XLS, CS 16 Sheet.

- a. Please confirm that the sources for column [4] of both sheets is "PHB Base Year Recalculation Model, PESSA Costs Sheet". If you do not confirm, please explain fully.
- b. Please confirm that the amounts shown for column [4] are different for both sheets. If you do not confirm, please explain fully.
- c. Please confirm that the amounts on page 2 of ROLL\_0.XLS, CS 16 Sheet, column [4] are intended to replicate the Postal Service base year amounts shown on page 1, columns [1]. If you do not confirm, please explain fully.
- d. Please confirm that on page 2 of ROLL\_0.XLS, CS 16 Sheet, column [6] are intended to replicate the test year amounts appearing on page 1, column [2]. If you do not confirm, please explain fully.
- e. Please explain fully the calculation and purpose of the line labeled "Factor" for column [6] on page 2 of ROLL\_0.XLS, CS 3 Sheet.

USPS/UPS-T2-7. Please refer to UPS-Sellick-WP-1-I-C2 and UPS-Sellick-WP-D2. In the first workpaper, please refer to ROLL\_0.XLS, CS 18 Sheet and in the second workpaper, please refer to RLL100.XLS, CS 18 Sheet.

- a. Please confirm that the sources for columns [43] - [56] of both sheets is "PHB Base Year Recalculation Model, PESSA Costs Sheet". If you do not confirm, please explain fully.
- b. Please confirm that the amounts shown for columns [43] - [56] are different for both sheets. If you do not confirm, please explain fully.

- c. Please confirm that the amounts on page 4 of ROLL\_0.XLS, CS 18 Sheet, columns [43] - [56] are intended to replicate the Postal Service base year amounts shown on page 1, columns [1] - [14]. If you do not confirm, please explain fully.
- d. Please confirm that on page 6 of ROLL\_0.XLS, CS 18 Sheet, columns [71] - [84] are intended to replicate the test year amounts appearing on page 2, columns [15] - [28]. If you do not confirm, please explain fully.
- e. Please explain fully the calculation and purpose of the line labeled "Factor" for columns [71] - [84] on page 6 of ROLL\_0.XLS, CS 18 Sheet.

USPS/UPS-T2-8. Please refer to UPS-Sellick-WP-1-I-C2 and UPS-Sellick-WP-D2. In the first workpaper, please refer to ROLL\_0.XLS, CS 20 Sheet and in the second workpaper, please refer to RLL100.XLS, CS 20 Sheet.

- a. Please confirm that the sources for columns [10] - [12] of both sheets is "PHB Base Year Recalculation Model, PESSA Costs Sheet". If you do not confirm, please explain fully.
- b. Please confirm that the amounts shown for columns [10] - [12] are different for both sheets. If you do not confirm, please explain fully.
- c. Please confirm that the amounts on page 2 of ROLL\_0.XLS, CS 20 Sheet, columns [10] - [12] are intended to replicate the Postal Service base year amounts shown on page 1, columns [1] - [3]. If you do not confirm, please explain fully.

- d. Please confirm that on page 3 of ROLL\_0.XLS, CS 20 Sheet, columns [16] - [18] are intended to replicate the test year amounts appearing on page 1, columns [4] - [6]. If you do not confirm, please explain fully.
- e. Please explain fully the calculation and purpose of the line labeled "Factor" for columns [16] - [18] on page 3 of ROLL\_0.XLS, CS 20 Sheet

USPS/UPS-T2-9. Please refer to UPS-Sellick-WP-1-i-C2 and UPS-Sellick-WP-D2. In the first workpaper, please refer to ROLL\_0.XLS, CS 18 Sheet and in the second workpaper, please refer to RLL100.XLS, CS 18 Sheet.

- a. Please confirm that the sources listed for columns [29] - [42] on page 3 of each workpaper should read:

[29]	= [15] / [1]
[30]	= [16] / [2]
[31]	= [17] / [3]
[32]	= [18] / [4]
[33]	= [19] / [5]
[34]	= [20] / [6]
[35]	= [21] / [7]
[36]	= [22] / [8]
[37]	= [23] / [9]
[38]	= [24] / [10]
[39]	= [25] / [11]
[40]	= [26] / [12]
[41]	= [27] / [13]
[42]	= [28] / [14].

