

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION

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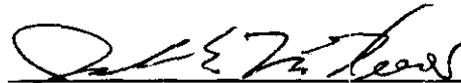
DOCKET NO. R97-1

**ANSWERS OF UNITED PARCEL SERVICE WITNESS
STEPHEN E. SELICK TO INTERROGATORIES OF
UNITED STATES POSTAL SERVICE
(USPS/UPS-T2-18 through 25)**

(February 11, 1998)

Pursuant to the Commission's Rules of Practice, United Parcel Service ("UPS") hereby serves and files the responses of UPS witness Stephen E. Sellick to interrogatories USPS/UPS-T2-18 through 25 of the United States Postal Service.

Respectfully submitted,



John E. McKeever
Attorney for United Parcel Service

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Of Counsel.

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USPS/UPS-T2-18. Please refer to UPS-Sellick-WP-1-I-C2. Please confirm that the title should read:

**UPS-SELLICK-WP-1-I-C2
Development of Test Year Costs - UPS Case
File RII100.xls**

If you do not confirm, please explain fully.

Response to USPS/UPS-T2-18. Confirmed.

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USPS/UPS-T2-19. Please refer to UPS-Sellick-WP-1-I-C1 and UPS-Sellick-WP-1-I-D1. In the first workpaper, please refer to RLL100.XLS, Summary of Affected Components, pages 1-5, and in the second workpaper, please refer to ROLL_0.XLS, Summary of Affected Components, pages 1-5. Please confirm that the title on these pages was edited in one of the versions to either include or exclude the qualifier "TYAR". If you do not confirm, please explain fully.

Response to USPS/UPS-T2-19. Confirmed.

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USPS/UPS-T2-20. Please refer to UPS-Sellick-WP-1-I-C2 and UPS-Sellick-WP-1-I-D2. In the first workpaper, please refer to RLL100.XLS, CS 3 Sheet, page 6 of 6, and in the second workpaper, please refer to Roll_.XLS, CS 3 Sheet, page 6 of 6.

a. Please confirm that the function of this page is to adjust test year after rates, after workyear mix adjustment costs. If you do not confirm, please explain fully.

b. Please confirm that the "Factor" row above "First Class Mail:" is different in the two files. If you do not confirm, please explain fully.

c. Please provide all calculations and sources used in the calculation of each of the factors appearing in the "Factor" row.

d. Please explain fully the purpose of the factors in the ROLL_0.XLS spreadsheet and how they are applied in this spreadsheet. Are these factors used elsewhere in any of the workpapers? If the response is affirmative, please provide a complete list of citations.

e. Please explain fully the purpose of the factors in the RLL100.XLS spreadsheet and how they are applied in this spreadsheet. Are these factors used elsewhere in any of the workpapers? If the response is affirmative, please provide a complete list of citations.

f. Please confirm that the title appearing on the RLL100.XLS sheet, "Adjusted PHB TY AR After WY Mix", is also the appropriate title for the comparable sheet on ROLL_0.XLS. If you do not confirm, please explain fully.

Response to USPS/UPS-T2-20.

- a. Confirmed.
- b. Confirmed.
- c. For RLL100.XLS, CS 3 sheet, the factors were calculated as follows:

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1. For each cost component, the Postal Service's base year total cost was subtracted from the UPS base year total cost.

2. The resultant number was rolled forward to the test year by multiplying it by the ratio of the Postal Service's test year total cost to the Postal Service's base year total cost.

3. This number was then subtracted from the UPS unadjusted test year total cost (columns 61-75).

4. The factors were calculated as the ratio of the Postal Service's test year total costs to the number calculated in step 3.

For an explanation of the factor row in the ROLL_0.XLS sheet, please see my response to USPS/UPS-T2-1(e).

d. Please see my response to USPS/UPS-T2-1(e) for an explanation of the purpose and application of these factors. These factors are not used elsewhere in any of the workpapers.

e. Changes from the Postal Service's proposed methodology to UPS's proposed methodology resulted in the transfer of costs among different cost components within Cost Segment 3. Because this changed the relative weight of subclass costs within cost components, applying the ratio of the Postal Service's TY Costs to BY Costs resulted in an incorrect increase in the total cost for Cost Segment 3. To offset this effect, each mail subclass of each cost component was multiplied by the appropriate factor discussed in part (c) of this response. These factors are not used elsewhere in any of the workpapers.

f. Confirmed.

