

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2020

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number 1-03480

MDU RESOURCES GROUP INC

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

30-1133956

(I.R.S. Employer Identification No.)

1200 West Century Avenue
P.O. Box 5650
Bismarck, North Dakota 58506-5650
(Address of principal executive offices)
(Zip Code)

(701) 530-1000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$1.00 per share	MDU	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐.

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒.

State the aggregate market value of the voting common stock held by non-affiliates of the registrant as of June 30, 2020: \$4,447,584,104.

Indicate the number of shares outstanding of the registrant's common stock, as of February 11, 2021: 200,522,277 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Relevant portions of the registrant's 2021 Proxy Statement, to be filed no later than 120 days from December 31, 2020, are incorporated by reference in Part III, Items 10, 11, 12, 13 and 14 of this Report.

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Definitions

The following abbreviations and acronyms used in this Form 10-K are defined below:

Abbreviation or Acronym

AFUDC	Allowance for funds used during construction
Army Corps	U.S. Army Corps of Engineers
ASC	FASB Accounting Standards Codification
ASU	FASB Accounting Standards Update
Audit Committee	Audit Committee of the board of directors of the Company
Bcf	Billion cubic feet
Big Stone Station	475-MW coal-fired electric generating facility near Big Stone City, South Dakota (22.7 percent ownership)
Brazilian Transmission Lines	Company's former investment in companies owning three electric transmission lines in Brazil
BSSE	345-kilovolt transmission line from Ellendale, North Dakota, to Big Stone City, South Dakota (50 percent ownership)
Btu	British thermal unit
CARES Act	United States Coronavirus Aid, Relief, and Economic Security Act
Cascade	Cascade Natural Gas Corporation, an indirect wholly owned subsidiary of MDU Energy Capital
CDC	Centers for Disease Control and Prevention
Centennial	Centennial Energy Holdings, Inc., a direct wholly owned subsidiary of the Company
Centennial Capital	Centennial Holdings Capital LLC, a direct wholly owned subsidiary of Centennial
Centennial's Consolidated EBITDA	Centennial's consolidated net income from continuing operations plus the related interest expense, taxes, depreciation, depletion, amortization of intangibles and any non-cash charge relating to asset impairment for the preceding 12-month period
Centennial Resources	Centennial Energy Resources LLC, a direct wholly owned subsidiary of Centennial
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act
Clean Air Act	Federal Clean Air Act
Clean Water Act	Federal Clean Water Act
Company	MDU Resources Group, Inc. (formerly known as MDUR Newco), which, as the context requires, refers to the previous MDU Resources Group, Inc. prior to January 1, 2019, and the new holding company of the same name after January 1, 2019
COVID-19	Coronavirus disease 2019
Coyote Creek	Coyote Creek Mining Company, LLC, a subsidiary of The North American Coal Corporation
Coyote Station	427-MW coal-fired electric generating facility near Beulah, North Dakota (25 percent ownership)
CyROC	Cyber Risk Oversight Committee
Dakota Prairie Refining	Dakota Prairie Refining, LLC, a limited liability company previously owned by WBI Energy and Calumet Specialty Products Partners, L.P. (previously included in the Company's refining segment)
dk	Decatherm
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EBITDA	Earnings before interest, taxes, depreciation, depletion and amortization
EIN	Employer Identification Number
EPA	United States Environmental Protection Agency
ERISA	Employee Retirement Income Security Act of 1974
ESA	Endangered Species Act
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Fidelity	Fidelity Exploration & Production Company, a direct wholly owned subsidiary of WBI Holdings (previously referred to as the Company's exploration and production segment)
FIP	Funding improvement plan
GAAP	Accounting principles generally accepted in the United States of America
GHG	Greenhouse gas
Great Plains	Great Plains Natural Gas Co., a public utility division of the Company prior to the closing of the Holding Company Reorganization and a public utility division of Montana-Dakota as of January 1, 2019
GVTC	Generation Verification Test Capacity

Holding Company Reorganization	The internal holding company reorganization completed on January 1, 2019, pursuant to the agreement and plan of merger, dated as of December 31, 2018, by and among Montana-Dakota, the Company and MDUR Newco Sub, which resulted in the Company becoming a holding company and owning all of the outstanding capital stock of Montana-Dakota.
IBEW	International Brotherhood of Electrical Workers
ICWU	International Chemical Workers Union
Intermountain	Intermountain Gas Company, an indirect wholly owned subsidiary of MDU Energy Capital
IPUC	Idaho Public Utilities Commission
Item 8	Financial Statements and Supplementary Data
Knife River	Knife River Corporation, a direct wholly owned subsidiary of Centennial
Knife River - Northwest	Knife River Corporation - Northwest, an indirect wholly owned subsidiary of Knife River
K-Plan	Company's 401(k) Retirement Plan
kW	Kilowatts
kWh	Kilowatt-hour
LIBOR	London Inter-bank Offered Rate
LWG	Lower Willamette Group
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
Mdk	Thousand dk
MDU Construction Services	MDU Construction Services Group, Inc., a direct wholly owned subsidiary of Centennial
MDU Energy Capital	MDU Energy Capital, LLC, a direct wholly owned subsidiary of the Company
MDUR Newco	MDUR Newco, Inc., a public holding company created by implementing the Holding Company Reorganization, now known as the Company
MDUR Newco Sub	MDUR Newco Sub, Inc., a direct, wholly owned subsidiary of MDUR Newco, which was merged with and into Montana-Dakota in the Holding Company Reorganization
MEPP	Multiemployer pension plan
MISO	Midcontinent Independent System Operator, Inc.
MMBtu	Million Btu
MMcf	Million cubic feet
MMdk	Million dk
MNPUC	Minnesota Public Utilities Commission
Montana-Dakota	Montana-Dakota Utilities Co. (formerly known as MDU Resources Group, Inc.), a public utility division of the Company prior to the closing of the Holding Company Reorganization and a direct wholly owned subsidiary of MDU Energy Capital as of January 1, 2019
MPPAA	Multiemployer Pension Plan Amendments Act of 1980
MTDEQ	Montana Department of Environmental Quality
MTPSC	Montana Public Service Commission
MW	Megawatt
NDDEQ	North Dakota Department of Environmental Quality
NDPSC	North Dakota Public Service Commission
NERC	North American Electric Reliability Corporation
Non-GAAP	Not in accordance with GAAP
Oil	Includes crude oil and condensate
OPUC	Oregon Public Utility Commission
PCBs	Polychlorinated biphenyls
Proxy Statement	Company's 2021 Proxy Statement to be filed no later than April 30, 2021
PRP	Potentially Responsible Party
RCRA	Resource Conservation and Recovery Act
RNG	Renewable Natural Gas
ROD	Record of Decision
RP	Rehabilitation plan
SDPUC	South Dakota Public Utilities Commission
SEC	United States Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
Securities Act Industry Guide 7	Description of Property by Issuers Engaged or to be Engaged in Significant Mining Operations
Sheridan System	A separate electric system owned by Montana-Dakota

Definitions

SOFR	Secured Overnight Financing Rate
TCJA	Tax Cuts and Jobs Act
UA	United Association of Journeyman and Apprentices of the Plumbing and Pipefitting Industry of the United States and Canada
VIE	Variable interest entity
Washington DOE	Washington State Department of Ecology
WBI Energy	WBI Energy, Inc., a direct wholly owned subsidiary of WBI Holdings
WBI Energy Transmission	WBI Energy Transmission, Inc., an indirect wholly owned subsidiary of WBI Holdings
WBI Holdings	WBI Holdings, Inc., a direct wholly owned subsidiary of Centennial
WUTC	Washington Utilities and Transportation Commission
Wygen III	100-MW coal-fired electric generating facility near Gillette, Wyoming (25 percent ownership)
WYPSC	Wyoming Public Service Commission
ZRCs	Zonal resource credits - a MW of demand equivalent assigned to generators by MISO for meeting system reliability requirements

Forward-Looking Statements

This Form 10-K contains forward-looking statements within the meaning of Section 21E of the Exchange Act. Forward-looking statements are all statements other than statements of historical fact, including without limitation those statements that are identified by the words "anticipates," "estimates," "expects," "intends," "plans," "predicts" and similar expressions, and include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions (many of which are based, in turn, upon further assumptions) and other statements that are other than statements of historical facts. From time to time, the Company may publish or otherwise make available forward-looking statements of this nature, including statements contained within Item 7 - MD&A - Business Segment Financial and Operating Data.

Forward-looking statements involve risks and uncertainties, which could cause actual results or outcomes to differ materially from those expressed. The Company's expectations, beliefs and projections are expressed in good faith and are believed by the Company to have a reasonable basis, including without limitation, the impact of COVID-19 on the Company's business, management's examination of historical operating trends, data contained in the Company's records and other data available from third parties. Nonetheless, the Company's expectations, beliefs or projections may not be achieved or accomplished.

Any forward-looking statement contained in this document speaks only as of the date on which the statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances that occur after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for management to predict all of the factors, nor can it assess the effect of each factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. All forward-looking statements, whether written or oral and whether made by or on behalf of the Company, are expressly qualified by the risk factors and cautionary statements in this Form 10-K, including statements contained within Item 1A - Risk Factors.

Items 1 and 2. Business and Properties

General

The Company is a regulated energy delivery and construction materials and services business. Its principal executive offices are located at 1200 West Century Avenue, P.O. Box 5650, Bismarck, North Dakota 58506-5650, telephone (701) 530-1000.

Montana-Dakota was incorporated under the state laws of Delaware in 1924. The Company was incorporated under the state laws of Delaware in 2018. On January 2, 2019, the Company announced the completion of the Holding Company Reorganization, which resulted in Montana-Dakota becoming a subsidiary of the Company. Immediately after consummation of the Holding Company Reorganization, the Company had, on a consolidated basis, the same assets, businesses and operations as immediately prior to the consummation of the Holding Company Reorganization.

The Company's strategy is to deliver superior value with a two-platform model, regulated energy delivery and construction materials and services businesses, while also pursuing organic growth opportunities and using a disciplined approach to strategic acquisitions of well-managed companies and properties.

The Company focuses on infrastructure and is Building a Strong America® by providing essential products and services through its regulated energy delivery platform and its construction materials and services platform, which are both comprised of different operating segments. Most of these segments experience seasonality related to the industries in which they operate. The two-platform approach helps balance this seasonality and the risk associated with each type of industry. Through its regulated energy delivery platform, the Company generates, transmits and distributes electricity and provides natural gas distribution, transportation and storage services. These businesses are regulated by state public service commissions and/or the FERC. The construction materials and services platform provides construction services to a variety of industries, including commercial, industrial and governmental customers, and provides construction materials through aggregate mining and marketing of related products, such as ready-mixed concrete, asphalt and asphalt oil.

The Company is organized into five reportable business segments. These business segments include: electric, natural gas distribution, pipeline, construction materials and contracting, and construction services. The Company's business segments are determined based on the Company's method of internal reporting, which generally segregates the strategic business units due to differences in products, services and regulation. The internal reporting of these segments is defined based on the reporting and review process used by the Company's chief executive officer.

The Company, through its wholly owned subsidiary, MDU Energy Capital, owns Montana-Dakota, Cascade and Intermountain. The electric segment is comprised of Montana-Dakota while the natural gas distribution segment is comprised of Montana-Dakota, Cascade and Intermountain.

The Company, through its wholly owned subsidiary, Centennial, owns WBI Holdings, Knife River, MDU Construction Services and Centennial Capital. WBI Holdings is the pipeline segment, Knife River is the construction materials and contracting segment, MDU Construction Services is the construction services segment, and Centennial Capital is reflected in the Other category.

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The financial results and data applicable to each of the Company's business segments, as well as their financing requirements, are set forth in Item 7 - MD&A and Item 8 - Note 17.

The Company's material properties, which are of varying ages and are of different construction types, are generally in good condition, are well maintained and are generally suitable and adequate for the purposes for which they are used.

Human Capital Management At the core of Building a Strong America® is building a strong team of employees with a focus on safety and a commitment to diversity and inclusion. The Company's team consisted of 12,994 employees located in 40 states plus Washington D.C. as of December 31, 2020. The number of employees fluctuates during the year due to the seasonality and the number and size of construction projects. During 2020, the number of employees peaked at 15,668. Employees as of December 31, 2020, were as follows:

Company	Number of employees
MDU Resources Group, Inc.	250
MDU Energy Capital	1,592
WBI Holdings	323
Knife River	3,582
MDU Construction Services	7,247
Total employees	12,994

Many of the Company's employees are represented by collective-bargaining agreements. The majority of the collective-bargaining agreements contain provisions that prohibit work stoppages or strikes and provide for binding arbitration dispute resolution in the event of an extended disagreement. The following information is as of December 31, 2020.

Company	Collective-bargaining agreement	Number of employees represented	Agreement status
Montana-Dakota	IBEW	336	Effective through April 30, 2021
Intermountain	UA	129	Effective through March 31, 2023
Cascade	ICWU	190	Effective through March 31, 2021
WBI Energy Transmission	IBEW	67	Effective through March 31, 2022
Knife River	39 various agreements	555	2 agreements in negotiations
MDU Construction Services	103 various agreements	5,927	2 agreements in negotiations
Total		7,204	

Safety The Company is committed to safety and health in the workplace and subscribes to the principle that all injuries can be prevented. To ensure safe work environments, the Company provides training, adequate resources and appropriate follow-up on any unsafe conditions or actions.

To facilitate a strong safety culture, the Company established its Safety Leadership Council which is charged with receiving and reviewing information for the identification and adoption of best practices in the prevention of occupationally induced injuries and illness, as well as monitoring the effectiveness of the Company's safety and environmental health programs.

In addition to the Safety Leadership Council, the Company has policies and training that support safety in the workplace including training on safety matters through classroom and toolbox meetings on job sites. The Company utilizes safety compliance in the evaluation of employees, which includes management, and recognizes employee safety through safety award programs. Accident and safety statistical information is gathered for each of the business segments and regularly reported to management and the board of directors.

In response to COVID-19, the Company established a task force to monitor developments related to the pandemic and implemented procedures to protect employees. The Company adopted recommended practices from the CDC and is following directives of each state and local jurisdiction in which the Company operates. Some of these practices include, among other things, a daily COVID-19 self-assessment to access Company facilities; social distancing; telecommuting; virtual meetings; designated entrances, exits and stairwells; restricted business travel; and increased access to personal protective equipment.

Building People Employees are hired having the skills, abilities and motivation to achieve the results needed for their jobs. Each job is important and part of a coordinated team effort to accomplish the organization's objectives. The Company provides opportunities for advancement through job mobility, succession planning and promotions both within and between business segments.

The Company uses a variety of recruiting sources depending on the position, market and job requirements. All open positions across the Company's businesses are posted on the Company's website www.jobs.mdu.com. Other sources for recruiting employees include team member referrals, union workforce, direct recruitment and various forms of advertising, including social media. The Company also uses internship programs to introduce

individuals to the Company's business operations and provide a possible source of future employees. In markets where labor availability is tight, the Company uses telecommuting, guaranteed hours, flexible schedules and work arrangements to fill open positions.

To attract and retain employees, the Company offers:

- Competitive salaries and wages based on the labor markets in which it operates.
- Employee growth through training in the form of technical, professional and leadership programs. The Company also provides formal and informal mentoring and job shadowing programs to assist employees in their job and career goals.
- Incentive compensation opportunities based on the Company's performance.
- Comprehensive benefits including vacation, sick leave, health and wellness programs, retirement plans and discount programs.

Diversity and Inclusion To further its corporate vision, the Company is committed to an inclusive environment that respects the differences and embraces the strengths of its diverse employees. Each business segment has an appointed diversity officer who serves as a conduit for diversity-related issues by providing a voice to all employees. The Company has three strategic goals related to diversity:

- Increase productivity and profitability through the creation of a work environment which values all perspectives and methods of accomplishing work.
- Enhance collaboration efforts through cooperation and sharing of best practices to create new ways of meeting employee, customer and shareholder needs.
- Maintain a culture of integrity, respect and safety by ensuring employees understand these essential values which are part of the Company's vision statement.

The Company provides training and has policies which speak to diversity and inclusion. Training for employees on diversity and inclusion topics include equal employment opportunity, workplace harassment, respect and unconscious bias. In 2020, the Company implemented a telecommuting policy to allow certain employees to work from home or other offsite locations. The flexibility of the policy may expand the potential applicant pool for job openings beyond the Company's traditional geographic footprint.

The Company also promotes its strategic diversity goals through the following special recognition awards:

- The Einstein award recognizes the best process improvement ideas that contribute in a measurable way to improving the Company's bottom line and are vital to the Company's success.
- The Community Spirit award recognizes employees who are actively involved in their community.
- The Summit award recognizes employees who make the Company a better place to work.
- The Environmental Integrity award recognizes an employee program, project or activity that reflects the Company's environmental policy and philosophy.
- The Hero Award recognizes employees who go above and beyond the call of duty to save another's life.

Governmental Matters The operations of the Company and certain of its subsidiaries are subject to laws and regulations relating to air, water and solid waste pollution control; state facility-siting regulations; zoning and planning regulations of certain state and local authorities; federal and state health and safety regulations; and state hazard communication standards. The Company believes it is in substantial compliance with these regulations, except as to what may be ultimately determined with regard to items discussed in Environmental matters in Item 8 - Note 21. There are no pending CERCLA actions for any of the Company's material properties. However, the Company is involved in certain claims relating to the Portland, Oregon, Harbor Superfund Site and the Bremerton Gasworks Superfund Site. For more information on the Company's environmental matters, see Item 8 - Note 21.

The Company produces GHG emissions primarily from its fossil fuel electric generating facilities, as well as from natural gas pipeline and storage systems, and operations of equipment and fleet vehicles. GHG emissions also result from customer use of natural gas for heating and other uses. As interest in reductions in GHG emissions has grown, the Company has developed renewable generation with lower or no GHG emissions. Governmental legislation and regulatory initiatives regarding environmental and energy policy are continuously evolving and could negatively impact the Company's operations and financial results. Until legislation and regulation are finalized, the impact of these measures cannot be accurately predicted. The Company will continue to monitor legislative and regulatory activity related to environmental and energy policy initiatives. Disclosure regarding specific environmental matters applicable to each of the Company's businesses is set forth under each business description later. In addition, for a discussion of the Company's risks related to environmental laws and regulations, see Item 1A - Risk Factors.

Technology The Company uses technology in substantially all aspects of its business operations and requires uninterrupted operation of information technology systems and network infrastructure. These systems may be vulnerable to failures or unauthorized access. The Company has policies, procedures and processes designed to strengthen and protect these systems, which include the Company's enterprise information technology and operation technology groups continually evaluating new tools and techniques to reduce the risk of a cyber breach.

The Company created CyROC to oversee its approach to cybersecurity. CyROC is responsible for supplying management and the Audit Committee with analyses, appraisals, recommendations and pertinent information concerning cyber defense of the Company's electronic information and

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information technology systems. A quarterly cybersecurity report is provided to the Audit Committee. For a discussion of the Company's risks related to cybersecurity, see Item 1A - Risk Factors.

Available Information This annual report on Form 10-K, the Company's quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge through the Company's website as soon as reasonably practicable after the Company has electronically filed such reports with, or furnished such reports to, the SEC. The Company's website address is www.mdu.com. The information available on the Company's website is not part of this annual report on Form 10-K. The SEC also maintains a website where the Company's filings can be obtained free of charge at www.SEC.gov.

Electric

General The Company's electric segment is operated through its wholly owned subsidiary, Montana-Dakota. Montana-Dakota provides electric service at retail, serving residential, commercial, industrial and municipal customers in 185 communities and adjacent rural areas in Montana, North Dakota, South Dakota and Wyoming. For more information on the retail customer classes served, see the table below. The material properties owned by Montana-Dakota for use in its electric operations include interests in 16 electric generating units at 11 facilities and two small portable diesel generators, as further described under System Supply, System Demand and Competition, approximately 3,400 and 4,900 miles of transmission and distribution lines, respectively, and 81 transmission and 298 distribution substations. Montana-Dakota has obtained and holds, or is in the process of renewing, valid and existing franchises authorizing it to conduct its electric operations in all of the municipalities it serves where such franchises are required. Montana-Dakota intends to protect its service area and seek renewal of all expiring franchises. At December 31, 2020, Montana-Dakota's net electric plant investment was \$1.5 billion and its rate base was \$1.3 billion.

The retail customers served and respective revenues by class for the electric business were as follows:

	2020		2019		2018	
	Customers Served	Revenues	Customers Served	Revenues	Customers Served	Revenues
(Dollars in thousands)						
Residential	118,893	\$ 122,545	118,563	\$ 125,614	118,426	\$ 126,173
Commercial	23,050	131,207	22,948	142,062	22,756	141,961
Industrial	230	36,736	234	37,790	236	36,081
Other	1,609	6,601	1,601	7,454	1,604	7,882
	143,782	\$ 297,089	143,346	\$ 312,920	143,022	\$ 312,097

Other electric revenues, which are largely transmission-related revenues, for Montana-Dakota were \$34.9 million, \$38.8 million and \$23.0 million for the years ended December 31, 2020, 2019 and 2018, respectively.

The percentage of electric retail revenues by jurisdiction was as follows:

	2020	2019	2018
North Dakota	64 %	65 %	66 %
Montana	22 %	22 %	20 %
Wyoming	9 %	8 %	9 %
South Dakota	5 %	5 %	5 %

Retail electric rates, service, accounting and certain security issuances are subject to regulation by the MTPSC, NDPSC, SDPUC and WYPSC. The interstate transmission and wholesale electric power operations of Montana-Dakota are also subject to regulation by the FERC under provisions of the Federal Power Act, as are interconnections with other utilities and power generators, the issuance of certain securities, accounting, cybersecurity and other matters.

Through MISO, Montana-Dakota has access to wholesale energy, ancillary services and capacity markets for its interconnected system. MISO is a regional transmission organization responsible for operational control of the transmission systems of its members. MISO provides security center operations, tariff administration and operates day-ahead and real-time energy markets, ancillary services and capacity markets. As a member of MISO, Montana-Dakota's generation is sold into the MISO energy market and its energy needs are purchased from that market.

System Supply, System Demand and Competition Through an interconnected electric system, Montana-Dakota serves markets in portions of North Dakota, Montana and South Dakota. These markets are highly seasonal and sales volumes depend largely on the weather. Additionally, the average customer consumption has tended to decline due to increases in energy efficient lighting and appliances being installed. The interconnected system consists of 15 electric generating units at 10 facilities and two small portable diesel generators, which have an aggregate nameplate rating attributable to Montana-Dakota's interest of 750,318 kW and total net ZRCs of 512.3 in 2020. For 2020, Montana-Dakota's total ZRCs, including its firm purchase power contracts, were 553.2. Montana-Dakota's planning reserve margin requirement within MISO was 531.4 ZRCs for 2020. The maximum electric peak demand experienced to date attributable to Montana-Dakota's sales to retail customers on the interconnected system was 611,542 kW in August 2015. Montana-Dakota's latest forecast for its interconnected system indicates that its annual peak will continue to occur

during the summer. Montana-Dakota's interconnected system electric generating capability includes five steam-turbine generating units at four facilities using coal for fuel, four natural gas combustion turbine units at three facilities, three wind electric generating facilities, two natural gas-fired reciprocating internal combustion engines at one facility, a heat recovery electric generating facility and two small portable diesel generators.

Additional energy is purchased as needed, or in lieu of generation if more economical, from the MISO market, and in 2020, Montana-Dakota purchased approximately 25 percent of its net kWh needs for its interconnected system through the MISO market.

