

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 THE UNITED STATES POSTAL SERVICE
TO MMA INTERROGATORY MMA/USPS-T39-9(b),
REDIRECTED FROM WITNESS KINGSLEY
(December 3, 2001)

The United States Postal Service hereby provides its response to the following interrogatories of MMA: MMA/USPS-T39-9(b), filed on November 19, 2001, and redirected from witness Kingsley. The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:



Eric P. Koetting

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December 3, 2001

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO MMA
INTERROGATORY (REDIRECTED FROM WITNESS KINGSLEY)**

MMA/USPS-T39-9 Please refer to your response to Part A of Interrogatory MMA/USPS-T39-5 where we were asked if allied operations costs were considered volume variable. Your response claims that such costs do not vary 100% with volume.

- A. Is it your understanding that the Postal Service attributes such costs to specific subclasses? If no, please explain.
- B. Is it your understanding that allied operations costs are "covered" by each subclass to meet the requirement of Section 3623(B)(3) [sic] of the Act?

RESPONSE:

- a. Answered by witness Kingsley
- b. It is assumed that the reference in the question was intended to be to section 3622(b)(3) of the Act. In terms of that section, all costs of the Postal Service (whether causally-related to particular subclasses or not) are "covered" by some subclass, in order to allow the Postal Service to meet the breakeven requirement of section 3621. Within cost segment 3, the costs of allied operations are no exception. They must be "covered" somewhere, either by the subclasses to which they are "attributed," or as institutional costs allocated within the pricing process.

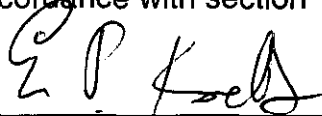
In terms of how those costs are treated within the Postal Service's costing proposals in this case, please see Table 1 of the testimony of witness Van-Ty-Smith, USPS-T-13. The rationale for this treatment is presented in the testimonies of witness Bozzo in this proceeding (USPS-T-14 at 9-10) and in Docket No. R2000-1 (USPS-T-15 at 132-39). The result of this treatment, as shown by the table in the testimony of witness Van-Ty-Smith, is that most, but not all, of the costs of allied operations are treated in the Postal Service's

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proposal in the current proceeding as volume-variable and distributed to subclasses of mail in the costing process. The remaining portion of the costs of those operations are treated as non-volume variable, and "covered" by subclasses by virtue of the allocation of institutional costs through the pricing process.

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.

A handwritten signature in black ink, appearing to read "E P Koetting", written over a horizontal line.

Eric P. Koetting

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