

ORIGINAL

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

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U.S. POSTAL SERVICE
OFFICE OF THE SECRETARY

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Docket No. MC98-1

UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
THE OFFICE OF THE CONSUMER ADVOCATE
(USPS/OCA-7-8)

Pursuant to rules 25 and 26 of the Rules of Practice and Procedure, the United States Postal Service directs the following interrogatories and requests for production of documents to the Office of the Consumer Advocate: USPS/OCA-7-8.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



David H. Rubin

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2986; Fax -5402
March 3, 1999



USPS/OCA-7

Please refer to the response to interrogatory USPS/OCA-3(a), which states that "OCA's recommendation is that once a determination has been made that only a subset of classes or services has caused a non-volume-variable common cost to be incurred, a distribution key be identified that best allocates the common cost to each of the classes or services making up the subset." (emphasis added.) Also, please refer to the statement at page 9 of the Office of the Consumer Advocate Response to Issue No. 5 of Notice of Inquiry No. 1, filed February 8, 1999, which states "advertising costs of POL clearly fall within the ambit of costs that must be attributed under the principles of Docket No. R87-1 --they are incurred solely for the benefit of a subset of classes and services, i.e., MOL, SOL, Express Mail tracking, and Priority Mail delivery confirmation."

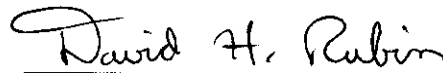
- (a) Does the use of "caused" in the first statement quoted above include the concept of "benefiting from" the costs? That is, does the OCA agree with the following rewrite of the quoted statement: "OCA's recommendation is that once a determination has been made that only a subset of classes or services benefits from a non-volume-variable common cost to be incurred, a distribution key be identified that best allocates the common cost to each of the classes or services making up the subset." Please explain any negative response.
- (b) With reference to the first statement quoted above, must the distribution key that is identified be a cost driver for the common cost? Please explain.

USPS/OCA-8

Please refer to the response to interrogatory USPS/OCA-3(a), which states that "[t]he allocation process just described is similar to the distribution of volume-variable costs commonly made in Commission proceedings." Please confirm that this statement relates the distribution of volume variable costs to the distribution of non-volume-variable costs. If you do not confirm, please explain.

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.



David H. Rubin
David H. Rubin

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Washington, D.C. 20260-1137
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