Approximately 30 percent of the electricity delivered to customers from Montana-Dakota's owned generation in 2020 was from renewable resources. Although Montana-Dakota's generation resource capacity has increased to serve the needs of its customers, the carbon dioxide emission intensity of its electric generation resource fleet has been reduced by approximately 28 percent since 2005 through the addition of renewable generation and MISO market purchases. Montana-Dakota's carbon dioxide emissions are expected to continue to decline through the retirement of aging coal-fired electric generating units.

Through the Sheridan System, Montana-Dakota serves Sheridan, Wyoming, and neighboring communities. The maximum peak demand experienced to date attributable to Montana-Dakota sales to retail customers on that system was approximately 64,129 kW in July 2020. Montana-Dakota has a power supply contract with Black Hills Power, Inc. to purchase up to 49,000 kW of capacity annually through December 31, 2023. Wygen III also serves a portion of the needs of Montana-Dakota's Sheridan-area customers.

The following table sets forth details applicable to the Company's electric generating stations:

Generating Station	Type	Nameplate Rating (kW)	2020 ZRCs (a)	2020 Net Generation (kWh in thousands)
Interconnected System:				
North Dakota:				
Coyote (b)	Steam	103,647	92.7	552,839
Heskett	Steam	86,000	87.9	469,765
Heskett	Combustion Turbine	89,038	77.9	1,331
Glen Ullin	Heat Recovery	7,500	4.8	29,813
Cedar Hills	Wind	19,500	4.0	55,889
Thunder Spirit	Wind	155,500	24.2	600,626
South Dakota:				
Big Stone (b)	Steam	94,111	105.7	394,021
Montana:				
Lewis & Clark	Steam	44,000	—	232,433
Lewis & Clark	Reciprocating Internal Combustion Engine	18,700	17.6	1,613
Glendive	Combustion Turbine	75,522	67.6	853
Miles City	Combustion Turbine	23,150	21.2	349
Diamond Willow	Wind	30,000	5.5	98,781
Diesel Units	Oil	3,650	3.2	10
		750,318	512.3	2,438,323
Sheridan System:				
Wyoming:				
Wygen III (b)	Steam	28,000	N/A	209,423
		778,318	512.3	2,647,746

(a) Interconnected system only. MISO requires generators to obtain their summer capability through the GVTC. The GVTC is then converted to ZRCs by applying each generator's forced outage factor against its GVTC. Wind generator's ZRCs are calculated based on a wind capacity study performed annually by MISO. ZRCs are used to meet supply obligations within MISO.

(b) Reflects Montana-Dakota's ownership interest.

Virtually all of the current fuel requirements of the Lewis & Clark and Heskett stations are met with coal supplied by wholly-owned subsidiaries of Westmoreland Mining LLC under contracts that expire in March 2021 and December 2021, respectively. The Lewis & Clark and Heskett coal supply agreements provide for the purchase of coal necessary to supply the coal requirements of these stations at contracted pricing. Montana-Dakota estimates the Lewis & Clark coal requirement to be 60,000 tons through March 2021 and in the range of 400,000 to 425,000 tons per contract year for Heskett.

In February 2019, Montana-Dakota announced the retirement of three aging coal-fired electric generating units, Unit 1 at Lewis & Clark Station and Units 1 and 2 at Heskett Station. The retirements are expected to be completed in March 2021 for Lewis & Clark Station and early 2022 for Heskett Station. Montana-Dakota also announced the intent to construct a new 88-MW simple-cycle natural gas-fired combustion turbine peaking unit at the existing Heskett Station.

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The owners of Coyote Station, including Montana-Dakota, have a contract with Coyote Creek for coal supply to the Coyote Station that expires December 2040. Montana-Dakota estimates the Coyote Station coal supply agreement to be approximately 1.5 million tons per contract year. For more information, see Item 8 - Note 21.

The owners of Big Stone Station, including Montana-Dakota, have a coal supply agreement with Peabody COALSALES, LLC to meet all of the Big Stone Station's fuel requirements through 2022. Montana-Dakota estimates the Big Stone Station coal supply agreement to be approximately 1.5 million tons per contract year.

Montana-Dakota has a coal supply agreement with Wyodak Resources Development Corp., to supply the coal requirements of Wygen III at contracted pricing through June 1, 2060. Montana-Dakota estimates the maximum annual coal consumption of the facility to be 594,000 tons.

The average cost of coal purchased, including freight, at Montana-Dakota's electric generating stations (including the Big Stone, Coyote and Wygen III stations) was as follows:

Years ended December 31,	2020		2019		2018	
Average cost of coal per MMBtu	\$	2.10	\$	2.15	\$	2.00
Average cost of coal per ton	\$	30.52	\$	31.36	\$	29.08

Montana-Dakota expects that it has secured adequate capacity available through existing baseload generating stations, renewable generation, turbine peaking stations, demand reduction programs and firm contracts to meet the peak customer demand requirements of its customers through 2025. Future capacity needs are expected to be met by constructing new generation resources or acquiring additional capacity through power purchase contracts or the MISO capacity auction.

Montana-Dakota has major interconnections with its neighboring utilities and considers these interconnections adequate for coordinated planning, emergency assistance, exchange of capacity and energy and power supply reliability.

Montana-Dakota is subject to competition resulting from customer demands, technological advances and other factors in certain areas, from rural electric cooperatives, on-site generators, co-generators and municipally owned systems. In addition, competition in varying degrees exists between electricity and alternative forms of energy such as natural gas.

Regulatory Matters and Revenues Subject to Refund In North Dakota, Montana, South Dakota and Wyoming, there are various recurring regulatory mechanisms with annual true-ups that can impact Montana-Dakota's results of operations, which also reflect monthly increases or decreases in electric fuel and purchased power costs (including demand charges). Montana-Dakota is deferring those electric fuel and purchased power costs that are greater or less than amounts presently being recovered through its existing rate schedules. Examples of these recurring mechanisms include: monthly Fuel and Purchased Power Tracking Adjustments, a fuel adjustment clause and an annual Electric Power Supply Cost Adjustment. Such mechanisms generally provide that these deferred fuel and purchased power costs are recoverable or refundable through rate adjustments which are filed annually. Montana-Dakota's results of operations reflect 95 percent of the increases or decreases from the base purchased power costs and also reflect 85 percent of the increases or decreases from the base coal price, which is also recovered through the Electric Power Supply Cost Adjustment in Wyoming. For more information on regulatory assets and liabilities, see Item 8 - Note 6.

All of Montana-Dakota's wind resources pertaining to electric operations in North Dakota are included in a renewable resource cost adjustment rider, including the North Dakota investment in the Thunder Spirit Wind project. Montana-Dakota also has a transmission tracker in North Dakota to recover transmission costs associated with MISO and the Southwest Power Pool, regional transmission organizations serving parts of Montana-Dakota's system, along with certain of the transmission investments not recovered through retail rates. The tracking mechanism has an annual true-up.

In South Dakota, Montana-Dakota recovers the South Dakota investment in the Thunder Spirit Wind project through an Infrastructure Rider tracking mechanism that is subject to an annual true-up. Montana-Dakota also has in place in South Dakota a transmission tracker to recover transmission costs associated with MISO and the Southwest Power Pool, regional transmission organizations serving parts of Montana-Dakota's system, along with certain of the transmission investments not recovered through retail rates. This tracking mechanism also has an annual true-up.

In Montana, Montana-Dakota recovers in rates, through a tracking mechanism, its allocated share of Montana property-related taxes assessed to electric operations on an after-tax basis.

For more information on regulatory matters, see Item 8 - Note 20.

Environmental Matters Montana-Dakota's electric operations are subject to federal, state and local laws and regulations providing for air, water and solid waste pollution control; state facility-siting regulations; zoning and planning regulations of certain state and local authorities; federal and state health and safety regulations; and state hazard communication standards. Montana-Dakota believes it is in substantial compliance with these regulations.

Montana-Dakota's electric generating facilities have Title V Operating Permits, under the Clean Air Act, issued by the states in which they operate. Each of these permits has a five-year life. Near the expiration of these permits, renewal applications are submitted. Permits continue in force beyond the expiration date, provided the application for renewal is submitted by the required date, usually six months prior to expiration. The Title V Operating Permit renewal application for Coyote Station was submitted timely to the North Dakota Department of Health in September 2017, and the permit was issued on May 27, 2020. Wygen III is allowed to operate under the facility's construction permit until the Title V Operating Permit is issued by the Wyoming Department of Environmental Quality. The Title V Operating Permit application for Wygen III was submitted timely in January 2011, with the permit issuance date not specified at this time. The Title V Operating Permit renewal application for Heskett Station was submitted timely in June 2019 to the NDDEQ and the permit was issued on February 4, 2020. The Title V Operating Permit renewal application for Lewis & Clark Station was submitted timely in December 2019 to the MTDEQ with the permit issuance date not specified at this time. The Title V Operating Permit renewal applications for Miles City and Glendive Combustion Turbine facilities were submitted timely in December 2020 to the MTDEQ with the permit issuance dates not specified at this time.

State water discharge permits issued under the requirements of the Clean Water Act are maintained for power production facilities on the Yellowstone and Missouri rivers. These permits also have five-year lives. Montana-Dakota renews these permits as necessary prior to expiration. Other permits held by these facilities may include an initial siting permit, which is typically a one-time, preconstruction permit issued by the state; state permits to dispose of combustion by-products; state authorizations to withdraw water for operations; and Army Corps permits to construct water intake structures. Montana-Dakota's Army Corps permits grant one-time permission to construct and do not require renewal. Other permit terms vary and the permits are renewed as necessary.

Montana-Dakota's electric operations are very small-quantity generators of hazardous waste and subject only to minimum regulation under the RCRA. Montana-Dakota routinely handles PCBs from its electric operations in accordance with federal requirements. PCB storage areas are registered with the EPA as required.

Montana-Dakota incurred approximately \$800,000 of environmental capital expenditures in 2020, mainly for an embankment stabilization project at Lewis & Clark Station and coal ash management projects for Lewis & Clark Station and Coyote Station. Environmental capital expenditures are estimated to be \$600,000, \$3.9 million and \$4.1 million in 2021, 2022 and 2023, respectively, for various environmental projects, including a coal ash impoundment closure project at Lewis & Clark Station and coal ash landfill closure project at Heskett Station. Montana-Dakota's capital and operational expenditures could also be affected by future environmental requirements, such as regional haze emissions reductions. For more information, see Item 1A - Risk Factors.

Natural Gas Distribution

General The Company's natural gas distribution segment is operated through its wholly owned subsidiaries, consisting of operations from Montana-Dakota, Cascade and Intermountain. These companies sell natural gas at retail, serving residential, commercial and industrial customers in 340 communities and adjacent rural areas across eight states. They also provide natural gas transportation services to certain customers on the Company's systems. For more information on the retail customer classes served, see the table below. These services are provided through distribution systems aggregating approximately 20,600 miles. The natural gas distribution operations have obtained and hold, or are in the process of renewing, valid and existing franchises authorizing them to conduct their natural gas operations in all of the municipalities they serve where such franchises are required. These operations intend to protect their service areas and seek renewal of all expiring franchises. At December 31, 2020, the natural gas distribution operations' net natural gas distribution plant investment was \$2.0 billion and its rate base was \$1.3 billion.

The retail customers served and respective revenues by class for the natural gas distribution operations were as follows:

	2020		2019		2018	
	Customers Served	Revenues	Customers Served	Revenues	Customers Served	Revenues
(Dollars in thousands)						
Residential	887,429	\$ 480,466	868,821	\$ 479,673	850,595	\$ 464,697
Commercial	108,788	281,175	107,741	293,201	106,297	279,566
Industrial	929	26,217	906	26,570	835	24,555
	997,146	\$ 787,858	977,468	\$ 799,444	957,727	\$ 768,818

Transportation and other revenues for the natural gas distribution operations were \$60.3 million, \$65.8 million and \$54.4 million for the years ended December 31, 2020, 2019 and 2018, respectively.

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The percentage of the natural gas distribution operations' retail sales revenues by jurisdiction was as follows:

	2020	2019	2018
Idaho	30 %	29 %	30 %
Washington	30 %	28 %	26 %
North Dakota	13 %	15 %	15 %
Montana	8 %	9 %	9 %
Oregon	8 %	8 %	8 %
South Dakota	6 %	6 %	7 %
Minnesota	3 %	3 %	3 %
Wyoming	2 %	2 %	2 %

The natural gas distribution operations are subject to regulation by the IPUC, MNPUC, MTPSC, NDPSC, OPUC, SDPUC, WUTC and WYPSC regarding retail rates, service, accounting and certain security issuances.

System Supply, System Demand and Competition The natural gas distribution operations serve retail natural gas markets, consisting principally of residential and firm commercial space and water heating users, in portions of Idaho, Minnesota, Montana, North Dakota, Oregon, South Dakota, Washington and Wyoming. These markets are highly seasonal and sales volumes depend largely on the weather, the effects of which are mitigated in certain jurisdictions by weather normalization mechanisms discussed later in Regulatory Matters. Additionally, the average customer consumption has tended to decline as more efficient appliances and furnaces are installed and as the Company has implemented conservation programs. In addition to the residential and commercial sales, the utilities transport natural gas for larger commercial and industrial customers who purchase their own supply of natural gas.

Competition resulting from customer demands, technological advances and other factors exists between natural gas and other fuels and forms of energy. The natural gas distribution operations have established various natural gas transportation service rates for their distribution businesses to retain interruptible commercial and industrial loads. These rates have enhanced the natural gas distribution operations' competitive posture with alternative fuels, although certain customers have bypassed the distribution systems by directly accessing transmission pipelines within close proximity. These bypasses do not have a material effect on results of operations.

The natural gas distribution operations and various distribution transportation customers obtain natural gas for their system requirements directly from producers, processors and marketers. The Company's purchased natural gas is supplied by a portfolio of contracts specifying market-based pricing and is transported under transportation agreements with WBI Energy Transmission, Northern Border Pipeline Company, Northwest Pipeline LLC, South Dakota Intrastate Pipeline, Northern Natural Gas, Gas Transmission Northwest LLC, Northwestern Energy, Viking Gas Transmission Company, Enbridge Westcoast Pipeline, Inc., Ruby Pipeline LLC, Foothills Pipe Lines Ltd., NOVA Gas Transmission Ltd, TC Energy Corporation and Northwest Natural. The natural gas distribution operations have contracts for storage services to provide gas supply during the winter heating season and to meet peak day demand with various storage providers, including WBI Energy Transmission, Dominion Energy Questar Pipeline, LLC, Northwest Pipeline LLC, Northwest Natural and Northern Natural Gas. In addition, certain of the operations have entered into natural gas supply management agreements with various parties. Demand for natural gas, which is a widely traded commodity, has historically been sensitive to seasonal heating and industrial load requirements, as well as changes in market price. The Company believes supplies are adequate for the natural gas distribution operations to meet its system natural gas requirements for the next decade. This belief is based on current and projected domestic and regional supplies of natural gas and the pipeline transmission network currently available through its suppliers and pipeline service providers.

Regulatory Matters The natural gas distribution operations' retail natural gas rate schedules contain clauses permitting adjustments in rates based upon changes in natural gas commodity, transportation and storage costs. Current tariffs allow for recovery or refunds of under- or over-recovered gas costs through rate adjustments which are filed annually.

In North Dakota and South Dakota, Montana-Dakota's natural gas tariffs contain weather normalization mechanisms applicable to certain firm customers that adjust the distribution delivery charges to reflect weather fluctuations during the November 1 through May 1 billing periods.

In Montana, Montana-Dakota recovers in rates, through a tracking mechanism, its allocated share of Montana property-related taxes assessed to natural gas operations on an after-tax basis.

In Minnesota and Washington, Great Plains and Cascade recover qualifying capital investments related to the safety and integrity of the pipeline systems through cost recovery tracking mechanisms.

In Oregon, Cascade has a decoupling mechanism in place approved by the OPUC until January 1, 2025, with a review to be completed by September 30, 2024. Cascade also has an earnings sharing mechanism with respect to its Oregon jurisdictional operations as required by the OPUC.

On July 7, 2016, the WUTC approved a full decoupling mechanism where Cascade is allowed recovery of an average revenue per customer regardless of actual consumption. The mechanism also includes an earnings sharing component if Cascade earns beyond its authorized return. The decoupling mechanism is being reviewed by an outside consultant which will provide a report to the WUTC in March 2021.

On December 22, 2016, the MNPUC approved a request by Great Plains to implement a full revenue decoupling mechanism pilot project for three years. The decoupling mechanism reflects the period January 1 through December 31. The MNPUC has adopted the administrative law judge's recommendation to extend the initial pilot period through the end of 2021. A final determination will be made as part of its pending rate case.

On May 4, 2020, Intermountain filed an application for authority to facilitate access for RNG producers to the Company's distribution system for the purpose of moving RNG to the producer's end-use customers. The request was approved by the IPUC with an effective date of June 12, 2020. The facilitation plan treats all RNG access as non-utility business and fully insulates utility customers from any impact. It allows Intermountain to charge RNG producers for the cost of all infrastructure needed to serve the producer. It also provides a method to charge RNG producers for maintenance costs associated with the RNG projects as well as an access fee that provides a return on Intermountain's involvement. The facilitation plan will be vital in supporting the growth and development of the RNG industry in the state of Idaho.

On August 3, 2020, Intermountain filed an application for authority to implement a commercial energy efficiency program and funding mechanism. The request was approved by the IPUC with an effective date of October 1, 2020. The purpose of the program is to encourage upgrades to, or use of, high efficiency natural gas equipment. This will be achieved through the use of rebates, offered towards the purchase and installation of qualified energy-efficient natural gas equipment.

For more information on regulatory matters, see Item 8 - Note 20.

Environmental Matters The natural gas distribution operations are subject to federal, state and local environmental, facility-siting, zoning and planning laws and regulations. The Company believes its natural gas distribution operations are in substantial compliance with those regulations.

The Company's natural gas distribution operations are very small-quantity generators of hazardous waste, and subject only to minimum regulation under the RCRA. Washington state rule defines Cascade as a small-quantity generator, but regulation under the rule is similar to RCRA. Certain locations of the natural gas distribution operations routinely handle PCBs from their natural gas operations in accordance with federal requirements. PCB storage areas are registered with the EPA as required. Capital and operational expenditures for natural gas distribution operations could be affected in a variety of ways by potential new GHG legislation or regulation. In particular, such legislation or regulation would likely increase capital expenditures for energy efficiency and conservation programs and operational costs associated with GHG emissions compliance. Natural gas distribution operations expect to recover the operational and capital expenditures for GHG regulatory compliance in rates consistent with the recovery of other reasonable costs of complying with environmental laws and regulations.

The natural gas distribution operations did not incur any material environmental expenditures in 2020. Except as to what may be ultimately determined with regard to the issues described in the following paragraph, the natural gas distribution operations do not expect to incur any material capital expenditures related to environmental compliance with current laws and regulations through 2023.

Montana-Dakota has ties to six historic manufactured gas plants as a successor corporation or through direct ownership of the plant. Montana-Dakota is investigating possible soil and groundwater impacts due to the operation of two of these former manufactured gas plant sites. To the extent not covered by insurance, Montana-Dakota may seek recovery in its natural gas rates charged to customers for certain investigation and remediation costs incurred for these sites. Cascade has ties to nine historic manufactured gas plants as a successor corporation or through direct ownership of the plant. Cascade is involved in the investigation and remediation of one of these manufactured gas plants in Washington. To the extent not covered by insurance, Cascade will seek recovery of investigation and remediation costs through its natural gas rates charged to customers.

See Item 8 - Note 21 for further discussion of certain manufactured gas plant sites.

Pipeline

General WBI Energy owns and operates both regulated and non-regulated businesses. The regulated business of this segment, WBI Energy Transmission, owns and operates approximately 3,700 miles of natural gas transmission and storage lines in Minnesota, Montana, North Dakota, South Dakota and Wyoming. WBI Energy Transmission's underground storage fields provide storage services to local distribution companies, industrial customers, natural gas marketers and others, and serve to enhance system reliability. Its system is strategically located near four natural gas producing basins, making natural gas supplies available to its transportation and storage customers. The system has 13 interconnecting points with other pipeline facilities allowing for the receipt and/or delivery of natural gas to and from other regions of the country and from Canada. Under the Natural Gas Act, as amended, WBI Energy Transmission is subject to the jurisdiction of the FERC regarding certificate, rate, service and accounting matters, and at December 31, 2020, its net plant investment was \$548.3 million.

The non-regulated business of this segment provides a variety of energy-related services, including cathodic protection and energy efficiency product sales and installation services to large end-users.

In 2020, the Company divested its regulated and non-regulated natural gas gathering assets. With the completion of these sales, the Company has exited the natural gas gathering business.

A majority of the pipeline business is transacted in the Rocky Mountain and northern Great Plains regions of the United States.

System Supply, System Demand and Competition Natural gas supplies emanate from traditional and nontraditional production activities in the region from both on-system and off-system supply sources. Incremental supply from nontraditional sources, such as the Bakken area in Montana and North Dakota, have helped offset declines in traditional regional supply sources and supports WBI Energy Transmission's transportation and storage services. In addition, off-system supply sources are available through the Company's interconnections with other pipeline systems. WBI Energy Transmission continues to look for opportunities to increase transportation and storage services through system expansion and/or other pipeline interconnections or enhancements that could provide future benefits.

WBI Energy Transmission's underground natural gas storage facilities have a certificated storage capacity of approximately 350 Bcf, including 193 Bcf of working gas capacity, 83 Bcf of cushion gas and 74 Bcf of native gas. These storage facilities enable customers to purchase natural gas throughout the year and meet winter peak requirements.

WBI Energy Transmission competes with several pipelines for its customers' transportation and storage business and at times may discount rates in an effort to retain market share; however, the strategic location of its system near four natural gas producing basins and the availability of underground storage services, along with interconnections with other pipelines, enhances its competitive position.

Although certain of WBI Energy Transmission's firm customers, including its largest firm customer Montana-Dakota, serve relatively secure residential, commercial and industrial end-users, they generally all have some price-sensitive end-users that could switch to alternate fuels.

WBI Energy Transmission transports substantially all of Montana-Dakota's natural gas, primarily utilizing firm transportation agreements, which for 2020 represented 23 percent of WBI Energy Transmission's subscribed firm transportation contract demand. The majority of the firm transportation agreements with Montana-Dakota expire in June 2022. In addition, Montana-Dakota has contracts, expiring in July 2035, with WBI Energy Transmission to provide firm storage services to facilitate meeting Montana-Dakota's winter peak requirements.

The non-regulated business of this segment competes for existing customers in the areas in which it operates. Its focus on customer service and the variety of services it offers serve to enhance its competitive position.

Environmental Matters The pipeline operations are subject to federal, state and local environmental, facility-siting, zoning and planning laws and regulations.

Administration of certain provisions of federal environmental laws is delegated to the states where WBI Energy and its subsidiaries operate. Administering agencies may issue permits with varying terms and operational compliance conditions. Permits are renewed and modified, as necessary, based on defined permit expiration dates, operational demand, facility upgrades or modifications, and/or regulatory changes. The Company believes it is in substantial compliance with these regulations.

Detailed environmental assessments and/or environmental impact statements as required by the National Environmental Policy Act are included in the FERC's environmental review process for both the construction and abandonment of WBI Energy Transmission's natural gas transmission pipelines, compressor stations and storage facilities.

The pipeline operations did not incur any material environmental expenditures in 2020 and do not expect to incur any material capital expenditures related to environmental compliance with current laws and regulations through 2023.

Construction Materials and Contracting

General Knife River operates construction materials and contracting businesses headquartered in Alaska, California, Hawaii, Idaho, Iowa, Minnesota, Montana, North Dakota, Oregon, South Dakota, Texas, Washington and Wyoming. Knife River mines, processes and sells construction aggregates (crushed stone, sand and gravel); produces and sells asphalt mix; and supplies ready-mixed concrete. These products are used in most types of construction, performed by Knife River and other companies, including roads, freeways and bridges, as well as homes, schools, shopping centers, office buildings and industrial parks. Knife River focuses on vertical integration of its contracting services with its construction materials to support the aggregate-based product lines including aggregate placement, asphalt and concrete paving, and site development and grading. Although not common to all locations, other products include the sale of cement, liquid asphalt for various commercial and roadway applications, various finished concrete products and other building materials and related contracting services.