If you do not confirm, please explain fully.

- b. Please refer to columns [34], [39], [41] and [42]. These columns show negative PESSA costs. Please fully explain the reason for negative PESSA costs. Should the impact of these negative PESSA costs be absorbed by volume variable costs of other classes and subclasses of



mail or by "Other" costs? Please explain fully.

- c. Please provide a complete explanation why in column [41], the subclasses of Fourth Class Mail show a 0% change from base year to test year while Total Fourth shows a 200% change from base year to test year.

USPS/UPS-T2-10. Please refer to UPS-Sellick-WP-1-I-A2,BSE100.XLS, CS 3 Sheet, page 2 of 3.

- a. The source for footnote [4] is WS 3.2.1, column 6, but the amounts shown in column [4] are not found on WS 3.2.1. Please provide the source of the amounts that appear in column [4].
- b. Please refer to the following statement from footnote [8]: "distributed on summation of mail processing other distribution keys." Please provide a complete explanation of the "other distribution keys" used in the summation. *Include in your explanation component numbers, component titles, all calculations and documentation to source materials.*

USPS/UPS-T2-11. Please refer to Table 4 on page 17 of your testimony.

- a. Please confirm that the Postal Service, in moving from base year to test year costs, applies a mail volume effect to volume variable costs. If you *do not confirm, please explain in detail.*
- b. Please confirm that, in moving from base year to test year costs, if the amount of total base year volume variable costs increases, then the test year mail volume effect will be greater. If you do not confirm, please

- explain in detail.
- c. Please confirm that assuming 100 percent variability of mail processing labor costs will increase the total amount of base year volume variable costs above that shown in the Postal Service's filing. If you do not confirm, please explain in detail.
  - d. Please explain in detail why your TY 1998 recommended approach total costs are only \$3.7 million higher than those shown in the Postal Service's filing.

USPS/UPS-T2-12. On pages 12-13 of your testimony, you acknowledge that in earlier cases, the Commission (and the Postal Service) treated some portion of mail processing costs as fixed, yet in other places in your testimony (e.g. page 12, lines 10-11), you refer to the previous practice of "attributing 100 percent of mail processing labor costs."

- a. Please clarify your understanding of the old methodology. Specifically, when you refer to "100 percent attribution," is this a shorthand reference to the previous practice of treating most costs as fully variable, and only a limited portion as fixed?
- b. Are the analyses which produced the results reported in the Tables 2-6 in your testimony predicated on an assumed "100 percent attribution," or are they predicated on the same set of assumptions as the previous methodology (which actually attributed less than 100 percent of mail processing labor costs)? Please clarify.

USPS/UPS-T2-13. Please provide any statistical, econometric, or empirical analysis performed by either you or anyone else that validates the assumed 100 percent volume variability you use in calculating TY 1998 mail processing costs by shape for Priority Mail.

USPS/UPS-T2-14. Please explain your rationale for assuming that the Priority Mail Processing Cost Differences by Shape analysis isolates the cost differences due solely to shape, and for assuming that the results of the analysis are not driven by other factors such as zone-mix, presort, or dropshipping. In your explanation, please indicate all of the factors that you believe drive the cost difference.

USPS/UPS-T2-15. Please refer to UPS-SELLICK-WP-1-II-B1 to -B7.

- a. Please confirm that your programs are based upon the SAS programs in OCA-LR-1. If you do not confirm, please explain fully.
- b. If you confirm part (a), please list all changes you made to the SAS programs in OCA-LR-1. Please also describe the purpose of each change.

USPS/UPS-T2-16. Please refer to UPS-SELLICK-WP-1-II-B1 to -B7. Do your programs account for the institutional portion of Registry and Special Delivery costs? If your answer is affirmative, please provide reference(s) to the relevant sections of code. If your answer is negative, please explain.

USPS/UPS-T2-17. Please refer to your testimony at pages 12-13.

- a. Is it your testimony that the existing methodology for distributing “administrative” costs is more accurate than witness Degen’s proposed methodology? Please explain fully.
- b. If some “administrative” costs are related to a specific mail processing operation, would it be reasonable to distribute such costs in proportion to the subclasses of mail processed in that operation? Please explain fully.

**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.



Susan M. Duchek

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
January 27, 1998