

**Montana -Dakota Utilites Co.
Postage Analysis 2014 Pro Forma
South Dakota Gas**

	Per Books	Rate Increase	Annualized Ebill	Pro Forma
Distribution	\$1,558	\$14 1/		\$1,572
Cust Acct	212,606	5,570 2/	(\$5,490)	212,686
Sales	77	1 1/		78
A&G	33,409	307 1/		33,716
Total	\$247,650	\$5,892	(\$5,490)	\$248,052

Pro Forma Adjustment

\$402

1/ Increase in mixed automation rate of 0.92%.

2/ Increase in 5 digit automation rate of 2.62%.

5 digit

2014	0.381	
2015	0.391	2.62%

Mixed AAC

2014	0.435	
2015	0.439	0.92%

Montana -Dakota Utilites Co.
Annualization of ebills
South Dakota Gas

Month	Ebill customers
January 2014	2,640
February	2,900
March	3,118
April	3,339
May	3,573
June	3,779
July	4,020
August	4,242
September	4,476
October	4,744
November	4,969
December	5,221
 Total 2014 Ebills	 47,021
 Annualized 2014 Ebill	 62,652
 Increase in ebills	 15,631
 % Gas	 89.83%
 2015 Postage Rate	 \$0.391
 Decrease in postage	 \$5,490

Montana -Dakota Utilites Co.
South Dakota Customers
2014

	<u>Electric</u>	<u>Gas</u>	<u>Combination</u>
January 2014	8,531	56,700	2,385
February	8,526	56,782	2,391
March	8,524	56,855	2,397
April	8,551	56,848	2,396
May	8,568	56,538	2,383
June	8,593	56,533	2,384
July	8,620	56,477	2,391
August	8,616	56,432	2,400
September	8,620	56,740	2,417
October	8,604	57,100	2,442
November	8,569	57,442	2,461
December	8,554	57,623	2,470
 Total	 102,876	 682,070	 28,917
 Electric	 73,959	 10.17%	
Gas	<u>653,153</u>	<u>89.83%</u>	
	727,112	100.00%	

**MONTANA-DAKOTA UTILITIES CO.
CUSTOMERS ON EBILL**

	MT	ND	SD	WY	Total
January 2014	2,654	5,011	2,640	1,035	11,340
February	2,879	5,481	2,900	1,126	12,386
March	3,092	5,915	3,118	1,196	13,321
April	3,291	6,359	3,339	1,260	14,249
May	3,504	6,781	3,573	1,337	15,195
June	3,720	7,239	3,779	1,407	16,145
July	3,962	7,730	4,020	1,490	17,202
August	4,190	8,189	4,242	1,562	18,183
September	4,398	8,682	4,476	1,638	19,194
October	4,660	9,241	4,744	1,720	20,365
November	4,907	9,788	4,969	1,800	21,464
December	5,151	10,371	5,221	1,894	22,637
January 2015	5,427	10,915	5,462	1,983	23,787
February	5,772	11,571	5,718	2,081	25,142

Postage rate estimate with proposed change - April 26, 2015

	2013	2015	Change	Percent	2014	2015 with Exigent
Full Rate	0.47	0.47	0.000	0.00%	0.490	0.490
Residual Automation	0.46	0.465	0.005	1.09%	0.480	0.485
MAAC Automation	0.415	0.419	0.004	0.96%	0.435	0.439
AADC Automation	0.389	0.399	0.010	2.57%	0.406	0.416
3-Digit Automation	0.389	0.399	0.010	2.57%	0.406	0.416
5 Digit Automation	0.366	0.376	0.010	2.73%	0.381	0.391

Postage rate estimates for 2015

	Current rate	4.0%	use
5 digit	0.381	0.381	0.396
3 digit	0.406	0.406	0.422
ADC	0.406	0.406	0.422
Mixed ADC	0.435	0.435	0.452
Full rate	0.48	0.48	0.500 presume postage rate to .50