During 2020, Knife River acquired the assets of Oldcastle Infrastructure Spokane, a prestressed-concrete business in Spokane, Washington, and McMurry Ready-Mix Co., an aggregates and concrete supplier in Casper, Wyoming. For more information on business combinations, see Item 8 - Note 4.

Competition Knife River's construction materials products and contracting services are marketed under competitive conditions. Price is the principal competitive force to which these products and services are subject, with service, quality, delivery time and proximity to the customer also being significant factors. Knife River focuses on markets located near aggregate sites to reduce transportation costs which allows Knife River to remain competitive with the pricing of aggregate products. The number and size of competitors varies in each of Knife River's principal market areas and product lines.

The demand for construction materials products and contracting services is significantly influenced by the cyclical nature of the construction industry. In addition, activity in certain locations may be seasonal in nature due to the effects of weather. The key economic factors affecting product demand are changes in the level of local, state and federal governmental spending on roads and infrastructure projects, general economic conditions within the market area that influence the commercial and residential sectors, and prevailing interest rates.

Knife River's customers are a diverse group which includes federal, state and municipal government agencies, commercial and residential developers, and private parties. The mix of sales by customer class varies each year depending on available work. Knife River is not dependent on any single customer or group of customers for sales of its products and services, the loss of which would have a material adverse effect on its construction materials businesses.

Reserve Information Aggregate reserve estimates are calculated based on the best available data. This data is collected from drill holes and other subsurface investigations, as well as investigations of surface features such as mine high walls and other exposures of the aggregate reserves. Mine plans, production history and geologic data are also utilized to estimate reserve quantities.

Estimates are based on analyses of the data described above by experienced internal mining engineers, operating personnel and geologists. Property setbacks and other regulatory restrictions and limitations are identified to determine the total area available for mining. Data described previously are used to calculate the thickness of aggregate materials to be recovered.

Topography associated with alluvial sand and gravel deposits is typically flat and volumes of these materials are calculated by applying the thickness of the resource over the areas available for mining. Volumes are then converted to tons by using an appropriate conversion factor. Typically, 1.5 tons per cubic yard in the ground is used for sand and gravel deposits.

Topography associated with hard rock reserves is typically much more diverse. Therefore, using available data, a final topography map is created and computer software is utilized to compute the volumes between the existing and final topographies. Volumes are then converted to tons by using an appropriate conversion factor. Typically, 2 tons per cubic yard in the ground is used for hard rock quarries.

Estimated reserves are probable reserves as defined in Securities Act Industry Guide 7. The reserve estimates include only salable tonnage and thus exclude waste materials that are generated in the crushing and processing phases of the operation. Approximately 1.0 billion tons of Knife River's 1.1 billion tons of aggregate reserves are permitted reserves. Remaining reserves are based on estimates of volumes that can be economically extracted and sold to meet current market and product applications. The remaining reserves are on properties that are expected to be permitted for mining under current regulatory requirements. The data used to calculate the remaining reserves may require revisions in the future to account for changes in customer requirements and unknown geological occurrences. The remaining reserve life (years) was calculated by dividing remaining reserves by the three-year average sales, including estimated sales from acquired reserves prior to acquisition, from 2018 through 2020. Actual useful lives of these reserves will be subject to, among other things, fluctuations in customer demand, customer specifications, geological conditions and changes in mining plans.

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The following table sets forth details applicable to the Company's aggregate reserves under ownership or lease as of December 31, 2020, and sales for the years ended December 31, 2020, 2019 and 2018:

Production Area	Number of Sites (Crushed Stone)		Number of Sites (Sand & Gravel)		Tons Sold (000's)			Estimated Reserves (000's tons)	Lease Expiration	Reserve Life (years)
	owned	leased	owned	leased	2020	2019	2018			
Anchorage, AK	—	—	1	—	817	868	725	14,363	N/A	18
Hawaii	—	6	—	—	1,466	1,680	1,734	46,513	2023-2064	29
Northern CA	—	—	9	1	2,076	1,901	1,798	38,510	2028-2046	20
Southern CA	—	2	—	—	341	292	356	90,570	2035	Over 100
Portland, OR	2	4	3	3	4,085	4,868	5,402	166,311	2025-2055	35
Eugene, OR	3	4	5	—	1,230	1,205	743	154,039	2021-2049	Over 100
Central OR/WA/ID	—	1	9	2	3,119	2,700	2,362	82,061	2028-2077	30
Southwest OR	5	5	11	6	2,194	1,932	2,395	111,749	2021-2053	51
Central MT	—	—	3	1	1,074	822	1,081	13,344	2023-2027	13
Northwest MT	—	—	9	—	2,007	2,084	1,965	57,794	N/A	29
Wyoming	2	6	—	5	840	837	626	104,894	2021-2085	62 *
Central MN	1	1	41	7	3,233	3,477	2,890	64,902	2021-2028	20
Northern MN	2	—	11	2	483	330	369	20,046	2021-2024	51
ND/SD	1	—	2	22	4,528	3,747	1,506	63,069	2021-2031	15 *
Eastern TX	2	2	4	—	984	1,378	1,094	76,722	2022-2029	67
Sales from other sources					2,472	4,193	4,749			
					30,949	32,314	29,795	1,104,887		

* Includes estimate of three-year average sales for acquired reserves.

The 1.1 billion tons of estimated aggregate reserves at December 31, 2020, are comprised of 581 million tons on properties that are owned and 524 million tons that are leased. Approximately 40 percent of the tons under lease have lease expiration dates of 20 years or more. The weighted average years remaining on all leases containing estimated probable aggregate reserves is approximately 20 years, including options for renewal that are at Knife River's discretion. Based on a three-year average of sales from 2018 through 2020 of leased reserves, the average time necessary to produce remaining aggregate reserves from such leases is approximately 45 years. Some sites have leases that expire prior to the exhaustion of the estimated reserves. The estimated reserve life assumes, based on Knife River's experience, that leases will be renewed to allow sufficient time to fully recover these reserves.

The changes in Knife River's aggregate reserves for the years ended December 31 were as follows:

	2020	2019	2018
	(000's of tons)		
Aggregate reserves:			
Beginning of year	1,054,186	1,014,431	965,036
Acquisitions (a)	114,666	71,157	81,004
Sales volumes (b)	(28,477)	(28,121)	(25,046)
Other (c)	(35,488)	(3,281)	(6,563)
End of year	1,104,887	1,054,186	1,014,431

(a) Includes reserves from recent business combinations.

(b) Excludes sales from other sources.

(c) Includes property sales, revisions of previous estimates and expiring leases.

Environmental Matters Knife River's construction materials and contracting operations are subject to regulation customary for such operations, including federal, state and local environmental compliance and reclamation regulations. Except as to the issues described later, Knife River believes it is in substantial compliance with these regulations. Individual permits applicable to Knife River's various operations are managed and tracked as they relate to the statuses of the application, modification, renewal, compliance and reporting procedures.

Knife River's asphalt and ready-mixed concrete manufacturing plants and aggregate processing plants are subject to the Clean Air Act and the Clean Water Act requirements for controlling air emissions and water discharges. Some mining and construction activities are also subject to these laws. In most of the states where Knife River operates, these regulatory programs are delegated to state and local regulatory authorities. Knife River's facilities are also subject to the RCRA as it applies to the management of hazardous wastes and underground storage tank systems. These programs are generally delegated to the state and local authorities in the states where Knife River operates. Knife River's facilities must comply with requirements for managing wastes and underground storage tank systems.

Certain activities of Knife River are directly regulated by federal agencies. For example, certain in-water mining operations are subject to provisions of the Clean Water Act that are administered by the Army Corps. Knife River has several such operations, including gravel bar skimming and dredging operations, and Knife River has the associated required permits. The expiration dates of these permits vary, with five years generally being the longest term.

Knife River's operations are also occasionally subject to the ESA. For example, land use regulations often require environmental studies, including wildlife studies, before a permit may be granted for a new or expanded mining facility or an asphalt or concrete plant. If endangered species or their habitats are identified, ESA requirements for protection, mitigation or avoidance apply. Endangered species protection requirements are usually included as part of land use permit conditions. Typical conditions include avoidance, setbacks, restrictions on operations during certain times of the breeding or rearing season, and construction or purchase of mitigation habitat. Knife River's operations are also subject to state and federal cultural resources protection laws when new areas are disturbed for mining operations or processing plants. Land use permit applications generally require that areas proposed for mining or other surface disturbances be surveyed for cultural resources. If any are identified, they must be protected or managed in accordance with regulatory agency requirements.

The most comprehensive environmental permit requirements are usually associated with new mining operations, although requirements vary widely from state to state and even within states. In some areas, land use regulations and associated permitting requirements are minimal. However, some states and local jurisdictions have very demanding requirements for permitting new mines. Environmental impact reports are sometimes required before a mining permit application can be considered for approval. These reports can take up to several years to complete. The report can include projected impacts of the proposed project on air and water quality, wildlife, noise levels, traffic, scenic vistas and other environmental factors. The reports generally include suggested actions to mitigate the projected adverse impacts.

Provisions for public hearings and public comments are usually included in land use permit application review procedures in the counties where Knife River operates. After considering environmental, mine plan and reclamation information provided by the permittee, as well as comments from the public and other regulatory agencies, the local authority approves or denies the permit application. Denial is rare, but land use permits often include conditions that must be addressed by the permittee. Conditions may include property line setbacks, reclamation requirements, environmental monitoring and reporting, operating hour restrictions, financial guarantees for reclamation, and other requirements intended to protect the environment or address concerns submitted by the public or other regulatory agencies.

Knife River has been successful in obtaining mining and other land use permits so sufficient permitted reserves are available to support its operations. For mining operations, this often requires considerable advanced planning to ensure sufficient time is available to complete the permitting process before the newly permitted aggregate reserve is needed to support Knife River's operations.

Knife River's Gascoyne surface coal mine last produced coal in 1995 but continues to be subject to reclamation requirements of the Surface Mining Control and Reclamation Act, as well as the North Dakota Surface Mining Act. Portions of the Gascoyne Mine remain under reclamation bond until the 10-year revegetation liability period has expired. A portion of the original permit has been released from bond and additional areas are currently in the process of having the bond released. Knife River intends to request bond release as soon as it is deemed possible.

Knife River did not incur any material environmental expenditures in 2020 and, except as to what may be ultimately determined with regard to the issues described in the following paragraph, Knife River does not expect to incur any material capital expenditures related to environmental compliance with current laws and regulations through 2023.

In December 2000, Knife River - Northwest was named by the EPA as a PRP in connection with the cleanup of a commercial property site, acquired by Knife River - Northwest in 1999, and part of the Portland, Oregon, Harbor Superfund Site. For more information, see Item 8 - Note 21.

Mine Safety The Dodd-Frank Act requires disclosure of certain mine safety information. For more information, see Item 4 - Mine Safety Disclosures.

Construction Services

General MDU Construction Services provides inside and outside specialty contracting services in 44 states plus Washington D.C. Its inside services include design, construction and maintenance of electrical and communication wiring and infrastructure, fire suppression systems, and mechanical piping and services. Its outside services include design, construction and maintenance of overhead and underground electrical distribution and transmission lines, substations, external lighting, traffic signalization, and gas pipelines, as well as utility excavation and the manufacture and distribution of transmission line construction equipment. This segment also constructs and maintains renewable energy projects. These specialty contracting services are provided to utilities and large manufacturing, commercial, industrial, institutional and governmental customers.

During 2020, MDU Construction Services acquired PerLectric, Inc., an electrical construction company in Fairfax, Virginia. For more information on business combinations, see Item 8 - Note 4.

Construction and maintenance crews are active year round. However, activity in certain locations may be seasonal in nature due to the effects of weather. MDU Construction Services works with the National Electrical Contractors Association, the IBEW and other trade associations on hiring and recruiting a qualified workforce.

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MDU Construction Services operates a fleet of owned and leased trucks and trailers, support vehicles and specialty construction equipment, such as backhoes, excavators, trenchers, generators, boring machines and cranes. In addition, as of December 31, 2020, MDU Construction Services owned or leased facilities in 17 states. This space is used for offices, equipment yards, manufacturing, warehousing, storage and vehicle shops.

Competition MDU Construction Services operates in a highly competitive business environment. Most of MDU Construction Services' work is obtained on the basis of competitive bids or by negotiation of either cost-plus or fixed-price contracts. Its workforce and equipment are highly mobile, providing greater flexibility in the size and location of MDU Construction Services' market area. Competition is based primarily on price and reputation for quality, safety and reliability. The size and location of the services provided, as well as the state of the economy, are factors in the number of competitors that MDU Construction Services will encounter on any particular project. MDU Construction Services believes the diversification of the services it provides, the markets it serves in the United States and the quality and management of its workforce enable it to effectively operate in this competitive environment.

Utilities and independent contractors represent the largest customer base for this segment. Accordingly, utility and subcontract work accounts for a significant portion of the work performed by MDU Construction Services and the amount of construction contracts is dependent on the level and timing of maintenance and construction programs undertaken by customers. MDU Construction Services relies on repeat customers and strives to maintain successful long-term relationships with its customers. The mix of sales by customer class varies each year depending on available work. MDU Construction Services is not dependent on any single customer or group of customers for sales of its products and services, the loss of which would have a material adverse effect on its business.

Environmental Matters MDU Construction Services' operations are subject to regulation customary for the industry, including federal, state and local environmental compliance. MDU Construction Services believes it is in substantial compliance with these regulations.

The nature of MDU Construction Services' operations is such that few, if any, environmental permits are required. Operational convenience supports the use of petroleum storage tanks in several locations, which are permitted under state programs authorized by the EPA. MDU Construction Services has no ongoing remediation related to releases from petroleum storage tanks. MDU Construction Services' operations are conditionally exempt small-quantity waste generators, subject to minimal regulation under the RCRA. Federal permits for specific construction and maintenance jobs that may require these permits are typically obtained by the hiring entity, and not by MDU Construction Services.

MDU Construction Services did not incur any material environmental expenditures in 2020 and does not expect to incur any material capital expenditures related to environmental compliance with current laws and regulations through 2023.

Item 1A. Risk Factors

The Company's business and financial results are subject to a number of risks and uncertainties, including those set forth below and in other documents filed with the SEC. The factors and other matters discussed herein are important factors that could cause actual results or outcomes for the Company to differ materially from those discussed in the forward-looking statements included elsewhere in this document. If any of the risks described below actually occur, the Company's business, prospects, financial condition or financial results could be materially harmed. The following are the most material risk factors applicable to the Company and are not necessarily listed in order of importance or probability of occurrence.

Economic Risks

The Company is subject to government regulations that may have a negative impact on its business and its results of operations and cash flows. Statutory and regulatory requirements also may limit another party's ability to acquire the Company or impose conditions on an acquisition of or by the Company.

The Company's electric and natural gas transmission and distribution businesses are subject to comprehensive regulation by federal, state and local regulatory agencies with respect to, among other things, allowed rates of return and recovery of investments and costs, financing, rate structures, customer service, health care coverage and costs, taxes, franchises; recovery of purchased power and purchased natural gas costs; and construction and siting of generation and transmission facilities. These governmental regulations significantly influence the Company's operating environment and may affect its ability to recover costs from its customers. The Company is unable to predict the impact on operating results from future regulatory activities of any of these agencies. Changes in regulations or the imposition of additional regulations could have an adverse impact on the Company's results of operations and cash flows.

There can be no assurance that applicable regulatory commissions will determine that the Company's electric and natural gas transmission and distribution businesses' costs have been prudent, which could result in the disallowance of costs in setting rates for customers. Also, the regulatory process of approving rates for these businesses may not allow for timely and full recovery of the costs of providing services or a return on the Company's invested capital. Changes in regulatory requirements or operating conditions may require early retirement of certain assets. While regulation typically provides rate recovery for these retirements, there is no assurance regulators will allow full recovery of all remaining costs, which could leave stranded asset costs. Rising fuel costs could increase the risk that the utility businesses will not be able to fully recover those fuel costs from customers.

Approval from federal and state regulatory agencies would be needed for acquisition of the Company, as well as for certain acquisitions by the Company. The approval process could be lengthy and the outcome uncertain, which may deter potential acquirers from approaching the Company or impact the Company's ability to pursue acquisitions.

Economic volatility affects the Company's operations, as well as the demand for its products and services.

Unfavorable economic conditions can negatively affect the level of public and private expenditures on projects and the timing of these projects which, in turn, can negatively affect demand for the Company's products and services, primarily at the Company's construction businesses. The level of demand for construction products and services could be adversely impacted by the economic conditions in the industries the Company serves, as well as in the general economy. State and federal budget issues affect the funding available for infrastructure spending.

Economic conditions and population growth affect the electric and natural gas distribution businesses' growth in service territory, customer base and usage demand. Economic volatility in the markets served, along with economic conditions such as increased unemployment which could impact the ability of the Company's customers to make payments, could adversely affect the Company's results of operations, cash flows and asset values. Further, any material decreases in customers' energy demand, for economic or other reasons, could have an adverse impact on the Company's earnings and results of operations.

The Company's operations involve risks that may result from catastrophic events.

The Company's operations, particularly those related to natural gas and electric transmission and distribution, include a variety of inherent hazards and operating risks, such as product leaks; explosions; mechanical failures; vandalism; fires; pandemics; social or civil unrest; protests and riots; natural disasters; acts of terrorism; and acts of war. These hazards and operating risks could result in loss of human life; personal injury; property damage; environmental pollution; impairment of operations; and substantial financial losses. The Company maintains insurance against some, but not all, of these risks and losses. A significant incident could also increase regulatory scrutiny and result in penalties and higher amounts of capital expenditures and operational costs. Losses not fully covered by insurance could have an adverse effect on the Company's financial position, results of operations and cash flows.

A disruption of the regional electric transmission grid or interstate natural gas infrastructure could negatively impact the Company's business and reputation. Because the Company's electric and natural gas utility and pipeline systems are part of larger interconnecting systems, a disruption could result in a significant decrease in revenues and system repair costs negatively impacting the Company's financial position, results of operations and cash flows.

The Company is subject to capital market and interest rate risks.

The Company's operations, particularly its electric and natural gas transmission and distribution businesses, require significant capital investment. Consequently, the Company relies on financing sources and capital markets as sources of liquidity for capital requirements not satisfied by cash flows from operations. If the Company is not able to access capital at competitive rates, including through its "at-the-market" offering program, the ability to implement business plans, make capital expenditures or pursue acquisitions the Company would otherwise rely on for future growth may be adversely affected. Market disruptions may increase the cost of borrowing or adversely affect the Company's ability to access one or more financial markets. Such disruptions could include:

- A significant economic downturn.
- The financial distress of unrelated industry leaders in the same line of business.
- Deterioration in capital market conditions.
- Turmoil in the financial services industry.
- Volatility in commodity prices.
- Pandemics, including COVID-19.
- Terrorist attacks.
- Cyberattacks.

The issuance of a substantial amount of the Company's common stock, whether issued in connection with an acquisition or otherwise, or the perception that such an issuance could occur, could have a dilutive effect on shareholders and/or may adversely affect the market price of the Company's common stock. Higher interest rates on borrowings could also have an adverse effect on the Company's operating results.

Financial market changes could impact the Company's pension and postretirement benefit plans and obligations.

The Company has pension and postretirement defined benefit plans for some of its employees and former employees. Assumptions regarding future costs, returns on investments, interest rates and other actuarial assumptions have a significant impact on the funding requirements and expense recorded relating to these plans. Adverse changes in economic indicators, such as consumer spending, inflation data, interest rate changes, political developments and threats of terrorism, among other things, can create volatility in the financial markets. These changes could impact the assumptions and negatively affect the value of assets held in the Company's pension and other postretirement benefit plans and may increase the amount and accelerate the timing of required funding contributions for those plans.

Significant changes in energy prices could negatively affect the Company's businesses.

Fluctuations in oil and natural gas production, supplies and prices; fluctuations in commodity price basis differentials; political and economic conditions in oil-producing countries; actions of the Organization of Petroleum Exporting Countries; demand for oil due to the economic slowdowns; and other external factors impact the development of oil and natural gas supplies and the expansion and operation of natural gas pipeline systems. The Company has benefited from associated natural gas production in the Bakken, which has provided opportunities for organic growth projects.

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Depressed oil and natural gas prices, however, place pressure on the ability of oil exploration and production companies to meet credit requirements and will continue to be a challenge if prices remain depressed long-term. Prolonged depressed prices for oil and natural gas could negatively affect the growth, results of operations, cash flows and asset values of the Company's electric, natural gas and pipeline businesses.

If oil and natural gas prices increase significantly, customer demand could decline for utility, pipeline and construction materials, which could impact the Company's results of operations and cash flows. While the Company has fuel clause recovery mechanisms for its utility operations in all of the states where it operates, higher utility fuel costs could also significantly impact results of operations if such costs are not recovered. Delays in the collection of utility fuel cost recoveries, as compared to expenditures for fuel purchases, could also negatively impact the Company's cash flows. High oil prices also affect the cost and demand for asphalt products and related contracting services.

COVID-19 may have a negative impact on the Company's business operations, revenues, results of operations, liquidity and cash flows.

To the extent the COVID-19 pandemic adversely affects the Company's business, operations, revenues, liquidity or cash flows, it may also have the effect of heightening many of the other risks described in this section. The degree to which COVID-19 will impact the Company depends on future developments, including severity and duration of the outbreak, actions taken by governmental authorities, timing and effectiveness of vaccines being administered, and timing of when relatively normal economic and operating conditions resume.

The Company's operations have experienced some disruptions due to its employees or third-party employees being diagnosed with COVID-19 or other illnesses and required quarantine periods for those in close contact to COVID-19. Self-quarantine or actual viral health issues may have a negative impact on the Company's employees and the ability to continue its work activities under a normal course of business. Moreover, the diagnosis of COVID-19 or other illnesses could require the Company or its business partners to suspend projects, quarantine employees or institute more aggressive preventive measures including closure of job sites. Mandated healthcare protocols could lead to a shortage of employees or altered operations. If a significant percentage of the Company's workforce are unable to work because of illness, quarantine or government restrictions in connection with the COVID-19 pandemic, the Company's operations may be negatively impacted, potentially adversely affecting its business, operations, revenues, liquidity and cash flows.

A portion of the Company's workforce has been working remotely and the Company has delayed return to work processes for certain office employees due to the rise in local COVID-19 cases in some operating regions. To date, the Company has not experienced any significant delays or information technology disruptions. An increased amount of social engineering and attacks by bad actors taking advantage of the pandemic could affect the Company's ability to maintain secure operations, communications and productivity in the future.

The regulated businesses have been deemed essential service providers and have seen some impacts on their businesses; however, the Company could be materially affected if its businesses were no longer deemed essential service providers. Future actions of its regulatory commissions on accounting for the impacts of the COVID-19 pandemic may also affect the Company's future operating results and cash flows. The Company has experienced some impacts to its commercial and industrial electric and natural gas loads associated with reduced demand from those customers due to the COVID-19 pandemic.

The construction businesses have generally been deemed essential service providers and have experienced some inefficiencies and interruptions on its businesses from the pandemic; however, the Company could be materially impacted if its businesses were no longer deemed essential service providers. These businesses could be further impacted in the future by site closures, government shut-down measures, additional inefficiencies due to compliance with safety and social distancing measures, public and private sector budget changes and constraints, and the impact of overall macro and local economic conditions on future construction projects.