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USPS/UPS-T2-21. Please refer to UPS-Sellick-WP-1-I-C2 and UPS-Sellick-WP-1-I-D2. In the first workpaper, please refer to RLL100.XLS, CS 11 Sheet and in the second workpaper, please refer to ROLL_0.XLS, CS 11 Sheet.

a. Please confirm that the sources listed for columns [9] - [12] on page 2 of 3 of each workpaper should read:

[9] =[5] / [1]
[10] =[6] / [2]
[11] =[7] / [3]
[12] =[8] / [4]

If you do not confirm, please explain fully:

b. Please confirm that the sources listed for columns [17] - [20] on page 3 of 3 of each workpaper should read:

[17] =[11] / [15]
[18] =[12] / [16]
[19] =[13] / [17]
[20] =[14] / [18]

If you do not confirm, please explain fully.

c. Please provide all calculations and sources used in the calculation of each of the factors appearing in the "Factor" row of page 3 of 3 in the ROLL_0.XLS spreadsheet.

d. Please explain fully the purpose of the factors in the ROLL_0.XLS spreadsheet and how they are applied in this spreadsheet. Are these factors used elsewhere in any of the workpapers? If the response is affirmative, please provide a complete list of citations.

e. Please explain fully the purpose of the factors in the RLL100.XLS spreadsheet and how they are applied in this spreadsheet. Are these factors used

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elsewhere in any of the workpapers? If the response is affirmative, please provide a complete list of citations.

Response to USPS/UPS-T2-21. a. Confirmed.

 b. Not Confirmed. The sources listed for columns [17]-[20] on page 3 of 3 of each workpaper should read:

[17] =[9]x[13]
[18] =[10]x[14]
[19] =[11]x[15]
[20] =[12]x[16]

 c. Please see my response to USPS/UPS-T2-1(e) for an explanation of the calculation of these factors.

 d. Please see my response to USPS/UPS-T2-1(e) for an explanation of the purpose of these factors. These factors are not used elsewhere in any of the workpapers.

 e. Please see my response to USPS/UPS-T2-1(e) for an explanation of the purpose of these factors. These factors are not used elsewhere in any of the workpapers.

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USPS/UPS-T2-22. Please refer to UPS-Sellick-WP-1-I-C2 and UPS-Sellick-WP-1-I-D2. In the first workpaper, please refer to RLL100.XLS, CS 15 Sheet and in the second workpaper, please refer to ROLL_0.XLS, CS 15 Sheet.

a. Please confirm that the sources listed for columns [4] - [5] on page 1 of 2 of each workpaper should read:

[4] =[3] / [1]
[5] =[4] / [2].

If you do not confirm, please explain fully.

b. Please confirm that the sources listed for columns [9] - [10] on page 2 of 2 of each workpaper should read:

[9] =[5] X [7]
[10] =[6] X [8].

If you do not confirm, please explain fully.

c. Please provide all calculations and sources used in the calculation of each of the factors appearing in the "Factor" row.

d. Please explain fully the purpose of the factors in the ROLL_0.XLS spreadsheet and how they are applied in this spreadsheet. Are these factors used elsewhere in any of the workpapers? If the response is affirmative, please provide a complete list of citations.

e. Please explain fully the purpose of the factors in the RLL100.XLS spreadsheet and how they are applied in this spreadsheet. Are these factors used elsewhere in any of the workpapers? If the response is affirmative, please provide a complete list of citations.

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Response to USPS/UPS-T2-22.

- a. Confirmed.
- b. Confirmed.
- c. Please see my response to USPS/UPS-T2-1(e) for an explanation of the calculation of these factors.
- d. Please see my response to USPS/UPS-T2-1(e) for an explanation of the purpose of these factors. These factors are not used elsewhere in any of the workpapers.
- e. Please see my response to USPS/UPS-T2-1(e) for an explanation of the purpose of these factors. These factors are not used elsewhere in any of the workpapers.