As of 7/2/14 no information about postage rate increase

Information from Mike Bakke 7/2014

Customer Despr	2014	2013	count	inc	% increase	use
Electric	135,583	138,871	3288		2.43%	
Gas Retail MDU	282,032	287,672	5640		2.00%	2%
Gas Trans MDU	182	182	0		0.00%	
Gas Retail CNGI	269,572	273,076	3504		1.30%	1%
Gas Trans CNGI	231	231	0		0.00%	
Gas Retail IGC	328,732	335,964	7232		2.20%	2%
Gas Trans IGC	108	108	0		0.00%	

	2014 Annualized Postage	cust inc	post inc 4.0%		
Cascade	1,323,386.74	13,233.87	52,935.47	1,389,556.08	115,796.34
IGC	1,387,605.52	27,752.11	55,504.22	1,470,861.85	122,571.82
MDU	1,470,500.00	29,410.00	58,820.00	1,558,730.00	129,894.17

Mulkern, Rita

From: Peterson, Kathy
Sent: Friday, March 13, 2015 5:24 PM
To: Mulkern, Rita
Subject: RE: Postage Increase
Attachments: Postage estimate 2015.pdf; Postage - April 2015.pdf

Last year the USPS was granted an exigent rate increase due to the financial difficulties of the USPS. The 2014 increase was approximately 5%. In July when the postal budget was created there was not information from USPS regarding the 2015 postage rates. Base on the rate increase in 2014 and the CPI (which is what postal increases would normally be based on) we estimated the increase would be approximately 4%, In addition, MDU would see a customer growth increase of 2%. See attached pdf for postage costs estimates for customer billing. For the remainder of 2014 no information was provided to the customer by USPS for 2015 rates. In January the USPS sent out notice that they were proposing a rate increase based on 2013 postal rates. This would be in addition to the exigent rate – see page 19 of the Notice.pdf. I have included a worksheet of the price we estimate to see based on this information. Below are links to USPS notices of postal rate increases that are proposed to go into effect April 26, 2015. I have not seen a confirmation on or a new table from USPS for the actual prices.

http://about.usps.com/news/national-releases/2015/pr15_004.pdf

<http://www.prc.gov/docs/91/91164/Notice.pdf>

Please let me know if you need additional information or would like to discuss further.

Thanks,
Kathy

From: Mulkern, Rita
Sent: Friday, March 13, 2015 1:49 PM
To: Peterson, Kathy
Subject: Postage Increase

I am working on a South Dakota gas rate case and reviewing the increase in postage from 2014 to the 2015 budget. Would you send me the supporting documents that you used to develop the 2015 budget? Thanks.

Rita A. Mulkern
Montana-Dakota Utilities Co.
rita.mulkern@mdu.com
(701)222-7854



POSTAL NEWS

FOR IMMEDIATE RELEASE
Jan. 15, 2015

Contact: Katina Fields
202-268-6229 (o)
202-534-6320 (c)
katina.w.fields@usps.gov
usps.com/news



Forever Stamp Prices Unchanged

Postal Service Committed to Growth; Action Taken to Increase Needed Revenue

WASHINGTON — The United States Postal Service today filed notice with the Postal Regulatory Commission (PRC) of a price increase for Mailing Services products based upon the Consumer Price Index (CPI) cap authority. The filing, if approved, would keep Forever Stamps at their current price of 49 cents.

The First-Class Mail prices for these products are:

	Current	Proposed
• Letters (1 oz.)	49 cents	49 cents
• Letters additional ounces	21 cents	22 cents
• Letters to all international destinations	\$1.15	\$1.20
• Postcards	34 cents	35 cents

Today's action is the latest in a series of steps the Postal Service has taken as part of a comprehensive approach to achieve financial stability. By growing volume, revenue and contribution, the Postal Service will continue to meet America's mailing and shipping needs well into the future. While improving efficiency in streamlining its network and seeking legislative changes, the Postal Service must address an outdated business model.

Some of the key elements of the proposal include the following:

- Maintains single-piece stamp prices at 49 cents
- Addresses PRC concerns about underwater products
- Simplifies Special Services to reduce redundancy and improve customer ease of use

The filing does not affect Postal Service Shipping products and services and are proposed to become effective on April 26, 2015.

The PRC will review the prices before they are proposed to become effective on April 26, 2015, to determine if prices are consistent with applicable law.

The Postal Service receives no tax dollars for operating expenses and relies on the sale of postage, products and services to fund its operations.