Other factors associated with the COVID-19 pandemic that could impact the Company's businesses and future operating results, revenues and liquidity include impacts related to the health, safety, and availability of its employees and contractors; continued flexible payment plans; counterparty credit; costs and availability of supplies; capital construction and infrastructure operation and maintenance programs; financing plans; pension valuations; travel restrictions; and legal and regulatory matters, including the potential for delayed regulatory filings and recovery of invested capital.

Reductions in the Company's credit ratings could increase financing costs.

There is no assurance the Company's current credit ratings, or those of its subsidiaries, will remain in effect or that a rating will not be lowered or withdrawn by a rating agency. Events affecting the Company's financial results may impact its cash flows and credit metrics, potentially resulting in a change in the Company's credit ratings. The Company's credit ratings may also change as a result of the differing methodologies or changes in the methodologies used by the rating agencies.

Increasing costs associated with health care plans may adversely affect the Company's results of operations.

The Company's self-insured costs of health care benefits for eligible employees continues to increase. Increasing quantities of large individual health care claims and an overall increase in total health care claims could have an adverse impact on operating results, financial position and liquidity. Legislation related to health care could also change the Company's benefit program and costs.

The Company is exposed to risk of loss resulting from the nonpayment and/or nonperformance by the Company's customers and counterparties.

If the Company's customers or counterparties experience financial difficulties, the Company could experience difficulty in collecting receivables. Nonpayment and/or nonperformance by the Company's customers and counterparties, particularly customers and counterparties of the Company's construction materials and contracting and construction services businesses for large construction projects, could have a negative impact on the Company's results of operations and cash flows. The Company could also have indirect credit risk from participating in energy markets such as MISO in which credit losses are socialized to all participants.

Changes in tax law may negatively affect the Company's business.

Changes to federal, state and local tax laws have the ability to benefit or adversely affect the Company's earnings and customer costs. Significant changes to corporate tax rates could result in the impairment of deferred tax assets that are established based on existing law at the time of deferral. Changes to the value of various tax credits could change the economics of resources and the resource selection for the electric generation business. Regulation incorporates changes in tax law into the rate-setting process for the regulated energy delivery businesses which could create timing delays before the impact of changes are realized.

The Company's operations could be negatively impacted by import tariffs and/or other government mandates.

The Company operates in or provides services to capital intensive industries in which federal trade policies could significantly impact the availability and cost of materials. Imposed and proposed tariffs could significantly increase the prices and delivery lead times on raw materials and finished products that are critical to the Company and its customers, such as aluminum and steel. Prolonged lead times on the delivery of raw materials and further tariff increases on raw materials and finished products could adversely affect the Company's business, financial condition and results of operations.

Operational Risks

Significant portions of the Company's natural gas pipelines and power generation and transmission facilities are aging. The aging infrastructure may require significant additional maintenance or replacement that could adversely affect the Company's results of operations.

The Company's energy delivery infrastructure is aging, which increases certain risks, including breakdown or failure of equipment, pipeline leaks and fires developing from power lines. Aging infrastructure is more prone to failure which increases maintenance costs, unplanned outages and the need to replace facilities. Even if properly maintained, reliability may ultimately deteriorate and negatively affect the Company's ability to serve its customers, which could result in increased costs associated with regulatory oversight. The costs associated with maintaining the aging infrastructure and capital expenditures for new or replacement infrastructure could cause rate volatility and/or regulatory lag in some jurisdictions. If, at the end of its life, the investment costs of a facility have not been fully recovered, the Company may be adversely affected if commissions do not allow such costs to be recovered in rates. Such impacts of an aging infrastructure, could adversely affect the Company's results of operations and cash flows.

Additionally, hazards from aging infrastructure could result in serious injury, loss of human life, significant damage to property, environmental impacts and impairment of operations, which in turn could lead to substantial financial losses. The location of facilities near populated areas, including residential areas, business centers, industrial sites and other public gathering places, could increase the damages resulting from these risks. A major incident involving another natural gas system could lead to additional capital expenditures, increased regulation, and fines and penalties on natural gas utilities. The occurrence of any of these events could adversely affect the Company's results of operations, financial position and cash flows.

The Company's utility and pipeline operations are subject to planning risks.

Most electric and natural gas utility investments, including natural gas transmission pipeline investments, are made with the intent of being used for decades. In particular, electric transmission and generation resources are planned well in advance of when they are placed into service based upon resource plans using assumptions over the planning horizon including sales growth, commodity prices, equipment and construction costs, regulatory treatment, available technology and public policy. Public policy changes and technology advancements related to areas such as energy efficient appliances and buildings, renewable and distributive electric generation and storage, carbon dioxide emissions, electric vehicle penetration, restrictions on or disallowance of new or existing services, and natural gas availability and cost may significantly impact the planning assumptions. Changes in critical planning assumptions may result in excess generation, transmission and distribution resources creating increased per customer costs and downward pressure on load growth. These changes could also result in a stranded investment if the Company is unable to fully recover the costs of its investments.

The regulatory approval, permitting, construction, startup and/or operation of pipelines, power generation and transmission facilities, and aggregate reserves may involve unanticipated events, delays and unrecoverable costs.

The construction, startup and operation of natural gas pipelines and electric power generation and transmission facilities involve many risks, which may include delays; breakdown or failure of equipment; inability to obtain required governmental permits and approvals; inability to obtain or renew easements; public opposition; inability to complete financing; inability to negotiate acceptable equipment acquisition, construction, fuel supply, off-take, transmission, transportation or other material agreements; changes in markets and market prices for power; cost increases and overruns; the risk of performance below expected levels of output or efficiency; and the inability to obtain full cost recovery in regulated rates. Additionally, in a number of states in which the Company operates, it can be difficult to permit new aggregate sites or expand existing aggregate sites due to community resistance. Such unanticipated events could negatively impact the Company's business, its results of operations and cash flows.

Operating or other costs required to comply with current or potential pipeline safety regulations and potential new regulations under various agencies could be significant. The regulations require verification of pipeline infrastructure records by pipeline owners and operators to confirm the maximum allowable operating pressure of certain lines. Increased emphasis on pipeline safety and increased regulatory scrutiny may result in penalties and higher costs of operations. If these costs are not fully recoverable from customers, they could have an adverse effect on the Company's results of operations and cash flows.

The backlogs at the Company's construction materials and contracting and construction services businesses may not accurately represent future revenue.

Backlog consists of the uncompleted portion of services to be performed under job-specific contracts. Contracts are subject to delay, default or cancellation, and contracts in the Company's backlog are subject to changes in the scope of services to be provided, as well as adjustments to the costs relating to the applicable contracts. Backlog may also be affected by project delays or cancellations resulting from weather conditions, external market factors and economic factors beyond the Company's control. Accordingly, there is no assurance that backlog will be realized. The timing of contract awards, duration of large new contracts and the mix of services can significantly affect backlog. Backlog at any given point in time may not accurately represent the revenue or net income that is realized in any period. Also, the backlog as of the end of the year may not be indicative of the revenue and net income expected to be earned in the following year and should not be relied upon as a stand-alone indicator of future revenues or net income.

Environmental and Regulatory Risks

The Company's operations could be adversely impacted by climate change.

Severe weather events, such as tornadoes, hurricanes, rain, ice and snowstorms and high and low temperature extremes, occur in regions in which the Company operates and maintains infrastructure. Climate change could change the frequency and severity of these weather events, which may create physical and financial risks to the Company. Such risks could have an adverse effect on the Company's financial condition, results of operations and cash flows.

Severe weather events may damage or disrupt the Company's electric and natural gas transmission and distribution facilities, which could result in disruption of service and ability to meet customer demand, increased maintenance or capital costs to repair facilities and restore customer service. The cost of providing service could increase to the extent the frequency of severe weather events increases because of climate change or otherwise. The Company may not recover all costs related to mitigating these physical risks.

Increases in severe weather conditions or extreme temperatures may cause infrastructure construction projects to be delayed or canceled and limit resources available for such projects resulting in decreased revenue or increased project costs at the construction materials and contracting and construction services businesses. In addition, drought conditions could restrict the availability of water supplies, inhibiting the ability of the construction businesses to conduct operations.

Utility customers' energy needs vary with weather conditions, primarily temperature and humidity. For residential customers, heating and cooling represent the largest energy use. To the extent weather conditions are affected by climate change, customers' energy use could increase or decrease. Increased energy use by its utility customers due to weather may require the Company to invest in additional generating assets, transmission and other infrastructure to serve increased load. Decreased energy use due to weather may result in decreased revenues. Extreme weather conditions, such as uncommonly long periods of high or low ambient temperature, in general require more system backup, adding to costs, and can contribute to increased system stress, including service interruptions. Weather conditions outside of the Company's service territory could also have an impact on revenues. The Company buys and sells electricity that might be generated outside its service territory, depending upon system needs and market opportunities. Extreme temperatures may create high energy demand and raise electricity prices, which could increase the cost of energy provided to customers.

Climate change may impact a region's economic health, which could impact revenues at all of the Company's businesses. The Company's financial performance is tied to the health of the regional economies served. The Company provides natural gas and electric utility service, as well as construction materials and services, for some states and communities that are economically affected by the agriculture industry. Increases in severe weather events or significant changes in temperature and precipitation patterns could adversely affect the agriculture industry and, correspondingly, the economies of the states and communities affected by that industry.

The insurance industry may be adversely affected by severe weather events which may impact the availability of insurance coverage, insurance premiums and insurance policy terms.

The Company may be subject to litigation related to climate change. Costs of such litigation could be significant, and an adverse outcome could require substantial capital expenditures, changes in operations and possible payment of penalties or damages, which could affect the Company's results of operations and cash flows if the costs are not recoverable in rates.

The price of energy also has an impact on the economic health of communities. The cost of additional regulatory requirements to combat climate change, such as regulation of carbon dioxide emissions under the Clean Air Act, requirements to replace fossil-fuels with renewable energy or credits, or other environmental regulation or taxes could impact the availability of goods and the prices charged by suppliers, which would normally be borne by consumers through higher prices for energy and purchased goods, and could adversely impact economic conditions of areas served by the

Company. To the extent financial markets view climate change and emissions of GHGs as a financial risk, this could negatively affect the Company's ability to access capital markets or cause less than ideal terms and conditions.

The Company's operations are subject to environmental laws and regulations that may increase costs of operations, impact or limit business plans, or expose the Company to environmental liabilities.

The Company is subject to environmental laws and regulations affecting many aspects of its operations, including air and water quality, wastewater discharge, the generation, transmission and disposal of solid waste and hazardous substances, aggregate permitting and other environmental considerations. These laws and regulations can increase capital, operating and other costs; cause delays as a result of litigation and administrative proceedings; and create compliance, remediation, containment, monitoring and reporting obligations, particularly relating to electric generation, permitting and environmental compliance for construction material facilities, and natural gas transmission and storage operations. Environmental laws and regulations can also require the Company to install pollution control equipment at its facilities, clean up spills and other contamination and correct environmental hazards, including payment of all or part of the cost to remediate sites where the Company's past activities, or the activities of other parties, caused environmental contamination. These laws and regulations generally require the Company to obtain and comply with a variety of environmental licenses, permits, inspections and other approvals and may cause the Company to shut down existing facilities due to difficulties in assuring compliance or where the cost of compliance makes operation of the facilities uneconomical. Although the Company strives to comply with all applicable environmental laws and regulations, public and private entities and private individuals may interpret the Company's legal or regulatory requirements differently and seek injunctive relief or other remedies against the Company. The Company cannot predict the outcome, financial or operational, of any such litigation or administrative proceedings.

Existing environmental laws and regulations may be revised and new laws and regulations seeking to protect the environment may be adopted or become applicable to the Company. These laws and regulations could require the Company to limit the use or output of certain facilities; restrict the use of certain fuels; prohibit or restrict new or existing services; replace certain fuels with renewable fuels; retire and replace certain facilities; install pollution controls; remediate environmental impacts; remove or reduce environmental hazards; or forego or limit the development of resources. Revised or new laws and regulations that increase compliance costs or restrict operations, particularly if costs are not fully recoverable from customers, could adversely affect the Company's results of operations and cash flows.

Initiatives related to global climate change and to reduce GHG emissions could adversely impact the Company's operation, costs of or access to capital and impact or limit business plans.

Concern that GHG emissions contribute to global climate change has led to international, federal, state and local legislative and regulatory proposals to reduce or mitigate the effects of GHG emissions. The Company's primary GHG emission is carbon dioxide from fossil fuels combustion at Montana-Dakota's electric generating facilities, particularly its coal-fired facilities. Approximately 46 percent of Montana-Dakota's owned generating capacity and approximately 70 percent of the electricity it generated in 2020 was from coal-fired facilities.

Treaties, legislation or regulations to reduce GHG emissions in response to climate change may be adopted that affect the Company's utility operations by requiring additional energy conservation efforts or renewable energy sources, limiting emissions, imposing carbon taxes or other compliance costs; as well as other mandates that could significantly increase capital expenditures and operating costs or reduce demand for the Company's utility services. If the Company's utility operations do not receive timely and full recovery of GHG emission compliance costs from customers, then such costs could adversely impact the results of operations and cash flows. Significant reductions in demand for the Company's utility services as a result of increased costs or emissions limitations could also adversely impact the results of operations and cash flows.

The Company monitors, analyzes and reports GHG emissions from its other operations as required by applicable laws and regulations. The Company will continue to monitor GHG regulations and their potential impact on operations.

Due to the uncertain availability of technologies to control GHG emissions and the unknown obligations that potential GHG emission legislation or regulations may create, the Company cannot determine the potential financial impact on its operations.

There have also been recent efforts to discourage the investment community from investing in equity and debt securities of companies engaged in fossil fuel related business and pressuring lenders to limit funding to such companies. Additionally, some insurance carriers have indicated an unwillingness to insure assets and operations related to certain fossil fuels. Although the Company has not experienced difficulties in accessing the capital markets or insurance; such efforts, if successfully directed at the Company, could increase the costs of or access to capital and interfere with business operations and ability to make capital expenditures.

Other Risks

The Company's various businesses are seasonal and subject to weather conditions that can adversely affect the Company's operations, revenues and cash flows.

The Company's results of operations can be affected by changes in the weather. Weather conditions influence the demand for electricity and natural gas and affect the price of energy commodities. Utility operations have historically generated lower revenues when weather conditions are cooler than normal in the summer and warmer than normal in the winter particularly in jurisdictions that do not have weather normalization mechanisms in place. Where weather normalization mechanisms are in place, there is no assurance the Company will continue to receive such regulatory protection from adverse weather in future rates.

Adverse weather conditions, such as heavy or sustained rainfall or snowfall, storms, wind and colder weather may affect the demand for products and the ability to perform services at the construction businesses and affect ongoing operation and maintenance and construction activities for the electric and natural gas transmission and distribution businesses. In addition, severe weather can be destructive, causing outages and property damage, which could require additional remediation costs. The Company could also be impacted by drought conditions, which may restrict the availability of water supplies and inhibit the ability of the construction businesses to conduct operations. As a result, unusual or adverse weather conditions could negatively affect the Company's results of operations, financial position and cash flows.

Competition exists in all of the Company's businesses.

The Company's businesses are subject to competition. Construction services' competition is based primarily on price and reputation for quality, safety and reliability. Construction materials products are marketed under highly competitive conditions and are subject to competitive forces such as price, service, delivery time and proximity to the customer. The electric utility and natural gas industries also experience competitive pressures as a result of consumer demands, technological advances and other factors. The pipeline business competes with several pipelines for access to natural gas supplies and for transportation and storage business. New acquisition opportunities are subject to competitive bidding environments which impact prices the Company must pay to successfully acquire new properties to grow its business. The Company's failure to effectively compete could negatively affect the Company's results of operations, financial position and cash flows.

The Company's operations may be negatively affected if it is unable to obtain, develop and retain key personnel and skilled labor forces.

The Company must attract, develop and retain executive officers and other professional, technical and skilled labor forces with the skills and experience necessary to successfully manage, operate and grow the Company's businesses. Competition for these employees is high, and in some cases competition for these employees is on a regional or national basis. At times of low unemployment or economic downturns, it can be difficult for the Company to attract and retain qualified and affordable personnel. A shortage in the supply of skilled personnel creates competitive hiring markets, increased labor expenses, decreased productivity and potentially lost business opportunities to support the Company's operating and growth strategies. Additionally, if the Company is unable to hire employees with the requisite skills, the Company may be forced to incur significant training expenses. As a result, the Company's ability to maintain productivity, relationships with customers, competitive costs, and quality services is limited by the ability to employ, retain and train the necessary skilled personnel and could negatively affect the Company's results of operations, financial position and cash flows.

The Company's construction materials and contracting and construction services businesses may be exposed to warranty claims.

The Company, particularly its construction businesses, may provide warranties guaranteeing the work performed against defects in workmanship and material. If warranty claims occur, they may require the Company to re-perform the services or to repair or replace the warranted item, at a cost to the Company and could also result in other damages if the Company is not able to adequately satisfy warranty obligations. In addition, the Company may be required under contractual arrangements with customers to warrant any defects or failures in materials the Company purchased from third parties. While the Company generally requires suppliers to provide warranties that are consistent with those the Company provides to customers, if any of the suppliers default on their warranty obligations to the Company, the Company may nonetheless incur costs to repair or replace the defective materials. Costs incurred as a result of warranty claims could adversely affect the Company's results of operations, financial condition and cash flows.

The Company is a holding company and relies on cash from its subsidiaries to pay dividends.

The Company is a holding company as a result of the Holding Company Reorganization in 2019. The Company's investments in its subsidiaries comprise the Company's primary assets. The Company depends on earnings, cash flows and dividends from its subsidiaries to pay dividends on its common stock. Regulatory, contractual and legal limitations, as well as their capital requirements, affect the ability of the subsidiaries to pay dividends to the Company and thereby could restrict or influence the Company's ability or decision to pay dividends on its common stock, which could adversely affect the Company's stock price.

Costs related to obligations under MEPPs could have a material negative effect on the Company's results of operations and cash flows.

Various operating subsidiaries of the Company participate in approximately 68 MEPPs for employees represented by certain unions. The Company is required to make contributions to these plans in amounts established under numerous collective bargaining agreements between the operating subsidiaries and those unions.

The Company may be obligated to increase its contributions to underfunded plans that are classified as being in endangered, seriously endangered or critical status as defined by the Pension Protection Act of 2006. Plans classified as being in one of these statuses are required to adopt RPs or FIPs to improve their funded status through increased contributions, reduced benefits or a combination of the two. Based on available information, the Company believes that approximately 31 percent of the MEPPs to which it contributes are currently in endangered, seriously endangered or critical status.

The Company may also be required to increase its contributions to MEPPs if the other participating employers in such plans withdraw from the plans and are not able to contribute amounts sufficient to fund the unfunded liabilities associated with their participation in the plans. The amount and timing of any increase in the Company's required contributions to MEPPs may depend upon one or more factors including the outcome of collective bargaining; actions taken by trustees who manage the plans; actions taken by the plans' other participating employers; the industry for which contributions are made; future determinations that additional plans reach endangered, seriously endangered or critical status; newly-enacted government laws or regulations and the actual return on assets held in the plans; among others. The Company could experience increased operating

expenses as a result of required contributions to MEPPs, which could have an adverse effect on the Company's results of operations, financial position or cash flows.

In addition, pursuant to ERISA, as amended by MPPAA, the Company could incur a partial or complete withdrawal liability upon withdrawing from a plan, exiting a market in which it does business with a union workforce or upon termination of a plan. The Company could also incur additional withdrawal liability if its withdrawal from a plan is determined by that plan to be part of a mass withdrawal.

Information technology disruptions or cyber-attacks could adversely impact the Company's operations.

The Company uses technology in substantially all aspects of its business operations and requires uninterrupted operation of information technology systems, including disaster recovery and backup systems and network infrastructure. While the Company has policies, procedures and processes in place designed to strengthen and protect these systems, they may be vulnerable to failures or unauthorized access, due to hacking, human error, theft, sabotage, malicious software, acts of terrorism, acts of war, acts of nature or other causes. If these systems fail or become compromised, and they are not recovered in a timely manner, the Company may be unable to fulfill critical business functions. This may include interruption of electric generation, transmission and distribution facilities, natural gas storage and pipeline facilities and facilities for delivery of construction materials or other products and services, any of which could adversely affect the Company's reputation, business, cash flows and results of operations or subject the Company to legal or regulatory liabilities and increased costs. Additionally, because electric generation and transmission systems and natural gas pipelines are part of interconnected systems with other operators' facilities, a cyber-related disruption in another operator's system could negatively impact the Company's business.

The Company's accounting systems and its ability to collect information and invoice customers for products and services could be disrupted. If the Company's operations are disrupted, it could result in decreased revenues or remediation costs that could adversely affect the Company's results of operations and cash flows.

The Company is subject to cybersecurity and privacy laws and regulations of many government agencies, including FERC and NERC. NERC issues comprehensive regulations and standards surrounding the security of bulk power systems and continually updates these requirements, as well as establishing new requirements with which the utility industry must comply. As these regulations evolve, the Company may experience increased compliance costs and may be at higher risk for violating these standards. Experiencing a cybersecurity incident could cause the Company to be non-compliant with applicable laws and regulations, causing the Company to incur costs related to legal claims or proceedings and regulatory fines or penalties.

The Company, through the ordinary course of business, requires access to sensitive customer, employee and Company data. While the Company has implemented extensive security measures, a breach of its systems could compromise sensitive data and could go unnoticed for some time. Such an event could result in negative publicity and reputational harm, remediation costs, legal claims and fines that could have an adverse effect on the Company's financial results. Third-party service providers that perform critical business functions for the Company or have access to sensitive information within the Company also may be vulnerable to security breaches and information technology risks that could adversely affect the Company.

The Company's information systems experience on-going and often sophisticated cyber-attacks by a variety of sources with the apparent aim to breach the Company's cyber-defenses. As cyber-attacks continue to increase in frequency and sophistication, the Company may be unable to prevent all such attacks in the future. The Company is continuously reevaluating the need to upgrade and/or replace systems and network infrastructure. These upgrades and/or replacements could adversely impact operations by imposing substantial capital expenditures, creating delays or outages, or experiencing difficulties transitioning to new systems. Systems implementation disruption and any other information technology disruption, if not anticipated and appropriately mitigated, could adversely affect the Company.

General risk factors that could impact the Company's businesses.

The following are additional factors that should be considered for a better understanding of the risks to the Company. These factors may negatively impact the Company's financial results in future periods.

- Acquisition, disposal and impairments of assets or facilities.
- Changes in present or prospective electric generation.
- Population decline and demographic patterns in the Company's areas of service.
- The cyclical nature of large construction projects at certain operations.
- Labor negotiations or disputes.
- Inability of the contract counterparties to meet their contractual obligations.
- The inability to effectively integrate the operations and the internal controls of acquired companies.

Item 1B. Unresolved Staff Comments

The Company has no unresolved comments with the SEC.

Part I

Item 3. Legal Proceedings

SEC regulations require the Company to disclose certain information about proceedings arising under federal, state or local environmental provisions if the Company reasonably believes that such proceedings may result in monetary sanctions above a stated threshold. Pursuant to SEC regulations, the Company has adopted a threshold of \$1.0 million for purposes of determining whether disclosure of any such proceedings is required.

For information regarding legal proceedings required by this item, see Item 8 - Note 21, which is incorporated herein by reference.

Item 4. Mine Safety Disclosures

For information regarding mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Act and Item 104 of Regulation S-K, see Exhibit 95 to this Form 10-K, which is incorporated herein by reference.

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's common stock is listed on the New York Stock Exchange under the symbol "MDU."

As of December 31, 2020, the Company's common stock was held by approximately 10,400 stockholders of record.