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USPS/UPS-T2-23. Please refer to UPS-Sellick-WP-1-I-C2 and UPS-Sellick-WP-1-I-D2. In the first workpaper, please refer to RLL100.XLS, CS 18 Sheet, page 6 of 6, and in the second workpaper, please refer to ROLL_0.XLS, CS 18 Sheet, page 6 of 6.

a. Please provide all calculations and sources used in the calculation of each of the factors appearing in the "Factor" row.

b. Please explain fully the purpose of the factors in the ROLL_0.XLS spreadsheet and how they are applied in this spreadsheet. Are these factors used elsewhere in any of the workpapers? If the response is affirmative, please provide a complete list of citations.

c. Please explain fully the purpose of the factors in the RLL100.XLS spreadsheet and how they are applied in this spreadsheet. Are these factors used elsewhere in any of the workpapers? If the response is affirmative, please provide a complete list of citations.

Response to USPS/UPS-T2-23. a. Please see my response to USPS/UPS-T2-1(e) for an explanation of the calculation of these factors.

b. Please see my response to USPS/UPS-T2-1(e) for an explanation of the purpose of these factors. These factors are not used elsewhere in any of the workpapers.

c. Please see my response to USPS/UPS-T2-1(e) for an explanation of the purpose of these factors. These factors are not used elsewhere in any of the workpapers.

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USPS/UPS-T2-24. Please refer to UPS-Sellick-WP-1-I-C2 and UPS-Sellick-WP-1-I-D2. In the first workpaper, please refer to RLL100.XLS, CS 20 Sheet and in the second workpaper, please refer to ROLL_0.XLS, CS 20 Sheet.

a. Please confirm that the sources listed for columns [7] - [9] on page 1 of each workpaper should read:

[7]	=[4] / [1]
[8]	=[5] / [2]
[9]	=[6] / [3].

If you do not confirm, please explain fully.

b. Please provide all calculations and sources used in the calculation of each of the factors appearing in the "Factor" row of page 3 of 3 in the ROLL_0.XLS spreadsheet. Please explain fully the purpose of the factors in the ROLL_0.XLS spreadsheet and how they are applied in this spreadsheet. Are these factors used elsewhere in any of the workpapers? If the response is affirmative, please provide a complete list of citations.

c. Please provide all calculations and sources used in the calculation of each of the factors appearing in the "Factor" row of page 2 of 2 in the RLL100.XLS spreadsheet. Please explain fully the purpose of the factors in the RLL100.XLS spreadsheet and how they are applied in this spreadsheet. Are these factors used elsewhere in any of the workpapers? If the response is affirmative, please provide a complete list of citations.

d. Please confirm that the titles referring to "TY BR" on page 2 of each spreadsheet should refer to "TY AR". If you do not confirm, please explain fully.

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Response to USPS/UPS-T2-24. a. Confirmed.

 b. Please see my response to USPS/UPS-T2-1(e) for an explanation of the calculation, purpose, and application of these factors. These factors are not used elsewhere in any of the workpapers.

 c. Please see my response to USPS/UPS-T2-1(e) for an explanation of the calculation, purpose, and application of these factors. These factors are not used elsewhere in any of the workpapers.

 d. Confirmed.

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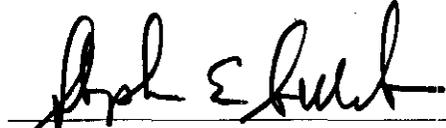
USPS/UPS-T2-25. Please refer to Table 6 on page 21 of your testimony.

Please confirm that you have included both BMC and ASF costs in your calculation of "All Offices Operation Codes 01 and 07." If you do not confirm, please explain fully how these were excluded.

Response to USPS/UPS-T2-25. Confirmed.

DECLARATION

I, Stephen E. Sellick, hereby declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information, and belief.

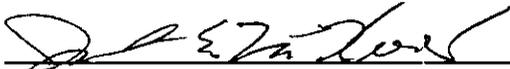


Stephen E. Sellick

Dated: February 10, 1998

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with section 12 of the Commission's Rules of Practice.



John E. McKeever

Dated: February 11, 1998
Philadelphia, PA