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Please Note: For broadcast quality video and audio, photo stills and other media resources, visit the USPS Newsroom.

Reporters interested in speaking with regional Postal Service public relations professionals should visit this link.

H-58

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

NOTICE OF MARKET-DOMINANT
PRICE ADJUSTMENT

Docket No. R2015-4

UNITED STATES POSTAL SERVICE
NOTICE OF MARKET-DOMINANT PRICE ADJUSTMENT
(January 15, 2015)

Pursuant to section 3622 of title 39 and 39 C.F.R. part 3010, the United States Postal Service hereby provides notice that the Governors have authorized the Postal Service to adjust the prices for its market-dominant products. This adjustment will take effect at 12:01 a.m. on April 26, 2015, and affects all the market-dominant classes.

In this Notice, the Postal Service provides the information required by Rule 3010.14, including a schedule of the new prices set forth in Attachment A.¹ The Postal Service certifies that it will inform customers of these price adjustments, as required by Rule 3010.14(a)(3). In addition to this Notice, the Postal Service is publishing notice of these price changes on USPS.com, the Postal Explorer website, and the *DMM News Advisory*, as well as issuing a Press Release announcing the changes. Thus, widespread notice of these prices is being given prior to their planned implementation date. Furthermore, the Postal Service plans to provide public notice of these price changes in future issues of the *PCC Insider*, *Postal Bulletin*, and *Federal Register*.

¹ Attachment A, Part I also contains the proposed Mail Classification Schedule changes. The prices in Part I reflect the base prices without the Exigent surcharges. Attachment A, Part II contains the Mail Classification Schedule changes with prices that include the Exigent surcharges.

Pursuant to Rule 3010.14(a)(4), the Postal Service identifies Mr. Steve Monteith as the official who will be available to provide responses to queries from the Commission. Mr. Monteith's contact information is as follows:

Mr. Steve Monteith
Manager, Pricing
475 L'Enfant Plaza S.W.
Room 4136
Washington, D.C. 20260-5015

The remainder of this Notice is structured as follows. In Part I, the Postal Service discusses its compliance with the price cap, which limits the average percentage price increase for each class of mail. In Part II, the Postal Service describes several temporary promotions that it is proposing as part of this filing. In Part III, the Postal Service provides a more detailed discussion of its prices, including the "workshare discounts" associated with the new prices. It also explains how the prices are consistent with the objectives and factors of section 3622, and the preferential pricing requirements of section 3626. In Part IV, the Postal Service describes the changes to the Mail Classification Schedule (MCS) related to this price change.

I. Price Cap Compliance

In compliance with Rules 3010.14(b)(1) through (4), the following section describes the applicable CPI-U price cap, the amount of unused price adjustment authority available for each class of mail, the percentage change in prices for each class of mail, and the amount of any new unused price adjustment authority generated by this price change.

A. Inflation-Based Price Adjustment Authority

Based on the most recently available data from the Bureau of Labor Statistics, the Postal Service has inflation-based price adjustment authority of 1.966 percent for all mail classes. See Attachment C. This is based on the Consumer Price Index – All Urban Consumers, U.S. All Items (the "CUUR0000SA0" series), and is in accordance with the calculated percentage currently provided on the Commission's website.²

B. Unused Price Adjustment Authority

The existing unused rate authority, by class, is provided below.³

Table 1
Available Unused Price Adjustment Authority,
By Mail Class

Class	Unused Authority (%)
First-Class Mail®	0.000
Standard Mail®	0.000
Periodicals	0.000
Package Services	0.000
Special Services	0.000

C. Overall Price Adjustment Authority

In accordance with 39 C.F.R. § 3010.28, the Postal Service can use up to two percent of unused price adjustment authority. At this time there is no unused price adjustment authority. Thus, the Postal Service is authorized to raise the prices for each class by the following percentages:

² Since this is the first time that a market-dominant price case has been filed more than 12 months after the previous case, the Postal Service consulted with Commission staff to confirm that the calculations in Attachment C appropriately applied the procedures outlined in 39 C.F.R. § 3010.21.

³ Order No. 1926: Order Granting Exigent Price Increase (hereinafter "Order No. 1926"), PRC Docket No. R2013-11 (Dec. 24, 2013), at 191; Order No. 2319: Order on Exigent Surcharge Removal, PRC Docket No. R2013-11 (Jan. 12, 2015), at 10.