The Company depends on earnings and dividends from its subsidiaries to pay dividends on common stock. The Company has paid uninterrupted dividends to stockholders for 83 consecutive years with an increase in the payout amount for the last 30 consecutive years. The declaration and payment of dividends is at the sole discretion of the board of directors, subject to limitations imposed by the Company's credit agreements, federal and state laws, and applicable regulatory limitations. For more information on factors that may limit the Company's ability to pay dividends, see Item 8 - Note 12.

The following table includes information with respect to the Company's purchase of equity securities:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased (1)	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (2)	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (2)
October 1 through October 31, 2020	—	—	—	—
November 1 through November 30, 2020	45,273	\$25.40	—	—
December 1 through December 31, 2020	—	—	—	—
Total	45,273		—	—

(1) Represents shares of common stock purchased on the open market in connection with annual stock grants made to the Company's non-employee directors.

(2) Not applicable. The Company does not currently have in place any publicly announced plans or programs to purchase equity securities.

Part II

Item 6. Selected Financial Data

	2020	2019	2018	2017	2016	2015
Selected Financial Data						
Operating revenues (000's):						
Electric	\$ 332,029	\$ 351,725	\$ 335,123	\$ 342,805	\$ 322,356	\$ 280,615
Natural gas distribution	848,185	865,222	823,247	848,388	766,115	817,419
Pipeline	143,877	140,444	128,923	122,213	141,602	154,904
Construction materials and contracting	2,178,002	2,190,717	1,925,854	1,812,529	1,874,270	1,904,282
Construction services	2,095,723	1,849,266	1,371,453	1,367,602	1,073,272	926,427
Other	11,903	16,551	11,259	7,874	8,643	9,191
Intersegment eliminations	(76,969)	(77,149)	(64,307)	(58,060)	(57,430)	(78,786)
	\$ 5,532,750	\$ 5,336,776	\$ 4,531,552	\$ 4,443,351	\$ 4,128,828	\$ 4,014,052
Operating income (loss) (000's):						
Electric	\$ 63,434	\$ 64,039	\$ 65,148	\$ 79,902	\$ 67,929	\$ 59,915
Natural gas distribution	73,082	69,188	72,336	84,239	66,166	54,974
Pipeline	49,436	42,796	36,128	36,004	42,864	30,218
Construction materials and contracting	214,498	179,955	141,426	143,230	178,753	148,312
Construction services	147,644	126,426	86,764	81,292	53,546	43,678
Other	(3,169)	(1,184)	(79)	(619)	(349)	(8,414)
Intersegment eliminations	—	—	—	—	—	(2,942)
	\$ 544,925	\$ 481,220	\$ 401,723	\$ 424,048	\$ 408,909	\$ 325,741
Earnings (loss) on common stock (000's):						
Electric	\$ 55,601	\$ 54,763	\$ 47,000	\$ 49,366	\$ 42,222	\$ 35,914
Natural gas distribution	44,049	39,517	37,732	32,225	27,102	23,607
Pipeline	37,012	29,603	28,459	20,493	23,435	13,250
Construction materials and contracting	147,325	120,371	92,647	123,398	102,687	89,096
Construction services	109,721	92,998	64,309	53,306	33,945	23,762
Other	(3,181)	(2,086)	(761)	(1,422)	(3,231)	(14,941)
Intersegment eliminations	—	—	—	6,849	6,251	5,016
Earnings on common stock before income (loss) from discontinued operations	390,527	335,166	269,386	284,215	232,411	175,704
Income (loss) from discontinued operations, net of tax*	(322)	287	2,932	(3,783)	(300,354)	(834,080)
Loss from discontinued operations attributable to noncontrolling interest	—	—	—	—	(131,691)	(35,256)
	\$ 390,205	\$ 335,453	\$ 272,318	\$ 280,432	\$ 63,748	\$ (623,120)
Earnings per common share before discontinued operations - diluted	\$ 1.95	\$ 1.69	\$ 1.38	\$ 1.45	\$ 1.19	\$.90
Discontinued operations attributable to the Company, net of tax	—	—	.01	(.02)	(.86)	(4.10)
	\$ 1.95	\$ 1.69	\$ 1.39	\$ 1.43	\$.33	\$ (3.20)
Common Stock Statistics						
Weighted average common shares outstanding - diluted (000's)	200,571	198,626	196,150	195,687	195,618	194,986
Dividends declared per common share	\$.8350	\$.8150	\$.7950	\$.7750	\$.7550	\$.7350
Book value per common share	\$ 15.36	\$ 14.21	\$ 13.09	\$ 12.44	\$ 11.78	\$ 12.83
Market price per common share (year end)	\$ 26.34	\$ 29.71	\$ 23.84	\$ 26.88	\$ 28.77	\$ 18.32
Market price ratios:						
Dividend payout**	43 %	48 %	58 %	53 %	63 %	82 %
Yield	3 %	3 %	3 %	3 %	3 %	4 %
Market value as a percent of book value	171 %	209 %	182 %	216 %	244 %	143 %

* Reflects oil and natural gas properties noncash write-downs of \$315.3 million (after tax) in 2015 and fair value impairments of assets held for sale of \$157.8 million (after tax) and \$475.4 million (after tax) in 2016 and 2015, respectively.

** Based on continuing operations.

Item 6. Selected Financial Data (continued)

	2020	2019	2018	2017	2016	2015
General						
Total assets (000's)	\$ 8,053,372	\$ 7,683,059	\$ 6,988,110	\$ 6,334,666	\$ 6,284,467	\$ 6,565,154
Total long-term debt (000's)	\$ 2,213,130	\$ 2,243,107	\$ 2,108,695	\$ 1,714,853	\$ 1,790,159	\$ 1,796,163
Capitalization ratios:						
Total equity	58 %	56 %	55 %	59 %	56 %	58 %
Total debt	42	44	45	41	44	42
	100 %	100 %	100 %	100 %	100 %	100 %
Electric						
Retail sales (thousand kWh)	3,204,523	3,314,307	3,354,401	3,306,470	3,258,537	3,316,017
Electric system summer and firm purchase contract ZRCs (Interconnected system)	553.2	591.3	574.5	553.1	559.7	547.3
Electric system peak demand obligation, including firm purchase contracts, planning reserve margin requirement (Interconnected system)	531.4	537.2	537.2	530.2	559.7	547.3
All-time demand peak - kW (Interconnected system)	611,542	611,542	611,542	611,542	611,542	611,542
Electricity produced (thousand kWh)	2,647,746	2,792,770	2,840,353	2,630,640	2,626,763	1,898,160
Electricity purchased (thousand kWh)	890,054	891,539	831,039	955,687	904,702	1,658,002
Average cost of electric fuel and purchased power per kWh	\$.019	\$.023	\$.022	\$.022	\$.021	\$.024
Natural Gas Distribution						
Retail sales (Mdk)	114,543	123,675	112,566	112,551	99,296	95,559
Transportation sales (Mdk)	160,010	166,077	149,497	144,477	147,592	154,225
Pipeline						
Transportation (Mdk)	438,615	429,660	351,498	312,520	285,254	290,494
Gathering (Mdk)	8,611	13,900	14,882	16,064	20,049	33,441
Customer natural gas storage balance (Mdk)	25,451	16,223	13,928	22,397	26,403	16,600
Construction Materials and Contracting						
Sales (000's):						
Aggregates (tons)	30,949	32,314	29,795	28,213	27,580	26,959
Asphalt (tons)	7,202	6,707	6,838	6,237	7,203	6,705
Ready-mixed concrete (cubic yards)	4,087	4,123	3,518	3,548	3,655	3,592
Aggregate reserves (000's tons)	1,104,887	1,054,186	1,014,431	965,036	989,084	1,022,513

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company focuses on infrastructure and is Building a Strong America® by providing essential products and services through its regulated energy delivery and construction materials and services businesses. The Company and its employees work hard to keep the economy of the United States moving with the products and services provided, which include powering and connecting homes, factories, offices and stores; and building roads, highways, data infrastructure and airports.

The Company's two-platform business model, regulated energy delivery and construction materials and services, are each comprised of different operating segments. Most of these segments experience seasonality related to the industries in which they operate. The two-platform approach helps balance this seasonality and the risks associated with each type of industry. The Company is authorized to conduct business in 45 states and during peak times has over 15,600 employees. The Company's organic investments are strong drivers of high-quality earnings growth and continue to be an important part of the Company's growth story. Management believes the Company is well positioned in the industries and markets in which it operates.

Impact of the COVID-19 pandemic on the Company

In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic, and the President of the United States declared the COVID-19 outbreak as a national emergency. Most of the Company's products and services are considered essential to our country and our communities; therefore, operations have generally been permitted to proceed with increased social distancing measures and hygiene practices for its employees. While the Company has experienced some inefficiency impacts, including operation suspensions and interruptions at some locations to carry out preventative measures or in response to instances of positive tests, the impacts have not been material. For more information on specific impacts to each of the Company's business segments, see the following discussions in each business segment's Outlook section.

In March 2020, the President of the United States signed into law the CARES Act in response to the COVID-19 pandemic. The CARES Act provided economic relief and stimulus to support the national economy during the pandemic, including support for individuals and businesses affected by the pandemic and economic downturn. The CARES Act allowed businesses to defer payment of the employer portion of social security taxes incurred through the end of 2020. At December 31, 2020, the Company had deferred approximately \$56.7 million in payroll taxes related to this provision. The Company is required to pay 50 percent of the payroll taxes deferred under this provision by the end of 2021 and the remaining balance by the end of 2022.

The Company evaluated its planned capital projects and delayed certain expenditures in 2020 to provide additional financial flexibility and to ensure projects will provide acceptable returns on investment. In addition, the Company established a task force to monitor developments related to the pandemic and implemented procedures to protect employees. Many employees that have the capacity to work from home continue to do so as the Company has delayed return to work processes for certain office employees due to COVID-19 cases in some operating regions. The Company has also enacted additional physical and cybersecurity measures to safeguard systems for remote work locations.

Although there have been logistical and other challenges as a result of COVID-19, there were no material adverse impacts on the Company's results of operations for the year ended December 31, 2020. The Company continues to adjust its business in response to the pandemic while positioning for an economic rebound and potential opportunities to enhance its competitive position. The situation surrounding COVID-19 remains fluid and the potential for a material adverse impact on the Company increases the longer the virus impacts the level of economic activity in the United States. Due to the uncertainty of the economic outlook resulting from the COVID-19 pandemic, the Company continues to monitor the situation closely. For more information on the possible impacts, see Item 1A - Risk Factors.

Consolidated Earnings Overview

The following table summarizes the contribution to the consolidated income by each of the Company's business segments.

Years ended December 31,	2020	2019	2018
(In millions, except per share amounts)			
Electric	\$ 55.6	\$ 54.8	\$ 47.0
Natural gas distribution	44.0	39.5	37.7
Pipeline	37.0	29.6	28.5
Construction materials and contracting	147.3	120.4	92.6
Construction services	109.7	93.0	64.3
Other	(3.1)	(2.1)	(.7)
Income from continuing operations	390.5	335.2	269.4
Income (loss) from discontinued operations, net of tax	(.3)	.3	2.9
Net income	\$ 390.2	\$ 335.5	\$ 272.3
Earnings per share - basic:			
Income from continuing operations	\$ 1.95	\$ 1.69	\$ 1.38
Discontinued operations, net of tax	—	—	.01
Earnings per share - basic	\$ 1.95	\$ 1.69	\$ 1.39
Earnings per share - diluted:			
Income from continuing operations	\$ 1.95	\$ 1.69	\$ 1.38
Discontinued operations, net of tax	—	—	.01
Earnings per share - diluted	\$ 1.95	\$ 1.69	\$ 1.39

2020 compared to 2019 The Company's consolidated earnings increased \$54.7 million or 16 percent in 2020 as compared to 2019.

The Company's earnings were positively impacted by increased earnings across all of the Company's businesses in 2020. The construction materials and contracting business experienced an increase in gross margin, primarily resulting from favorable weather conditions and higher realized materials margins on asphalt and asphalt-related products and ready-mixed concrete, as well as most other product lines. The construction services business also experienced an increase in gross margin as a result of higher inside and outside specialty contracting workloads, partially due to the businesses acquired, as well as hospitality projects, high-tech projects and natural disaster recovery work. The pipeline business experienced increased transportation volumes and revenues, largely related to organic growth projects, as well as higher storage-related revenues as a result of stronger demand for storage services. In addition, approved rate recovery positively impacted earnings at the electric and natural gas distribution businesses.

2019 compared to 2018 The Company's consolidated earnings increased \$63.2 million or 23 percent in 2019 as compared to 2018.

Positively impacting the Company's earnings was an increase in gross margin at the construction services business, largely resulting from higher inside and outside specialty contracting workloads. Also contributing to the increase in earnings was an increase in gross margin at the construction materials and contracting business as a result of strong economic environments in certain states, as well as contributions from the businesses acquired and an increase in gains recognized on asset sales. The electric business also positively impacted earnings primarily due to approved rate relief in Montana and recovery of the investment in the BSSE project placed into service in the first quarter of 2019. Higher returns on the Company's benefit plan investments also increased earnings across all businesses. At the pipeline business, increased rates and volumes of natural gas being transported through its pipeline were mostly offset by the absence of a \$4.2 million income tax benefit recorded in 2018 relating to the reversal of a regulatory liability recorded in 2017 based on a FERC final accounting order and higher depreciation, depletion and amortization expense.

A discussion of key financial data from the Company's business segments follows.

Business Segment Financial and Operating Data

Following are key financial and operating data for each of the Company's business segments. Also included are highlights on key growth strategies, projections and certain assumptions for the Company and its subsidiaries and other matters of the Company's business segments. Many of these highlighted points are "forward-looking statements." For more information, see Part I - Forward-Looking Statements. There is no assurance that the Company's projections, including estimates for growth and changes in earnings, will in fact be achieved. Please refer to assumptions contained in this section, as well as the various important factors listed in Item 1A - Risk Factors. Changes in such assumptions and factors could cause actual future results to differ materially from the Company's growth and earnings projections.

For information pertinent to various commitments and contingencies, see Item 8 - Notes to Consolidated Financial Statements. For a summary of the Company's business segments, see Item 8 - Note 17.

Electric and Natural Gas Distribution

Strategy and challenges The electric and natural gas distribution segments provide electric and natural gas distribution services to customers, as discussed in Items 1 and 2 - Business Properties. Both segments strive to be top performing utility companies measured by integrity, employee safety and satisfaction, customer service and shareholder return, while providing safe, environmentally friendly, reliable and competitively priced energy and related services to customers. The Company is focused on cultivating organic growth while managing operating costs and monitoring opportunities for these segments to retain, grow and expand their customer base through extensions of existing operations, including building and upgrading electric generation, transmission and distribution, and natural gas systems, and through selected acquisitions of companies and properties with similar operating and growth objectives at prices that will provide stable cash flows and an opportunity to earn a competitive return on investment. The continued efforts to create operational improvements and efficiencies across both segments promotes the Company's business integration strategy. The primary factors that impact the results of these segments are the ability to earn authorized rates of return, the cost of natural gas, cost of electric fuel and purchased power, weather, competitive factors in the energy industry, population growth and economic conditions in the segments' service areas.

The electric and natural gas distribution segments are subject to extensive regulation in the jurisdictions where they conduct operations with respect to costs, timely recovery of investments and permitted returns on investment, as well as certain operational, environmental and system integrity regulations. Legislative and regulatory initiatives to increase renewable energy resources and reduce GHG emissions could impact the price and demand for electricity and natural gas, as well as increase costs to produce electricity and natural gas. The segments continue to invest in facility upgrades to be in compliance with the existing and future regulations. To assist in the reduction of regulatory lag in obtaining revenue increases to align with increased investments, tracking mechanisms have been implemented in certain jurisdictions, as further discussed in Items 1 and 2 - Business Properties and Item 8 - Note 20.

In September 2019, the Pipeline and Hazardous Materials Safety Administration issued a rule for additional regulations to strengthen the safety of natural gas transmission and storage facilities and hazardous liquid pipelines. The natural gas segment has implemented procedure changes for the initial requirements and continues to evaluate procedure changes necessary for the additional requirements effective July 1, 2021.

State implementation of pollution control plans to improve visibility at Class I areas, such as national parks, under the EPA's Regional Haze Rule could require the owners of Coyote Station to incur significant new costs. If the owners decide to incur such costs, the costs could, dependent on determination by state regulatory commissions on approval to recover such costs from customers, negatively impact the Company's results of operations, financial position and cash flows. The NDDEQ's state implementation plan is due to be submitted to the EPA by July 2021. The Company expects the NDDEQ to draft a state implementation plan and share its controls selection with federal land managers of the National Park Service and the United States Fish and Wildlife Service in early 2021. Additionally, the Company is one of four owners of Coyote Station and cannot make a unilateral decision on the plant's future. The Company could be negatively impacted by the decisions of the other owners.

The electric and natural gas distribution segments are facing increased lead times on delivery of certain raw materials used in electric transmission and natural gas pipeline projects. Long lead times are attributable to increased demand for steel products from pipeline companies as they respond to the United States Department of Transportation Pipeline System Safety and Integrity Plan, as well as delays in the manufacturing of electrical equipment as a result of the COVID-19 pandemic, including delays in trucking times and issuance of permits for large and heavy loads. The Company continues to monitor the material lead times and is working with manufacturers to proactively order such materials to help mitigate the risk of delays due to extended lead times.

The ability to grow through acquisitions is subject to significant competition and acquisition premiums. In addition, the ability of the segments to grow their service territory and customer base is affected by regulatory constraints, the economic environment of the markets served and competition from other energy providers and fuels. The construction of any new electric generating facilities, transmission lines and other service facilities is subject to increasing costs and lead times, extensive permitting procedures, and federal and state legislative and regulatory initiatives, which will likely necessitate increases in electric energy prices.

Revenues are impacted by both customer growth and usage, the latter of which is primarily impacted by weather, as well as impacts associated with commercial and industrial slow-downs, including economic recessions, and energy efficiencies. Very cold winters increase demand for natural gas and to a lesser extent, electricity, while warmer than normal summers increase demand for electricity, especially among residential and commercial customers. Average consumption among both electric and natural gas customers has tended to decline as more efficient appliances and furnaces are installed, and as the Company has implemented conservation programs. Natural gas weather normalization and decoupling mechanisms in certain jurisdictions have been implemented to largely mitigate the effect that would otherwise be caused by variations in volumes sold to these customers due to weather and changing consumption patterns on the Company's distribution margins, as further discussed in Items 1 and 2 - Business Properties.

Earnings overview - The following information summarizes the performance of the electric segment.

Years ended December 31,	2020	2019	2018	2020 vs. 2019 % change	2019 vs. 2018 % change
(Dollars in millions, where applicable)					
Operating revenues	\$ 332.0	\$ 351.7	\$ 335.1	(5.6)%	5.0 %
Electric fuel and purchased power	66.9	86.6	80.7	(22.7)%	7.3 %
Taxes, other than income	.6	.6	.7	— %	(14.3)%
Adjusted gross margin	264.5	264.5	253.7	— %	4.3 %
Operating expenses:					
Operation and maintenance	121.3	125.7	123.0	(3.5)%	2.2 %
Depreciation, depletion and amortization	63.0	58.7	51.0	7.3 %	15.1 %
Taxes, other than income	16.8	16.1	14.5	4.3 %	11.0 %
Total operating expenses	201.1	200.5	188.5	.3 %	6.4 %
Operating income	63.4	64.0	65.2	(.9)%	(1.8)%
Other income	7.2	3.4	1.2	111.8 %	183.3 %
Interest expense	26.7	25.3	25.9	5.5 %	(2.3)%
Income before income taxes	43.9	42.1	40.5	4.3 %	4.0 %
Income tax benefit	(11.7)	(12.7)	(6.5)	(7.9)%	95.4 %
Net income	\$ 55.6	\$ 54.8	\$ 47.0	1.5 %	16.6 %

Operating statistics	2020	2019	2018
Retail sales (million kWh):			
Residential	1,170.9	1,177.9	1,196.6
Commercial	1,419.4	1,499.9	1,513.9
Industrial	532.1	549.4	551.0
Other	82.1	87.1	92.9
	3,204.5	3,314.3	3,354.4
Average cost of electric fuel and purchased power per kWh \$	.019	.023	.022

Adjusted gross margin is a non-GAAP financial measure. For additional information and reconciliation of the non-GAAP adjusted gross margin attributable to the electric segment, see the Non-GAAP Financial Measures section later in this Item.

2020 compared to 2019 Electric earnings increased \$800,000 as a result of:

Adjusted gross margin: Comparable to the prior year. The adjusted gross margin was positively impacted by higher rates of \$2.8 million, including approved rate relief resulting in \$2.0 million additional revenue. These increases were offset by lower retail sales volumes of 3.3 percent across all customer classes due to warmer weather and slow-downs as a result of the COVID-19 pandemic.

Operation and maintenance: Decrease of \$4.4 million, largely due to lower generation station expenses of \$3.5 million and lower payroll and other employee-related costs of approximately \$1.5 million. Partially offsetting the decreases were increased bad debt expense of \$500,000 as a result of the COVID-19 pandemic, as discussed later.

Depreciation, depletion and amortization: Increase of \$4.3 million, largely from an increase in asset base driven by capital expenditures, which include transmission projects, and higher depreciation rates implemented from a Montana rate case of \$1.2 million.

Taxes, other than income: Increase of \$700,000, from higher property taxes in certain jurisdictions.

Other income: Increase of \$3.8 million, largely attributable to an out-of-period adjustment of \$2.5 million in the fourth quarter of 2020 related to previously overstated benefit plan expense, as discussed in Item 8 - Note 1, and the absence of the write-down of a non-utility investment in the second quarter of 2019 for \$1.2 million, as discussed in Item 8 - Note 8. Lower 2020 pension expense also contributed to the increase in other income.

Interest expense: Increase of \$1.4 million driven by higher short-term debt balances.

Income tax benefit: Decrease of \$1.0 million, largely due to higher income before income taxes.

2019 compared to 2018 Electric earnings increased \$7.8 million as a result of:

Adjusted gross margin: Increase of \$10.8 million, primarily due to an increase in revenues. The revenue increase was driven by implemented regulatory mechanisms, which include approved Montana interim and final rates and recovery of the investment in the BSSE project placed into service in the first quarter of 2019. Also contributing to the increase was the absence in 2019 of a transmission formula rate adjustment

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recognized in the third quarter of 2018 for decreased costs on the BSSE project. These increases were partially offset by lower retail sales volumes of 1.2 percent across all major customer classes.

Operation and maintenance: Increase of \$2.7 million, primarily resulting from higher payroll-related costs, partially offset by lower material expenses across all locations.

Depreciation, depletion and amortization: Increase of \$7.7 million as a result of increased property, plant and equipment balances including the BSSE project, as previously discussed, and other capital projects, as well as a reserve for certain costs related to the retirement of three aging coal-fired electric generating units, as discussed in Item 8 - Note 6, which is offset in income taxes.

Taxes, other than income: Increase of \$1.6 million, primarily from higher property taxes in certain jurisdictions.

Other income: Increase of \$2.2 million, largely the result of higher returns on the Company's benefit plan investments, partially offset by the write-down of a non-utility investment in the second quarter of 2019, as discussed in Item 8 - Note 8.

Interest expense: Decrease of \$600,000 driven by higher AFUDC, which resulted in more interest being capitalized on regulated construction projects.

Income tax benefit: Increase of \$6.2 million, largely due to increased production tax credits, as well as increased excess deferred tax amortization.

Earnings overview - The following information summarizes the performance of the natural gas distribution segment.

Years ended December 31,	2020	2019	2018	2020 vs. 2019 % change	2019 vs. 2018 % change
(Dollars in millions, where applicable)					
Operating revenues	\$ 848.2	\$ 865.2	\$ 823.2	(2.0)%	5.1 %
Purchased natural gas sold	448.1	477.6	454.8	(6.2)%	5.0 %
Taxes, other than income	32.4	30.3	28.5	6.9 %	6.3 %
Adjusted gross margin	367.7	357.3	339.9	2.9 %	5.1 %
Operating expenses:					
Operation and maintenance	185.4	185.0	173.4	.2 %	6.7 %
Depreciation, depletion and amortization	84.6	79.6	72.5	6.3 %	9.8 %
Taxes, other than income	24.6	23.5	21.7	4.7 %	8.3 %
Total operating expenses	294.6	288.1	267.6	2.3 %	7.7 %
Operating income	73.1	69.2	72.3	5.6 %	(4.3)%
Other income	13.5	7.2	.2	87.5 %	NM
Interest expense	36.8	35.5	30.7	3.7 %	15.6 %
Income before income taxes	49.8	40.9	41.8	21.8 %	(2.2)%
Income tax expense	5.8	1.4	4.1	NM	(65.9)%
Net income	\$ 44.0	\$ 39.5	\$ 37.7	11.4 %	4.8 %

* NM - not meaningful

Operating statistics	2020	2019	2018
Volumes (MMdk)			
Retail sales:			
Residential	65.5	69.4	63.7
Commercial	44.2	49.1	44.4
Industrial	4.8	5.2	4.5
	114.5	123.7	112.6
Transportation sales:			
Commercial	2.0	2.2	2.2
Industrial	158.0	163.9	147.3
	160.0	166.1	149.5
Total throughput	274.5	289.8	262.1
Average cost of natural gas per dk	\$ 3.91	\$ 3.86	\$ 4.04

Adjusted gross margin is a non-GAAP financial measure. For additional information and reconciliation of the non-GAAP adjusted gross margin attributable to the natural gas distribution segment, see the Non-GAAP Financial Measures section later in this Item.

2020 compared to 2019 Natural gas distribution earnings increased \$4.5 million as a result of:

Adjusted gross margin: Increase of \$10.4 million, largely the result of \$6.8 million in approved rate recovery in certain jurisdictions, higher basic service charges of \$2.1 million due to customer growth of 2 percent and increased property tax tracker revenue of \$1.7 million, which offsets the property tax expense below. Slightly offsetting the increases was a decrease in retail sales volumes of 7.4 percent across all customer classes due to warmer weather and slow-downs as a result of the COVID-19 pandemic, which was largely offset by weather normalization and decoupling mechanisms in certain jurisdictions.

Operation and maintenance: Increase of \$400,000, primarily related to increased contract services, largely \$1.2 million for the write-off of an abandoned project in the third quarter of 2020, and increased software expenses. Partially offsetting the increase was lower employee-related costs of \$1.6 million as a result of the COVID-19 pandemic.

Depreciation, depletion and amortization: Increase of \$5.0 million, primarily from an increase in asset base driven by capital expenditures, which include system safety and reliability enhancements and other growth projects.

Taxes, other than income: Increase of \$1.1 million due to higher property taxes in certain jurisdictions of \$1.7 million, partially offset by lower payroll taxes.

Other income: Increase of \$6.3 million, largely driven by an out-of-period adjustment of \$4.4 million in the fourth quarter of 2020 related to previously overstated benefit plan expenses, as discussed in Item 8 - Note 1, and lower 2020 benefit plan expenses of approximately \$2.2 million. The absence of the write-down of a non-utility investment of approximately \$800,000 in the second quarter of 2019, as discussed in Item 8 - Note 8, also contributed to the increase in other income. Partially offsetting the increases was a decrease in interest income of \$1.5 million related to the recovery of purchased gas cost adjustment balances.

Interest expense: Increase of \$1.3 million, primarily attributable to increased long-term debt balances, partially offset by lower short-term borrowings.

Income tax expense: Increase of \$4.4 million, as a result of the increase in income before taxes and permanent tax adjustments.

2019 compared to 2018 Natural gas distribution earnings increased \$1.8 million as a result of:

Adjusted gross margin: Increase of \$17.4 million, primarily driven by an increase in retail sales volumes of 9.9 percent related to all customer classes due to colder weather, partially offset by weather normalization and conservation adjustments in certain jurisdictions, and approved rate recovery in certain jurisdictions. The adjusted gross margin was also positively impacted by higher rate realization due to higher conservation revenue, which offsets the conservation expense in operation and maintenance expense.

Operation and maintenance: Increase of \$11.6 million, largely related to higher payroll-related costs, as well as higher conservation expenses being recovered in revenue. The increase was partially offset by lower contract services, which includes the absence of the prior year's recognition of a non-recurring expense related to the approved WUTC general rate case settlement in the second quarter 2018.

Depreciation, depletion and amortization: Increase of \$7.1 million, primarily as a result of increased property, plant and equipment balances.

Taxes, other than income: Increase of \$1.8 million due to higher property taxes in certain jurisdictions and increased payroll taxes.

Other income: Increase of \$7.0 million, largely resulting from higher returns on the Company's benefit plan investments and increased interest income related to higher gas costs to be collected from customers. Partially offsetting these increases was a write-down of a non-utility investment in the second quarter of 2019, as discussed in Item 8 - Note 8.

Interest expense: Increase of \$4.8 million, largely resulting from increased debt balances to finance higher gas costs to be collected from customers.

Income tax expense: Decrease of \$2.7 million, largely due to increased permanent tax benefits related to the Company's benefit plan investments.

Outlook The Company continues to assess the impacts of the COVID-19 pandemic on its operations and is committed to providing safe and reliable service while ensuring the health and safety of its employees, customers and the communities in which it operates. In response to the pandemic, the Company instituted certain measures to help protect its employees from exposure to COVID-19 and to curb potential spread of the virus in customer homes and facilities, including suspension of disconnects due to nonpayment of bills. The Company also waived late payment fees effective April 1, 2020, to help customers experiencing financial hardships. As a consequence of the suspended disconnects and waived late fees, the Company's cash flows and collection of receivables have been affected. The Company reinstated disconnects and late payment fees in five of its eight states effective September 1, 2020, and the Company reinstated disconnects and late payment fees to certain customer classes in another two states effective January 1, 2021. The Company has experienced some impacts to its commercial and industrial electric and natural gas loads associated with reduced economic activity due to the COVID-19 pandemic and oil price impacts, as further discussed below. The Company expects this downward trend on demand to continue throughout the pandemic. The Company temporarily implemented cost containment measures in response to the COVID-19 pandemic, including reduced employee travel and temporary delays in training for employees, as well as delays in filling open positions and contract work. The Company has filed requests for the use of deferred accounting for costs related to the COVID-19 pandemic in most of the jurisdictions in which it operates; the Company has deferred an immaterial amount related to the pandemic to date. The Company's outstanding filings by jurisdiction related to the COVID-19 pandemic are discussed in Item 8 - Note 20.

The Company expects these segments will grow rate base by approximately 5 percent annually over the next five years on a compound basis. Operations are spread across eight states where the Company expects customer growth to be higher than the national average. In 2020 and 2019, these segments experienced retail customer growth of approximately 1.8 percent each year and expects customer growth to continue to average 1 percent to 2 percent per year. This customer growth, along with system upgrades and replacements needed to supply safe and reliable service, will require investments in new and replacement electric and natural gas systems.

These segments are exposed to energy price volatility. Rate schedules in the jurisdictions in which the Company's natural gas distribution segment operates contain clauses that permit the Company to file for rate adjustments for changes in the cost of purchased gas. Although changes in the price of natural gas are passed through to customers and have minimal impact on the Company's earnings, the natural gas distribution segment's customers benefit from lower natural gas prices through the Company's utilization of storage and fixed price contracts. Additionally, the Company has implemented risk mitigation measures to minimize the price volatility associated with natural gas costs through derivative contracts at Cascade. For further discussion on the Company's derivative instruments, see Item 8 - Note 2. Demand for the Company's regulated energy delivery services could be impacted by reduced oil and natural gas exploration and production activity. The Company continues to monitor natural gas prices, as well as the oil and natural gas production levels.

In February 2019, the Company announced that it intends to retire three aging coal-fired electric generating units, resulting from the Company's analysis showing that the plants are no longer expected to be cost competitive for customers. The retirements are expected to be in March 2021 for Unit 1 at Lewis & Clark Station in Sidney, Montana, and in early 2022 for Units 1 and 2 at Heskett Station near Mandan, North Dakota. In addition, the Company announced that it intends to construct Heskett Unit 4, an 88-MW simple-cycle natural gas-fired combustion turbine peaking unit at the existing Heskett Station near Mandan, North Dakota. Heskett Unit 4 production costs coupled with the MISO market purchases are expected to be about half the total cost of continuing to run the coal-fired electric generating units at Heskett and Lewis & Clark stations. Heskett Unit 4 was included in the Company's integrated resource plan submitted to the NDPSC in July 2019. On August 28, 2019, the Company filed for an advanced determination of prudence with the NDPSC for Heskett Unit 4. This request was approved by the NDPSC on August 5, 2020. Heskett Unit 4 is expected to be placed into service in 2023. The Company filed, and the commissions approved, requests with the NDPSC, MTPSC and SDPUC for the usage of deferred accounting for the costs related to the retirement of Unit 1 at Lewis & Clark Station and Units 1 and 2 at Heskett Station.

In December 2020, the governor of Washington outlined a climate policy package that included House Bill 1084, which would eliminate all onsite fossil fuel emissions in new buildings by 2030 and eliminate fossil fuels from existing buildings by 2050, among other things. A public hearing on House Bill 1084 was held February 17, 2021, in the House Committee on Appropriations. The Company is monitoring the status of the proposed legislation.

The Company continues to be focused on the regulatory recovery of its investments by filing for rate adjustments to seek recovery of operating costs and capital investments, as well as reasonable returns as allowed by regulators. The Company's most recent cases by jurisdiction are discussed in Item 8 - Note 20.

Pipeline

Strategy and challenges The pipeline segment provides natural gas transportation, underground storage and energy-related services, as discussed in Items 1 and 2 - Business Properties. The segment focuses on utilizing its extensive expertise in the design, construction and operation of energy infrastructure and related services to increase market share and profitability through optimization of existing operations, organic growth and investments in energy-related assets within or in close proximity to its current operating areas. The segment focuses on the continual safety and reliability of its systems, which entails building, operating and maintaining safe natural gas pipelines and facilities. The segment continues to evaluate growth opportunities including the expansion of natural gas facilities; incremental pipeline projects; and expansion of energy-related services leveraging on its core competencies. In support of this strategy, the Company completed and placed into service the following organic growth projects in 2020 and 2019:

- In September 2020 and November 2019, Phase II and Phase I, respectively, of the Line Section 22 Expansion project in the Billings, Montana, area. The total project increased capacity by 22.5 MMcf per day.
- In February 2020, the Demicks Lake Expansion project in McKenzie County, North Dakota, increased capacity by 175 MMcf per day.
- In September 2019, the Demicks Lake project in McKenzie County, North Dakota, increased capacity by 175 MMcf per day.

The segment is exposed to energy price volatility which is impacted by the fluctuations in pricing, production and basis differentials of the energy market's commodities. Legislative and regulatory initiatives to increase pipeline safety regulations and reduce methane emissions could also impact the price and demand for natural gas.

The segment regularly experiences extended lead times on raw materials that are critical to the segment's construction and maintenance work. Long lead times on materials could delay maintenance work and project construction potentially causing lost revenues and/or increased costs. The Company continues to proactively monitor and plan for the material lead times, as well as work with manufacturers and suppliers to help mitigate the risk of delays due to extended lead times.

The pipeline segment is subject to extensive regulation including certain operational, environmental and system integrity regulations, as well as various permit terms and operational compliance conditions. In September 2019, the Pipeline and Hazardous Materials Safety Administration issued a rule for additional regulations to strengthen the safety of natural gas transmission and storage facilities and hazardous liquid pipelines. The segment has implemented procedure changes for the initial requirements and continues to evaluate procedure changes and implementation of physical modifications to existing facilities necessary for additional requirements effective July 1, 2021. The segment reviews and secures existing permits and easements, as well as new permits and easements as necessary, to meet current demand and future growth opportunities on an ongoing basis. Groups opposing pipelines could also cause negative impacts on the segment with increased costs, potential delays to project completion or cancellation of prospective projects.

The segment focuses on the recruitment and retention of a skilled workforce to remain competitive and provide services to its customers. The industry in which it operates relies on a skilled workforce to construct energy infrastructure and operate existing infrastructure in a safe manner. A shortage of skilled personnel can create a competitive labor market which could increase costs incurred by the segment. Competition from other pipeline companies can also have a negative impact on the segment.

Earnings overview - The following information summarizes the performance of the pipeline segment.

Years ended December 31,	2020	2019	2018	2020 vs. 2019 % change	2019 vs. 2018 % change
(Dollars in millions)					
Operating revenues	\$ 143.9	\$ 140.4	\$ 128.9	2.5 %	8.9 %
Operating expenses:					
Operation and maintenance	59.9	63.1	62.2	(5.1)%	1.4 %
Depreciation, depletion and amortization	21.7	21.2	17.9	2.4 %	18.4 %
Taxes, other than income	12.9	13.3	12.7	(3.0)%	4.7 %
Total operating expenses	94.5	97.6	92.8	(3.2)%	5.2 %
Operating income	49.4	42.8	36.1	15.4 %	18.6 %
Other income	2.9	1.2	1.0	141.7 %	20.0 %
Interest expense	7.6	7.2	5.9	5.6 %	22.0 %
Income before income taxes	44.7	36.8	31.2	21.5 %	17.9 %
Income tax expense	7.7	7.2	2.7	6.9 %	166.7 %
Net income	\$ 37.0	\$ 29.6	\$ 28.5	25.0 %	3.9 %

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Operating statistics	2020	2019	2018
Transportation volumes (MMdk)	438.6	429.7	351.5
Natural gas gathering volumes (MMdk)	8.6	13.9	14.9
Customer natural gas storage balance (MMdk):			
Beginning of period	16.2	13.9	22.4
Net injection (withdrawal)	9.3	2.3	(8.5)
End of period	25.5	16.2	13.9

2020 compared to 2019 Pipeline earnings increased \$7.4 million as a result of:

Revenues: Increase of \$3.5 million, largely attributable to increased transportation volumes and demand revenue of \$6.2 million largely from organic growth projects, as previously discussed, and increased storage-related revenues of \$4.6 million as a result of stronger demand for storage services. Also contributing to the increase was additional revenues of \$2.4 million primarily from increased rates effective May 1, 2019, due to the FERC rate case finalized in September 2019. These increases were partially offset by lower non-regulated project revenues of \$5.3 million and lower volumes associated with the sale of the Company's natural gas gathering assets in 2020, as discussed later, and lower gathering rates resulting in a decrease in revenues of \$4.3 million.

Operation and maintenance: Decrease of \$3.2 million, primarily from decreased non-regulated project costs of \$3.7 million associated with lower non-regulated project revenue and \$1.5 million gain on the sale of the Company's non-regulated natural gas gathering assets in 2020, as discussed later, partially offset by higher payroll-related costs.

Depreciation, depletion and amortization: Increase of \$500,000, primarily due to additional expense of \$1.3 million associated with increased property, plant and equipment balances as a result of organic growth projects that have been placed into service, and higher depreciation rates effective May 1, 2019, due to the FERC rate case finalized in September 2019. The sale of the Company's natural gas gathering assets in 2020, as discussed later, reduced the increases by \$1.5 million.

Taxes, other than income: Decrease of \$400,000 driven by the sale of the Company's natural gas gathering assets, partially offset by higher property taxes in certain jurisdictions of \$300,000.

Other income: Increase of \$1.7 million, as a result of higher AFUDC of \$1.1 million, a positive impact of \$700,000 related to the sale of the Company's regulated gathering assets and an out-of-period adjustment of \$500,000 in the fourth quarter of 2020 related to previously overstated benefit plan expense, as discussed in Item 8 - Note 1. Partially offsetting these increases was the write-off of unrecovered gas costs and project expenses of \$1.2 million.

Interest expense: Increase of \$400,000, largely resulting from higher debt balances to finance organic growth projects, as previously discussed.

Income tax expense: Increase of \$500,000, directly resulting from an increase in income before taxes, largely offset by the reversal of excess deferred taxes of \$1.5 million associated with the sale of the Company's regulated natural gas gathering assets.

2019 compared to 2018 Pipeline earnings increased \$1.1 million as a result of:

Revenues: Increase of \$11.5 million, largely attributable to increased volumes of natural gas transported through its system as a result of organic growth projects, as previously discussed, and increased rates effective May 1, 2019, due to the FERC rate case finalized in September 2019.

Operation and maintenance: Increase of \$900,000, primarily from higher payroll-related costs and materials costs.

Depreciation, depletion and amortization: Increase of \$3.3 million, primarily due to increased property, plant and equipment balances, largely the result of organic growth projects that have been placed into service, and higher depreciation rates effective May 1, 2019, due to the FERC rate case finalized in September 2019.

Taxes, other than income: Increase of \$600,000 driven by higher property taxes in certain jurisdictions.

Other income: Comparable to the prior year.

Interest expense: Increase of \$1.3 million, largely resulting from higher debt balances to finance organic growth projects, as previously discussed.

Income tax expense: Increase of \$4.5 million, primarily driven by the absence in 2019 of a \$4.2 million income tax benefit recorded in 2018 related to the reversal of a regulatory liability recorded in 2017 based on a FERC final accounting order issued.

Outlook The Company continues to successfully manage the impacts of the COVID-19 pandemic on its operations and is committed to providing safe, reliable and compliant service while ensuring the health and safety of its employees, customers and the communities in which it operates. The Company experienced minor delays on capital and maintenance projects during the first quarter of 2020 but resumed project activities in the second quarter of 2020. Work has progressed on these projects as scheduled through the fourth quarter of 2020. The Company does not expect delays to its regulatory filings due to the pandemic.

The Company has continued to experience the effect of associated natural gas production in the Bakken, which has provided opportunities for organic growth projects and increased demand. The completion of organic growth projects has contributed to the increased volumes of natural gas the Company transports through its system. Reduced global oil demand due to the COVID-19 pandemic and disagreements in oil supply levels between the Organization of the Petroleum Exporting Countries and other countries led to record low oil prices during the first quarter of 2020;

however, oil prices started to recover after the first quarter of 2020 as states and other countries started to reopen. Although low oil prices have slowed drilling activities and led to the shut-in of certain wells, producers continue to bring wells back online and the Company continues to focus on growth and improving existing operations through organic projects in all areas in which it operates. The national record levels of natural gas supply over the last few years have moderated the need for storage services and put downward pressure on natural gas prices and minimized price volatility. While the Company believes there will continue to be varying pressures on natural gas production levels and prices due to these circumstances, low natural gas prices provide growth opportunity for industrial supply related projects and seasonal pricing differentials provide opportunities for storage services.

In January 2019, the Company announced the North Bakken Expansion project, which includes construction of a new pipeline, compression and ancillary facilities to transport natural gas from core Bakken production areas near Tioga, North Dakota, to a new connection with Northern Border Pipeline in McKenzie County, North Dakota. Construction is expected to begin in the second quarter of 2021 with an estimated in-service date late in 2021, which is dependent on regulatory and environmental permitting. On February 14, 2020, the Company filed with the FERC its application for this project. On July 28, 2020, the Company filed an amendment to its application with the FERC reflecting a decrease to the design capacity from 350 MMcf per day to 250 MMcf per day by reducing compression due to delays in forecasted growth levels of natural gas production in the Bakken region. Further, as a result of the forecasted Bakken oil and associated natural gas production delays driven by COVID-19 pandemic-related demand decreases and commodity price impacts, the Company negotiated adjustments to certain long-term customer commitments. A portion of the first-year committed volumes have been delayed one year and, through a combination of rate, volume and term adjustments, the overall project return profile remains unchanged and is expected to be accretive to earnings of the Company. These long-term take or pay customer contracts support the project at a design capacity of 250 MMcf per day, which can be readily expanded when forecasted growth levels rebound. On December 17, 2020, the FERC issued its environment assessment for the project. FERC approval of the project is anticipated in early 2021.

In December 2019, the Company entered into a purchase and sale agreement to divest of the Company's regulated natural gas gathering assets located in Montana and North Dakota, which included approximately 400 miles of natural gas gathering pipelines and associated compression and ancillary facilities. On January 8, 2020, the Company filed an application with the FERC to authorize abandonment by sale of the assets and received FERC approval on April 2, 2020. The sale closed in April 2020 with an effective date of January 1, 2020. Pursuant to the FERC's approval of the abandonment by sale, the proposed accounting treatment was filed with the FERC in October 2020 and approved in November 2020.

In October 2020, the Company entered into a purchase and sale agreement to divest of the Company's non-regulated natural gas gathering assets located in northern Montana, which included approximately 800 miles of natural gas gathering pipelines and associated compression and ancillary facilities. The sale closed in November 2020 with an effective date of December 1, 2020. With the completion of this sale, the Company has exited the natural gas gathering business.

Construction Materials and Contracting

Strategy and challenges The construction materials and contracting segment provides an integrated set of aggregate-based construction services, as discussed in Items 1 and 2 - Business Properties. The segment focuses on high-growth strategic markets located near major transportation corridors and desirable mid-sized metropolitan areas; strengthening the long-term, strategic aggregate reserve position through available purchase and/or lease opportunities; enhancing profitability through cost containment, margin discipline and vertical integration of the segment's operations; development and recruitment of talented employees; and continued growth through organic and acquisition opportunities.

A key element of the Company's long-term strategy for this business is to further expand its market presence in the higher-margin materials business (rock, sand, gravel, liquid asphalt, asphalt concrete, ready-mixed concrete and related products), complementing and expanding on the segment's expertise. The Company's continued acquisition activity supports this strategy.

As one of the country's largest sand and gravel producers, the segment continues to strategically manage its approximately 1.1 billion tons of aggregate reserves in all its markets, as well as take further advantage of being vertically integrated. The segment's vertical integration allows the segment to manage operations from aggregate mining to final lay-down of concrete and asphalt, with control of and access to permitted aggregate reserves being significant. The Company's aggregate reserves are naturally declining and as a result, the Company seeks acquisition opportunities to replace the reserves. In the fourth quarter of 2020, the Company acquired the assets of McMurtry Ready-Mix Co., an aggregates and concrete supplier located in Casper, Wyoming. The acquisition included nearly 100 million tons of aggregate reserves. In the first quarter of 2019, the Company purchased additional aggregate deposits in Texas that were estimated to contain a 40-year supply of high-quality aggregates for projected local market needs. Also during 2019, the Company increased aggregate reserves by approximately 40 million tons largely due to strategic asset purchases.

The construction materials and contracting segment faces challenges that are not under the direct control of the business. The segment operates in geographically diverse and highly competitive markets. Competition can put negative pressure on the segment's operating margins. The segment is also subject to volatility in the cost of raw materials such as diesel fuel, gasoline, liquid asphalt, cement and steel. Such volatility can have an impact on the segment's margins, including fixed-price construction contracts that are particularly vulnerable to the volatility of energy and material prices. Other variables that can impact the segment's margins include adverse weather conditions, the timing of project starts or completion and declines or delays in new and existing projects due to the cyclical nature of the construction industry and governmental infrastructure spending. Accordingly, operating results in any particular period may not be indicative of the results that can be expected for any other period.

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The segment also faces challenges in the recruitment and retention of employees. Trends in the labor market include an aging workforce and availability issues. The segment continues to face increasing pressure to control costs, as well as recruit and train a skilled workforce to meet the needs of increasing demand and seasonal work.

Earnings overview - The following information summarizes the performance of the construction materials and contracting segment.