Table 2
Price Adjustment Authority By Mail Class

Class	Price Adjustment Authority ¹ (%)
First-Class Mail	1.966
Standard Mail	1.966
Periodicals	1.966
Package Services	1.966
Special Services	1.966

¹ See Attachment C.

D. The New Prices

The cap compliance calculation, as defined by the Commission, uses a set of fixed weights applied to the current and new prices to construct a weighted average price change for each market-dominant class. These fixed weights are the most recent twelve months of Postal Service billing determinants, with adjustments that are supported and reasonable. For each of the five classes (First-Class Mail, Standard Mail, Periodicals, Package Services, and Special Services), the resulting average price change must be less than or equal to the Postal Service's available price adjustment authority in Table 2.

The new prices are in Attachment A, Part I. For each class, the Postal Service has prepared separate workpapers demonstrating how these prices comply with the price cap. These workpapers are designated as follows:

USPS-LR-R2015-4/1	First-Class Mail Workpapers
USPS-LR-R2015-4/2	Standard Mail Workpapers
USPS-LR-R2015-4/3	Periodicals Workpapers
USPS-LR-R2015-4/4	Package Services Workpapers

Each set of workpapers has a Preface that explains the contents in detail. The Preface in each of the first five workpapers provides an overview, a discussion of any necessary adjustments to the billing determinants for the four quarters ending Q4 FY 2014, and an explanation of the revenue calculations.

E. Percentage Change by Mail Class

As demonstrated in USPS- R2015-4/1 through 5, the prices for each class comply with the annual limitation of price adjustment authority available to the Postal Service. The percentage change by class is as follows:

Table 3
2015 Price Change Percentage by Mail Class

Class	Percent Change
First-Class Mail	1.949
Standard Mail	1.886
Periodicals	1.965
Package Services	1.964
Special Services	0.234

F. Unused Pricing Authority Resulting From this Price Change

For First-Class Mail, Standard Mail, Periodicals, Special Services, and Package Services, this price change adds to the unused pricing authority resulting from prior market-dominant price changes under the price cap. The Postal Service calculates the

unused price adjustment authority that it will have following this price change as follows:⁴

Table 4
Unused Pricing Authority Available Following this Price Change

Class	Percentage Points
First-Class Mail	
R2013-11[1]	0.000
R2015-4[2]	0.017
Total	0.017
Standard Mail	
R2013-11 [1]	0.000
R2015-4[2]	0.080
Total	0.080
Periodicals	
R2013-11 [1]	0.000
R2015-4 [2]	0.001
Total	0.001
Package Services	
R2013-11 [1]	0.000
R2015-4 [2]	0.002
Total	0.002
Special Services	
R2013-11	0.000
R2015-4[2]	1.732
Total	1.732

[1] Table 1.

[2] Cap Calculation worksheets (USPS-LR-R2015-4/1 through 5).

II. Promotions

As was the case in Docket No.R2013-10, in this filing the Postal Service seeks approval for its promotions to be held during the upcoming calendar year. By seeking approval for four promotions in this price adjustment, the Postal Service continues to

⁴ To the extent that the calculated percentage change for any class is revised during the course of this proceeding from what has been calculated by the Postal Service in this Notice, the Postal Service notes that the unused price adjustment authority should be adjusted, regardless of the figures set forth in this Table.

Comparison of Current and 2014 Proposed Postage Rates

	2013 Current rate	2014 USPS rate	% inc
5 digit	0.36	0.381	5.83%
3 digit	0.384	0.406	5.73%
ADC	0.384	0.406	5.73%
Mixed ADC	0.405	0.435	7.41%
Full rate	0.46	0.48	4.35%

87.88% of our mail goes at the 5 digit first class rate.

Postage Workpaper

	2013 Current Rate	2014 USPS rate	
Average (excluding 5 digit)	0.4083	0.4318	
Average Percentage Increase:		5.76%	
	% increase	Weight	Weighted Average
5 digit postage	5.83%	88%	5.1304%
Average Percentage Increase:	5.76%	12%	0.6912%
			<u>5.8216%</u>