Years ended December 31,	2020	2019	2018	2020 vs. 2019 % change	2019 vs. 2018 % change
(Dollars in millions)					
Operating revenues	\$ 2,178.0	\$ 2,190.7	\$ 1,925.9	(.6)%	13.7 %
Cost of sales:					
Operation and maintenance	1,733.1	1,798.3	1,601.7	(3.6)%	12.3 %
Depreciation, depletion and amortization	84.8	74.3	59.0	14.1 %	25.9 %
Taxes, other than income	46.0	44.1	39.7	4.3 %	11.1 %
Total cost of sales	1,863.9	1,916.7	1,700.4	(2.8)%	12.7 %
Gross margin	314.1	274.0	225.5	14.6 %	21.5 %
Selling, general and administrative expense:					
Operation and maintenance	89.9	86.3	77.6	4.2 %	11.2 %
Depreciation, depletion and amortization	4.8	3.1	2.2	54.8 %	40.9 %
Taxes, other than income	4.9	4.6	4.3	6.5 %	7.0 %
Total selling, general and administrative expense	99.6	94.0	84.1	6.0 %	11.8 %
Operating income	214.5	180.0	141.4	19.2 %	27.3 %
Other income (expense)	.8	1.6	(3.1)	(50.0)%	151.6 %
Interest expense	20.6	23.8	17.3	(13.4)%	37.6 %
Income before income taxes	194.7	157.8	121.0	23.4 %	30.4 %
Income tax expense	47.4	37.4	28.4	26.7 %	31.7 %
Net income	\$ 147.3	\$ 120.4	\$ 92.6	22.3 %	30.0 %

Operating statistics	2020	2019	2018
Sales (000's):			
Aggregates (tons)	30,949	32,314	29,795
Asphalt (tons)	7,202	6,707	6,838
Ready-mixed concrete (cubic yards)	4,087	4,123	3,518

2020 compared to 2019 Construction materials and contracting's earnings increased \$26.9 million as a result of:

Revenues: Decrease of \$12.7 million driven by lower contracting revenues partially due to lower materials pricing as a result of decreased energy-related costs. This decrease was offset in part by higher material sales on most product lines due to an early start to the season, favorable weather conditions in certain regions and additional revenues associated with the businesses acquired.

Gross margin: Increase of \$40.1 million, largely resulting from higher material revenues and margins and higher contracting margins. Asphalt and asphalt-related product margins increased \$21.3 million overall. Strong pricing for ready-mixed concrete in most markets resulted in 1.9 percent higher margins. Contracting bid margins positively impacted gross margin by \$6.5 million partially resulting from lower direct costs associated with having a longer construction season due to favorable weather conditions. The Company also benefited across all product lines from lower fuel costs. Partially offsetting these increases was lower gains on asset sales in certain regions of approximately \$6.8 million.

Selling, general and administrative expense: Increase of \$5.6 million, primarily related to higher payroll-related costs of \$2.2 million and increased amortization of intangible assets associated with the businesses acquired.

Other income: Decrease of \$800,000, largely the result of an out-of-period adjustment to benefit expense in the fourth quarter of 2020, as discussed in Item 8 - Note 1.

Interest expense: Decrease of \$3.2 million, from lower average debt balances in 2020 along with lower average interest rates.

Income tax expense: Increase of \$10.0 million directly resulting from an increase in income before taxes.

2019 compared to 2018 Construction materials and contracting's earnings increased \$27.8 million as a result of:

Revenues: Increase of \$264.8 million driven by higher contracting services and material sales due to strong economic environments in certain states, as well as additional material volumes associated with the businesses acquired.

Gross margin: Increase of \$48.5 million, largely resulting from higher revenues due to strong economic environments in certain states, as previously discussed, higher contracting bid margins and higher realized material prices. Also contributing to the increased gross margin was an increase in gains on asset sales in certain regions of approximately \$7.5 million.

Selling, general and administrative expense: Increase of \$9.9 million, primarily related to the businesses acquired and higher payroll-related costs.

Other income (expense): Increase of \$4.7 million, largely the result of higher returns on the Company's benefit plan investments.

Interest expense: Increase of \$6.5 million, largely resulting from higher debt balances as a result of recent acquisitions, capital expenditures and higher average interest rates.

Income tax expense: Increase of \$9.0 million directly resulting from an increase in income before taxes.

Outlook The Company continues to assess the impacts of the COVID-19 pandemic on its operations and is committed to the health and safety of its employees, customers and the communities in which it operates. The Company has implemented safety and social distancing measures for its employees that are not able to work from home and has experienced some inefficiencies and additional costs in relation to these measures but, for the most part, has been able to continue business processes with minimal interruptions. The Company also continues to monitor job progress and service work and at this time has not experienced significant delays, cancellations or disruptions due to the pandemic. The Company will continue to monitor the demand for construction materials and contracting services as such services may be reduced by recessionary impacts of the pandemic as the traditional customers for these services reduce capital expenditures. State and local mandates were issued in response to the COVID-19 pandemic requiring individuals to stay in place, leading to a reduction in fuel consumption in the United States, which directly reduces fuel tax collections. In addition, states, cities and counties across the country are experiencing low sales tax and other revenues as a result of the COVID-19 pandemic. The reduction in tax collections may impact funds available for public infrastructure projects, which in turn could have a material adverse impact on the Company's results of operations, financial position and cash flows. Meanwhile, a comprehensive infrastructure funding program, if adopted, by the United States Congress could positively impact the segment.

The segment's vertically integrated aggregate-based business model provides the Company with the ability to capture margin throughout the sales delivery process. The aggregate products are sold internally and externally for use in other products such as ready-mixed concrete, asphaltic concrete and public and private construction markets. The contracting services and construction materials are sold in connection with street, highway and other public infrastructure projects, as well as private commercial and residential development projects. The public infrastructure projects have traditionally been more stable markets as public funding is more secure during periods of economic decline. The public projects are, however, dependent on federal and state funding such as appropriations to the Federal Highway Administration. Spending on private development is highly dependent on both local and national economic cycles, providing additional sales during times of strong economic cycles.

During 2020 and 2019, the Company made strategic asset purchases and completed several acquisitions that support the Company's long-term strategy to expand its market presence. In the first quarter of 2020, the Company acquired the assets of Oldcastle Infrastructure Spokane, a prestressed-concrete business located in Spokane, Washington. In the fourth quarter of 2020, the Company acquired the assets of McMurtry Ready-Mix Co., an aggregates and concrete supplier located in Casper, Wyoming. The Company continues to evaluate additional acquisition opportunities. For more information on the Company's business combinations, see Item 8 - Note 4.

The construction materials and contracting segment's backlog remained strong at December 31, 2020, at \$673 million, which was comparable to backlog at December 31, 2019, of \$693 million. A significant portion of the Company's backlog relates to street and highway construction. The Company expects to complete a significant amount of backlog at December 31, 2020, during the next 12 months.

Construction Services

Strategy and challenges The construction services segment provides inside and outside specialty contracting, as discussed in Items 1 and 2 - Business Properties. The construction services segment focuses on safely executing projects; providing a superior return on investment by building new and strengthening existing customer relationships; ensuring quality service; effectively controlling costs; retaining, developing and recruiting talented employees; growing through organic and acquisition opportunities; and focusing efforts on projects that will permit higher margins while properly managing risk. The growth experienced by the segment in recent years is due in part to its ability to support national customers in most of the regions in which it operates.

The construction services segment faces challenges in the highly competitive markets in which it operates. Competitive pricing environments, project delays, changes in management's estimates of variable consideration and the effects from restrictive regulatory requirements have negatively impacted revenues and margins in the past and could affect revenues and margins in the future. Additionally, margins may be negatively impacted on a quarterly basis due to adverse weather conditions, as well as timing of project starts or completions; disruptions to the supply chain due to transportation delays, travel restrictions, raw material cost increases and shortages and closures of businesses or facilities; declines or delays in new projects due to the cyclical nature of the construction industry; and other factors. These challenges may also impact the risk of loss on certain projects. Accordingly, operating results in any particular period may not be indicative of the results that can be expected for any other period.

The need to ensure available specialized labor resources for projects also drives strategic relationships with customers and project margins. These trends include an aging workforce and labor availability issues, increasing pressure to reduce costs and improve reliability, and increasing duration

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and complexity of customer capital programs. Due to these and other factors, the Company believes overall customer and competitor demand for labor resources will continue to increase, possibly surpassing the supply of industry resources.

Earnings overview - The following information summarizes the performance of the construction services segment.

Years ended December 31,	2020	2019	2018	2020 vs. 2019 % change	2019 vs. 2018 % change
(In millions)					
Operating revenues	\$ 2,095.7	\$ 1,849.3	\$ 1,371.5	13.3 %	34.8 %
Cost of sales:					
Operation and maintenance	1,747.5	1,555.4	1,150.4	12.4 %	35.2 %
Depreciation, depletion and amortization	15.7	15.0	14.3	4.7 %	4.9 %
Taxes, other than income	74.2	58.8	42.0	26.2 %	40.0 %
Total cost of sales	1,837.4	1,629.2	1,206.7	12.8 %	35.0 %
Gross margin	258.3	220.1	164.8	17.4 %	33.6 %
Selling, general and administrative expense:					
Operation and maintenance	98.1	87.0	72.2	12.8 %	20.5 %
Depreciation, depletion and amortization	7.8	2.0	1.4	NM	42.9 %
Taxes, other than income	4.8	4.7	4.4	2.1 %	6.8 %
Total selling, general and administrative expense	110.7	93.7	78.0	18.1 %	20.1 %
Operating income	147.6	126.4	86.8	16.8 %	45.6 %
Other income	2.0	1.9	1.1	5.3 %	72.7 %
Interest expense	4.1	5.3	3.6	(22.6)%	47.2 %
Income before income taxes	145.5	123.0	84.3	18.3 %	45.9 %
Income tax expense	35.8	30.0	20.0	19.3 %	50.0 %
Net income	\$ 109.7	\$ 93.0	\$ 64.3	18.0 %	44.6 %

* NM - not meaningful

2020 compared to 2019 Construction services earnings increased \$16.7 million as a result of:

Revenues: Increase of \$246.4 million, primarily resulting from higher inside and outside specialty contracting workloads. Inside workloads contributed \$127.2 million, or 10.0 percent more compared to 2019, largely from higher revenues of \$71.4 million due to the addition of Perlectric, Inc. and increased customer demand for high-tech, hospitality and industrial projects. Outside workloads contributed \$108.0 million, or 18.1 percent more compared to 2019, as a result of strong demand for utility projects including storm-related power line repair and wildfire restoration work.

Gross margin: Increase of \$38.2 million, primarily from the higher volume of work resulting in an increase in revenues, as previously discussed, partially offset by an increase in operation and maintenance expense as a direct result of the expenses related to the increased workloads.

Selling, general and administrative expense: Increase of \$17.0 million, largely from increased costs of \$8.3 million associated with the addition of PerLectric, Inc. operations, allowance for uncollectible accounts of \$3.6 million, payroll-related costs of \$3.1 million and office expenses.

Other income: Comparable to the prior year.

Interest expense: Decrease of \$1.2 million, related to lower debt balances due to lower working capital needs as a result of payroll tax deferrals and increased cash collections.

Income tax expense: Increase of \$5.8 million, directly resulting from an increase in income before taxes.

2019 compared to 2018 Construction services earnings increased \$28.7 million as a result of:

Revenues: Increase of \$477.8 million, largely resulting from higher inside specialty contracting workloads from an increase in customer demand for hospitality, data center and high-tech projects. Also contributing to the increase was higher outside specialty contracting workloads, primarily resulting from increased utility customer demand.

Gross margin: Increase of \$55.3 million, primarily due to the higher volume of work resulting in an increase in revenues, as previously discussed, partially offset by an increase in operation and maintenance expense as a direct result of the increased workloads.

Selling, general and administrative expense: Increase of \$15.7 million, resulting from increased payroll-related costs, as well as higher office expense and outside professional service costs.

Other income: Increase of \$800,000, largely resulting from higher returns on the Company's benefit plan investments.

Interest expense: Increase of \$1.7 million, related to higher debt balances as a result of additional working capital needs from the increase in contracting workloads in 2019.

Income tax expense: Increase of \$10.0 million, directly resulting from an increase in income before taxes.

Outlook The Company continues to assess the impacts of the COVID-19 pandemic on its operations and is committed to the health and safety of its employees, customers and the communities in which it operates. The Company has implemented safety and social distancing measures for its employees that are not able to work from home and has experienced some inefficiencies in relation to these measures but, for the most part, has been able to continue business processes. The Company continues to bid and be awarded work despite the challenging economic environment, as evidenced by the strong backlog for the segment, as further discussed below. The Company also continues to monitor job progress and service work and has experienced some delays, cancellations and disruptions due to the pandemic. The Company will continue to monitor the demand for construction services as such services may be reduced by recessionary impacts of the pandemic as the traditional customers for these services reduce capital expenditures.

The Company continues to have bidding opportunities for both inside and outside specialty contracting work in 2021. Although bidding remains highly competitive in all areas, the Company expects the segment's skilled workforce, quality of service and effective cost management will continue to provide a benefit in securing and executing profitable projects.

The construction services segment's backlog at December 31 was as follows:

	2020	2019
	(In millions)	
Inside specialty contracting	\$ 1,059	\$ 908
Outside specialty contracting	214	236
	\$ 1,273	\$ 1,144

The increase in backlog at December 31, 2020, as compared to backlog at December 31, 2019, was largely attributable to the new project opportunities that the Company continues to be awarded across its diverse operations, particularly inside specialty electrical and mechanical contracting in the hospitality, high-tech and public industries. The Company's outside power, communications and natural gas specialty contracting also have a high volume of available work. The Company expects to complete a significant amount of the backlog at December 31, 2020, during the next 12 months. Additionally, the Company continues to further evaluate potential acquisition opportunities that would be accretive to earnings of the Company and continue to grow the Company's backlog.

In support of the Company's strategic plan to grow through acquisitions, the Company acquired PerLectric, Inc., an electrical construction company in Fairfax, Virginia, in the first quarter of 2020. For more information on the Company's business combinations, see Item 8 - Note 4.

Other

Years ended December 31,	2020	2019	2018	2020 vs. 2019 % change	2019 vs. 2018 % change
	(In millions)				
Operating revenues	\$ 11.9	\$ 16.6	\$ 11.3	(28.3)%	46.9 %
Operating expenses:					
Operation and maintenance	12.2	15.6	9.3	(21.8)%	67.7 %
Depreciation, depletion and amortization	2.7	2.1	2.0	28.6 %	5.0 %
Taxes, other than income	.1	.1	.1	— %	— %
Total operating expenses	15.0	17.8	11.4	(15.7)%	56.1 %
Operating loss	(3.1)	(1.2)	(.1)	(158.3)%	NM
Other income	.4	.9	1.0	(55.6)%	(10.0)%
Interest expense	.8	1.9	2.8	(57.9)%	(32.1)%
Loss before income taxes	(3.5)	(2.2)	(1.9)	(59.1)%	(15.8)%
Income tax benefit	(.4)	(.1)	(1.2)	NM	91.7 %
Net loss	\$ (3.1)	\$ (2.1)	\$ (.7)	(47.6)%	NM

* NM - not meaningful

Included in Other is insurance activity at the Company's captive insurer and general and administrative costs and interest expense previously allocated to the exploration and production and refining businesses that do not meet the criteria for income (loss) from discontinued operations.

Other was negatively impacted in 2020 as a result of higher insurance claims as compared to 2019, whereas 2019 had higher insurance premiums which increased both operating revenues and operation and maintenance expense.

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Intersegment Transactions

Amounts presented in the preceding tables will not agree with the Consolidated Statements of Income due to the Company's elimination of intersegment transactions. The amounts related to these items were as follows:

Years ended December 31,	2020	2019	2018
(In millions)			
Intersegment transactions:			
Operating revenues	\$ 77.0	\$ 77.1	\$ 64.3
Operation and maintenance	19.1	21.1	13.7
Purchased natural gas sold	57.9	56.0	50.6

For more information on intersegment eliminations, see Item 8 - Note 17.

Liquidity and Capital Commitments

At December 31, 2020, the Company had cash and cash equivalents of \$59.6 million and available borrowing capacity of \$736.3 million under the outstanding credit facilities of the Company's subsidiaries. During the first quarter of 2020, short-term capital markets were disrupted as a result of the COVID-19 pandemic. Consequently, the Company temporarily borrowed under its revolving credit agreements in addition to accessing the commercial paper markets and maintained higher than normal cash balances to ensure liquidity during this volatile period. At December 31, 2020, all borrowings under the revolving credit agreements for Montana-Dakota and Centennial had been repaid. The Company expects to meet its obligations for debt maturing within 12 months and its other operating and capital requirements from various sources, including internally generated funds; credit facilities and commercial paper of the Company's subsidiaries, as described later in Capital resources; and the issuance of debt and equity securities if necessary.

Cash flows

Operating activities The changes in cash flows from operating activities generally follow the results of operations as discussed in Business Segment Financial and Operating Data and are also affected by changes in working capital. Changes in cash flows for discontinued operations are related to the Company's former exploration and production and refining businesses.

Cash flows provided by operating activities in 2020 was \$768.4 million compared to \$542.3 million in 2019. The increase in cash flows provided by operating activities is reflective of the increased earnings across all businesses. The increase in cash flows provided by operating activities was largely driven by stronger collection of accounts receivable at the construction services business and decreased receivables at the construction materials and contracting business as compared to the prior period as a result of lower contracting revenues. Also contributing to the increase in cash flows provided by operating activities was the decrease in natural gas purchases in 2020 as a result of milder temperatures and lower gas costs and recovery of purchased gas cost adjustment balances at the natural gas distribution business. The Company also benefited from the deferral of payroll taxes related to the CARES Act and the absence of pension contributions at all of its businesses. Partially offsetting these increases was higher cash needs due to decreased bonus depreciation for tax purposes taken on qualified property in 2020 as compared to 2019 and a decrease in deferred taxes as a result of the purchased gas cost adjustment recorded in 2019.

Cash flows provided by operating activities in 2019 were \$542.3 million compared to \$499.9 million in 2018. The increase in cash flows provided by operating activities was largely driven by increased earnings from higher workloads at the construction businesses, which were partially offset by an increase in accounts receivable as a result of the higher workloads. Lower inventory balances due to higher workloads at the construction materials and contracting business in 2019 as compared to the increase in inventory balances in 2018 due to the activity of acquired businesses also contributed to the increase. Partially offsetting these increases were higher natural gas purchases including the effects of colder weather, higher gas costs and timing of collection of such balances from customers at the natural gas distribution business, as well as higher pension contributions at all of the businesses.

Investing activities Cash flows used in investing activities in 2020 were \$630.2 million compared to \$603.9 million in 2019. The increase in cash used was primarily related to additional cash needs for acquisition activity in 2020 compared to 2019 at the construction businesses, increased capital expenditures in 2020 at the electric business and lower proceeds on asset sales in 2020 at the construction materials and contracting business. Partially offsetting these increases were decreased capital expenditures in 2020 at the construction materials and contracting business, proceeds on the natural gas gathering asset sales at the pipeline business and higher proceeds on asset sales in 2020 at the construction services businesses.

Cash flows used in investing activities in 2019 was \$603.9 million compared to \$710.9 million in 2018. The decrease in cash used was primarily related to \$112.1 million lower cash used in acquisition activity in 2019 compared to 2018 at the construction materials and contracting business and higher proceeds on asset sales at the construction businesses in 2019.

Financing activities Cash flows used in financing activities in 2020 was \$145.1 million compared to cash flows provided by financing activities of \$74.1 million in 2019. The change was largely the result of a decrease in net long-term and short-term debt borrowings in 2020 as compared to

2019 due to lower working capital needs. In addition, the Company had decreased net proceeds of \$103.5 million in 2020 due to the absence of common stock issuance under its "at-the-market" offering and 401(k) plan.

Cash flows provided by financing activities in 2019 were \$74.1 million compared to \$230.4 million in 2018. The decrease in cash provided by financing activities was largely due to the higher repayment of long-term debt in 2019 on debt issued in 2018 for acquisitions at the construction materials and contracting business. The Company also borrowed and repaid short-term borrowings in 2019. Partially offsetting the decrease in cash provided by financing activities was the receipt of proceeds from the issuance of common stock. The Company issued common stock for net proceeds of \$106.8 million under its "at-the-market" offering and 401(k) plan in 2019.

Defined benefit pension plans

The Company has noncontributory qualified defined benefit pension plans for certain employees. Plan assets consist of investments in equity and fixed-income securities. Various actuarial assumptions are used in calculating the benefit expense (income) and liability (asset) related to the pension plans. Actuarial assumptions include assumptions about the discount rate and expected return on plan assets. At December 31, 2020, the pension plans' accumulated benefit obligations exceeded these plans' assets by approximately \$53.5 million. Pretax pension income reflected in the Consolidated Statements of Income for the year ended December 31, 2020, was \$684,000. Pretax pension expense reflected in the Consolidated Statements of Income for the years ended December 31, 2019 and 2018, was \$2.5 million and \$843,000, respectively. The Company's pension income is currently projected to be approximately \$1.7 million in 2021. Funding for the pension plans is actuarially determined. The Company has no minimum funding requirements for its defined benefit pension plans for 2021 due to an additional contribution of \$20.0 million in 2019. There were no minimum required contributions for the year ended December 31, 2020, and the minimum required contributions for the years ended December 31, 2019 and 2018, were approximately \$4.9 million and \$6.1 million, respectively. For more information on the Company's pension plans, see Item 8 - Note 18.

Capital expenditures

The Company's capital expenditures for 2018 through 2020 and as anticipated for 2021 through 2023 are summarized in the following table.

	Actual*			Estimated		
	2018	2019	2020	2021	2022	2023
(In millions)						
Capital expenditures:						
Electric	\$ 186	\$ 99	\$ 115	\$ 141	\$ 182	\$ 109
Natural gas distribution	206	207	193	215	225	188
Pipeline	70	71	62	230	74	110
Construction materials and contracting	280	190	191	189	154	150
Construction services	25	61	84	46	34	35
Other	2	8	3	5	4	3
Total capital expenditures	\$ 769	\$ 636	\$ 648	\$ 826	\$ 673	\$ 595

* Capital expenditures for 2020, 2019 and 2018 include noncash transactions such as the issuance of the Company's equity securities in connection with acquisitions, capital expenditure-related accounts payable, AFUDC and accrual of holdback payments in connection with acquisitions totaling \$(15.7) million, \$4.8 million and \$33.4 million, respectively.

The 2020 capital expenditures include the completed business combinations at the construction materials and contracting and construction services segments, as discussed in Item 8 - Note 4. The 2020 capital expenditures were funded by internal sources and borrowings under credit facilities and issuance of commercial paper of the Company's subsidiaries. The Company has included in the estimated capital expenditures for 2021 through 2023 the North Bakken Expansion project and construction of Heskett Unit 4, as previously discussed in Business Segment Financial and Operating Data.

Estimated capital expenditures for the years 2021 through 2023 include those for:

- System upgrades
- Routine replacements
- Service extensions
- Routine equipment maintenance and replacements
- Buildings, land and building improvements
- Pipeline and natural gas storage projects
- Power generation and transmission opportunities
- Environmental upgrades
- Other growth opportunities

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The Company continues to evaluate potential future acquisitions and other growth opportunities that would be incremental to the outlined capital program; however, they are dependent upon the availability of economic opportunities and, as a result, capital expenditures may vary significantly from the estimates in the preceding table. It is anticipated that all of the funds required for capital expenditures for the years 2021 through 2023 will be funded by various sources, including internally generated funds; credit facilities and commercial paper of the Company's subsidiaries, as described later; and issuance of debt and equity securities if necessary.

Capital resources

Certain debt instruments of the Company's subsidiaries, including those discussed later, contain restrictive and financial covenants and cross-default provisions. In order to borrow under the debt agreements, the subsidiary companies must be in compliance with the applicable covenants and certain other conditions, all of which the subsidiaries, as applicable, were in compliance with at December 31, 2020. In the event the subsidiaries do not comply with the applicable covenants and other conditions, alternative sources of funding may need to be pursued. For more information on the covenants, certain other conditions and cross-default provisions, see Item 8 - Note 9.

The following table summarizes the outstanding revolving credit facilities of the Company's subsidiaries at December 31, 2020:

Company	Facility	Facility Limit	Amount Outstanding	Letters of Credit	Expiration Date
(In millions)					
Montana-Dakota Utilities Co.	Commercial paper/Revolving credit agreement (a)	\$ 175.0	\$ 87.7	\$ —	12/19/24
Cascade Natural Gas Corporation	Revolving credit agreement	\$ 100.0 (b)	\$ 54.0	\$ 2.2 (c)	6/7/24
Intermountain Gas Company	Revolving credit agreement	\$ 85.0 (d)	\$ 41.9	\$ —	6/7/24
Centennial Energy Holdings, Inc.	Commercial paper/Revolving credit agreement (e)	\$ 600.0	\$ 37.9	\$ —	12/19/24

(a) The commercial paper program is supported by a revolving credit agreement with various banks (provisions allow for increased borrowings, at the option of Montana-Dakota on stated conditions, up to a maximum of \$225.0 million). There were no amounts outstanding under the revolving credit agreement.

(b) Certain provisions allow for increased borrowings, up to a maximum of \$125.0 million.

(c) Outstanding letter(s) of credit reduce the amount available under the credit agreement.

(d) Certain provisions allow for increased borrowings, up to a maximum of \$110.0 million.

(e) The commercial paper program is supported by a revolving credit agreement with various banks (provisions allow for increased borrowings, at the option of Centennial on stated conditions, up to a maximum of \$700.0 million). There were no amounts outstanding under the revolving credit agreement.

The respective commercial paper programs are supported by revolving credit agreements. While the amount of commercial paper outstanding does not reduce available capacity under the respective revolving credit agreements, Montana-Dakota and Centennial do not issue commercial paper in an aggregate amount exceeding the available capacity under their credit agreements. The commercial paper borrowings may vary during the period, largely the result of fluctuations in working capital requirements due to the seasonality of certain operations of the Company's subsidiaries.

Total equity as a percent of total capitalization was 58 percent and 56 percent at December 31, 2020 and 2019, respectively. This ratio is calculated as the Company's total equity, divided by the Company's total capital. Total capital is the Company's total debt, including short-term borrowings and long-term debt due within 12 months, plus total equity. This ratio is an indicator of how the Company is financing its operations, as well as its financial strength. As of December 31, 2020, the Company had investment grade credit ratings at all entities issuing debt.

The Company currently has a shelf registration statement on file with the SEC, under which the Company may issue and sell any combination of common stock and debt securities. The Company may sell such securities if warranted by market conditions and the Company's capital requirements. Any public offer and sale of such securities will be made only by means of a prospectus meeting the requirements of the Securities Act and the rules and regulations thereunder.

In August 2020, the Company amended the Distribution Agreement dated February 22, 2019, with J.P. Morgan Securities LLC and MUFG Securities Americas Inc., as sales agents. The Distribution Agreement allows the offering, issuance and sale of up to 6.4 million shares of the Company's common stock in connection with an "at-the-market" offering. The common stock may be offered for sale, from time to time, in accordance with the terms and conditions of the agreement. Proceeds from the sale of shares of common stock under the agreement have been and are expected to be used for general corporate purposes, which may include, among other things, working capital, capital expenditures, debt repayment and the financing of acquisitions.

The Company did not issue any shares of common stock for the year ended December 31, 2020, pursuant to the "at-the-market" offering. As of December 31, 2020, the Company had capacity to issue up to 6.4 million additional shares of common stock under the "at-the-market" offering program. For more information on the Company's "at-the-market" offering, see Item 8 - Note 12.

Certain of the Company's debt instruments use LIBOR as a benchmark for establishing the applicable interest rate. LIBOR is the subject of recent national, international and other regulatory guidance and proposals for reform. These reforms and other pressures may cause LIBOR to disappear entirely or to perform differently than in the past. The Company has been proactive to anticipate the reform of LIBOR by replacing it with SOFR in certain of its new debt instruments, as well as those that are being renewed. The Company continues to evaluate the impact the reform will have on its debt instruments and, at this time, does not anticipate a significant impact.

The following includes information related to the preceding table.

Montana-Dakota On January 1, 2019, the Company's revolving credit agreement and commercial paper program became Montana-Dakota's revolving credit agreement and commercial paper program as a result of the Holding Company Reorganization. The outstanding balance of the revolving credit agreement was also transferred to Montana-Dakota. All of the related terms and covenants of the credit agreements remained the same.

On December 19, 2019, Montana-Dakota amended and restated its revolving credit agreement extending the maturity date to December 19, 2024. Montana-Dakota's revolving credit agreement supports its commercial paper program. Commercial paper borrowings under this agreement are classified as long-term debt as they are intended to be refinanced on a long-term basis through continued commercial paper borrowings. Montana-Dakota's objective is to maintain acceptable credit ratings in order to access the capital markets through the issuance of commercial paper. Historically, downgrades in credit ratings have not limited, nor are currently expected to limit, Montana-Dakota's ability to access the capital markets. If Montana-Dakota were to experience a downgrade of its credit ratings in the future, it may need to borrow under its credit agreement and may experience an increase in overall interest rates with respect to its cost of borrowings. Prior to the maturity of the credit agreement, Montana-Dakota expects that it will negotiate the extension or replacement of this agreement. If Montana-Dakota is unable to successfully negotiate an extension of, or replacement for, the credit agreement, or if the fees on this facility become too expensive, which Montana-Dakota does not currently anticipate, it would seek alternative funding.

On April 8, 2020, Montana-Dakota entered into a \$75.0 million term loan agreement with a LIBOR-based variable interest rate and a maturity date of April 7, 2021. At December 31, 2020, Montana-Dakota had \$50.0 million outstanding under this agreement. On February 16, 2021, Montana-Dakota repaid the remaining \$50.0 million outstanding.

Cascade On June 7, 2019, Cascade amended its revolving credit agreement to increase the borrowing limit to \$100.0 million and extend the maturity date to June 7, 2024. Any borrowings under the revolving credit agreement are classified as long-term debt as they are intended to be refinanced on a long-term basis through continued borrowings.

On June 15, 2020, Cascade issued \$50.0 million of senior notes under a note purchase agreement with maturity dates ranging from June 15, 2050 to June 15, 2060, at a weighted average interest rate of 3.66 percent.

On October 30, 2020, Cascade issued \$25.0 million of senior notes under a note purchase agreement with a maturity date of October 30, 2060, at an interest rate of 3.34 percent.

Intermountain On June 7, 2019, Intermountain amended its revolving credit agreement to extend the maturity date to June 7, 2024. Any borrowings under the revolving credit agreement are classified as long-term debt as they are intended to be refinanced on a long-term basis through continued borrowings.

Centennial On December 19, 2019, Centennial amended and restated its revolving credit agreement to increase the borrowing capacity to \$600.0 million and extend the maturity date to December 19, 2024. Centennial's revolving credit agreement supports its commercial paper program. Commercial paper borrowings under this agreement are classified as long-term debt as they are intended to be refinanced on a long-term basis through continued commercial paper borrowings. Centennial's objective is to maintain acceptable credit ratings in order to access the capital markets through the issuance of commercial paper. Historically, downgrades in Centennial's credit ratings have not limited, nor are currently expected to limit, Centennial's ability to access the capital markets. If Centennial were to experience a downgrade of its credit ratings in the future, it may need to borrow under its credit agreement and may experience an increase in overall interest rates with respect to its cost of borrowings. Prior to the maturity of the Centennial credit agreement, Centennial expects that it will negotiate the extension or replacement of this agreement, which provides credit support to access the capital markets. In the event Centennial is unable to successfully negotiate this agreement, or in the event the fees on this facility become too expensive, which Centennial does not currently anticipate, it would seek alternative funding.

WBI Energy Transmission On July 26, 2019, WBI Energy Transmission amended its uncommitted note purchase and private shelf agreement to increase capacity to \$300.0 million and extend the issuance period and expiration date to May 16, 2022. On December 16, 2020, WBI Energy Transmission issued \$25.0 million of senior notes under the private shelf agreement with a maturity date of December 16, 2035, at an interest rate of 3.26 percent. WBI Energy Transmission had \$195.0 million of notes outstanding at December 31, 2020, which reduced the remaining capacity under this uncommitted private shelf agreement to \$105.0 million.

Dividend restrictions

For information on the Company's dividends and dividend restrictions, see Item 8 - Note 12.

Off balance sheet arrangements

As of December 31, 2020, the Company had no material off balance sheet arrangements as defined by the rules of the SEC.

Part II

Contractual obligations and commercial commitments

For more information on the Company's contractual obligations on long-term debt, operating leases and purchase commitments, see Item 8 - Notes 9, 10 and 21. At December 31, 2020, the Company's commitments under these obligations were as follows:

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
	(In millions)				
Long-term debt maturities*	\$ 1.6	\$ 225.9	\$ 460.7	\$ 1,530.7	\$ 2,218.9
Estimated interest payments**	90.8	173.5	156.4	770.3	1,191.0
Operating leases	36.6	41.8	20.0	48.8	147.2
Purchase commitments	458.4	409.2	223.6	691.6	1,782.8
	\$ 587.4	\$ 850.4	\$ 860.7	\$ 3,041.4	\$ 5,339.9

* Unamortized debt issuance costs and discount are excluded from the table.

** Represents the estimated interest payments associated with the Company's long-term debt outstanding at December 31, 2020, assuming current interest rates and consistent amounts outstanding until their respective maturity dates over the periods indicated in the table above.

At December 31, 2020, the Company had total liabilities of \$446.9 million related to asset retirement obligations that are excluded from the table above. Of the total asset retirement obligations, the current portion was \$6.6 million at December 31, 2020, and was included in other accrued liabilities on the Consolidated Balance Sheets. Due to the nature of these obligations, the Company cannot determine precisely when the payments will be made to settle these obligations. For more information, see Item 8 - Note 11.

Not reflected in the previous table are \$1.3 million in uncertain tax positions at December 31, 2020.

The Company has no minimum funding requirements for its defined benefit pension plans for 2021 due to an additional contribution of \$20.0 million in 2019.

The Company's MEPP contributions are based on union employee payroll, which cannot be determined in advance for future periods. The Company may also be required to make additional contributions to its MEPPs as a result of their funded status. For more information, see Item 1A - Risk Factors and Item 8 - Note 18.

New Accounting Standards

For information regarding new accounting standards, see Item 8 - Note 2, which is incorporated herein by reference.

Critical Accounting Estimates

The Company has prepared its financial statements in conformity with GAAP. The preparation of its financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Management reviews these estimates and assumptions based on historical experience, changes in business conditions and other relevant factors believed to be reasonable under the circumstances.

Critical accounting estimates are defined as estimates that require management to make assumptions about matters that are uncertain at the time the estimate was made and changes in the estimates could have a material impact on the Company's financial position or results of operations. The Company's critical accounting estimates are subject to judgments and uncertainties that affect the application of its significant accounting policies discussed in Item 8 - Note 2. As additional information becomes available, or actual amounts are determinable, the recorded estimates are revised. Consequently, the Company's financial position or results of operations may be materially different when reported under different conditions or when using different assumptions in the application of the following critical accounting estimates.

Goodwill

The Company performs its goodwill impairment testing annually in the fourth quarter. In addition, the test is performed on an interim basis whenever events or circumstances indicate that the carrying amount of goodwill may not be recoverable. Examples of such events or circumstances may include a significant adverse change in business climate, weakness in an industry in which the Company's reporting units operate or recent significant cash or operating losses with expectations that those losses will continue.

The Company has determined that the reporting units for its goodwill impairment test are its operating segments, or components of an operating segment, that constitute a business for which discrete financial information is available and for which segment management regularly reviews the operating results. For more information on the Company's operating segments, see Item 8 - Note 17. Goodwill impairment, if any, is measured by comparing the fair value of each reporting unit to its carrying value. If the fair value of a reporting unit exceeds its carrying value, the goodwill of the reporting unit is not impaired. If the carrying value of a reporting unit exceeds its fair value, the Company must record an impairment loss for the

amount that the carrying value of the reporting unit, including goodwill, exceeds the fair value of the reporting unit. For the years ended December 31, 2020, 2019 and 2018, there were no impairment losses recorded. At October 31, 2020, the fair value substantially exceeded the carrying value at all reporting units.

Determining the fair value of a reporting unit requires judgment and the use of significant estimates which include assumptions about the Company's future revenue, profitability and cash flows, amount and timing of estimated capital expenditures, inflation rates, risk adjusted capital cost, operational plans, and current and future economic conditions, among others. The fair value of each reporting unit is determined using a weighted combination of income and market approaches. The Company uses a discounted cash flow methodology for its income approach. Under the income approach, the discounted cash flow model determines fair value based on the present value of projected cash flows over a specified period and a residual value related to future cash flows beyond the projection period. Both values are discounted using a rate which reflects the best estimate of the risk adjusted capital cost at each reporting unit. Risk adjusted capital cost, which varies by reporting unit and was in the range of 4 percent to 8 percent, was utilized in the goodwill impairment test performed in the fourth quarter of 2020. The goodwill impairment test also utilized a long-term growth rate projection, which varies by reporting unit and was in the range of approximately 1 percent to 3 percent, in the goodwill impairment test performed in the fourth quarter of 2020. Under the market approach, the Company estimates fair value using various multiples derived from enterprise value to EBITDA for comparative peer companies for each respective reporting unit. These multiples are applied to operating data for each reporting unit to arrive at an indication of fair value. In addition, the Company adds a reasonable control premium when calculating the fair value utilizing the peer multiples, which is estimated as the premium that would be received in a sale in an orderly transaction between market participants. The Company believes that the estimates and assumptions used in its impairment assessments are reasonable and based on available market information.

Business combinations

The Company accounts for acquisitions on the Consolidated Financial Statements starting from the date of the acquisition, which is the date that control is obtained. The acquisition method of accounting requires acquired assets and liabilities assumed be recorded at their respective fair values as of the date of the acquisition. The excess of the purchase price over the fair value of the assets acquired and liabilities assumed is recorded as goodwill. The estimation of fair values of acquired assets and liabilities assumed by the Company requires significant judgment and requires various assumptions. Although independent appraisals may be used to assist in the determination of the fair value of certain assets and liabilities, the appraised values may be based on significant estimates provided by management. The amounts and useful lives assigned to depreciable and amortizable assets compared to amounts assigned to goodwill, which is not amortized, can affect the results of operations in the period of and periods subsequent to a business combination.

In determining fair values of acquired assets and liabilities assumed, the Company uses various observable inputs for similar assets or liabilities in active markets and various unobservable inputs, which includes the use of valuation models. Fair values are based on various factors including, but not limited to, age and condition of property, maintenance records, auction values for equipment with similar characteristics, recent sales and listings of comparable properties, data collected from drill holes and other subsurface investigations and geologic data. The Company primarily uses the market and cost approaches in determining the fair value of land and property, plant and equipment. A combination of the market and income approaches are used for aggregate reserves and intangibles, primarily a discounted cash flow model.

There is a measurement period after the acquisition date during which the Company may adjust the amounts recognized for a business combination. Any such adjustments are recorded in the period the adjustment is determined with the corresponding offset to goodwill. These adjustments are typically based on obtaining additional information that existed at the acquisition date regarding the assets acquired and the liabilities assumed. The measurement period ends once the Company has obtained all necessary information that existed as of the acquisition date, but does not extend beyond one year from the date of the acquisition. Once the measurement period has ended, any adjustments to assets acquired or liabilities assumed are recorded in income from continuing operations.

Regulatory accounting

The Company is subject to rate regulation by state public service commissions and/or the FERC. The Company's regulated businesses account for certain income and expense items under the provisions of regulatory accounting, which require these businesses to defer as regulatory assets or liabilities certain items that would have otherwise been reflected as expense or income, respectively, based on the expected regulatory treatment in future rates. Regulatory assets generally represent incurred or accrued costs that have been deferred and are expected to be recovered in rates charged to customers. Regulatory liabilities generally represent amounts that are expected to be refunded to customers in future rates or amounts collected in current rates for future costs.

Management continually assesses the likelihood of recovery in future rates of incurred costs and refunds to customers associated with regulatory assets and liabilities. Decisions made by the various regulatory agencies can directly impact the amount and timing of these items. Therefore, expected recovery or flowback of these deferred items generally is based on specific ratemaking decisions or precedent for each item. If future recovery of costs is no longer probable, the Company would be required to include those costs in the statement of income or accumulated other comprehensive income (loss) in the period in which it is no longer deemed probable. The Company believes that the accounting subject to rate regulation remains appropriate and its regulatory assets are probable of recovery in current rates or in future rate proceedings. At December 31, 2020 and 2019, the Company's regulatory assets were \$447.9 million and \$417.4 million, respectively, and regulatory liabilities were \$459.5 million and \$490.3 million, respectively.

Revenue recognition

Revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The recognition of revenue requires the Company to make estimates and assumptions that affect the reported amounts of revenue. The accuracy of revenues reported on the Consolidated Financial Statements depends on, among other things, management's estimates of total costs to complete projects because the Company uses the cost-to-cost measure of progress on construction contracts for revenue recognition.

To determine the proper revenue recognition method for contracts, the Company evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment and the decision to combine a group of contracts or separate the combined or single contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period. For most contracts, the customer contracts with the Company to provide a significant service of integrating a complex set of tasks and components into a single project. Hence, the Company's contracts are generally accounted for as one performance obligation.

The Company recognizes construction contract revenue over time using an input method based on the cost-to-cost measure of progress for contracts because it best depicts the transfer of assets to the customer which occurs as the Company incurs costs on the contract. Under the cost-to-cost measure of progress, the costs incurred are compared with total estimated costs of a performance obligation. Revenues are recorded proportionately to the costs incurred. This method depends largely on the ability to make reasonably dependable estimates related to the extent of progress toward completion of the contract, contract revenues and contract costs. Inasmuch as contract prices are generally set before the work is performed, the estimates pertaining to every project could contain significant unknown risks such as volatile labor, material and fuel costs, weather delays, adverse project site conditions, unforeseen actions by regulatory agencies, performance by subcontractors, job management and relations with project owners. Changes in estimates could have a material effect on the Company's results of operations, financial position and cash flows. For the years ended December 31, 2020 and 2019, the Company's total construction contract revenue was \$3.1 billion and \$2.8 billion, respectively.

Several factors are evaluated in determining the bid price for contract work. These include, but are not limited to, the complexities of the job, past history performing similar types of work, seasonal weather patterns, competition and market conditions, job site conditions, work force safety, reputation of the project owner, availability of labor, materials and fuel, project location and project completion dates. As a project commences, estimates are continually monitored and revised as information becomes available and actual costs and conditions surrounding the job become known. If a loss is anticipated on a contract, the loss is immediately recognized.

Contracts are often modified to account for changes in contract specifications and requirements. The Company considers contract modifications to exist when the modification either creates new or changes the existing enforceable rights and obligations. Generally, contract modifications are for goods or services that are not distinct from the existing contract due to the significant integration of services provided in the context of the contract and are accounted for as if they were part of that existing contract. The effect of a contract modification on the transaction price and the measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue on a cumulative catch-up basis.

The Company's construction contracts generally contain variable consideration including liquidated damages, performance bonuses or incentives, claims, unapproved/unpriced change orders and penalties or index pricing. The variable amounts usually arise upon achievement of certain performance metrics or change in project scope. The Company estimates the amount of revenue to be recognized on variable consideration using estimation methods that best predict the most likely amount of consideration the Company expects to be entitled to or expects to incur. The Company includes variable consideration in the estimated transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is resolved. Changes in circumstances could impact management's estimates made in determining the value of variable consideration recorded. The Company updates its estimate of the transaction price each reporting period and the effect of variable consideration on the transaction price is recognized as an adjustment to revenue on a cumulative catch-up basis.

The Company believes its estimates surrounding the cost-to-cost method are reasonable based on the information that is known when the estimates are made. The Company has contract administration, accounting and management control systems in place that allow its estimates to be updated and monitored on a regular basis. Because of the many factors that are evaluated in determining bid prices, it is inherent that the Company's estimates have changed in the past and will continually change in the future as new information becomes available for each job.

Pension and other postretirement benefits

The Company has noncontributory defined benefit pension plans and other postretirement benefit plans for certain eligible employees. Various actuarial assumptions are used in calculating the benefit expense (income) and liability (asset) related to these plans. Costs of providing pension and other postretirement benefits bear the risk of change, as they are dependent upon numerous factors based on assumptions of future conditions.

The Company makes various assumptions when determining plan costs, including the current discount rates and the expected long-term return on plan assets, the rate of compensation increases, actuarially determined mortality data and health care cost trend rates. In selecting the expected long-term return on plan assets, which is considered to be one of the key variables in determining benefit expense or income, the Company considers historical returns, current market conditions, the mix of investments and expected future market trends, including changes in interest rates and

equity and bond market performance. Another key variable in determining benefit expense or income is the discount rate. In selecting the discount rate, the Company matches forecasted future cash flows of the pension and postretirement plans to a yield curve which consists of a hypothetical portfolio of high-quality corporate bonds with varying maturity dates, as well as other factors, as a basis. The Company's pension and other postretirement benefit plan assets are primarily made up of equity and fixed-income investments. Fluctuations in actual equity and bond market returns, as well as changes in general interest rates, may result in increased or decreased pension and other postretirement benefit costs in the future. Management estimates the rate of compensation increase based on long-term assumed wage increases and the health care cost trend rates are determined by historical and future trends. The Company estimates that a 50-basis point decrease in the discount rate or in the expected return on plan assets would each increase expense by approximately \$2.0 million (after-tax) for the year ended December 31, 2020.

The Company believes the estimates made for its pension and other postretirement benefits are reasonable based on the information that is known when the estimates are made. These estimates and assumptions are subject to a number of variables and are expected to change in the future. Estimates and assumptions will be affected by changes in the discount rate, the expected long-term return on plan assets, the rate of compensation increase and health care cost trend rates. The Company plans to continue to use its current methodologies to determine plan costs. For more information on the assumptions used in determining plan costs, see Item 8 - Note 18.

Income taxes

The Company is required to make judgments regarding the potential tax effects of various financial transactions and ongoing operations to estimate the Company's obligation to taxing authorities. These tax obligations include income, real estate, franchise and sales/use taxes. Judgments related to income taxes require the recognition in the Company's financial statements that a tax position is more-likely-than-not to be sustained on audit.

Judgment and estimation is required in developing the provision for income taxes and the reporting of tax-related assets and liabilities and, if necessary, any valuation allowances. The interpretation of tax laws can involve uncertainty, since tax authorities may interpret such laws differently. Actual income tax could vary from estimated amounts and may result in favorable or unfavorable impacts to net income, cash flows and tax-related assets and liabilities. In addition, the effective tax rate may be affected by other changes including the allocation of property, payroll and revenues between states.

The Company assesses the deferred tax assets for recoverability taking into consideration historical and anticipated earnings levels; the reversal of other existing temporary differences; available net operating losses and tax carryforwards; and available tax planning strategies that could be implemented to realize the deferred tax assets. Based on this assessment, management must evaluate the need for, and amount of, a valuation allowance against the deferred tax assets. As facts and circumstances change, adjustment to the valuation allowance may be required.

Non-GAAP Financial Measures

The Business Segment Financial and Operating Data includes financial information prepared in accordance with GAAP, as well as another financial measure, adjusted gross margin, that is considered a non-GAAP financial measure as it relates to the Company's electric and natural gas distribution segments. The presentation of adjusted gross margin is intended to be a useful supplemental financial measure for investors' understanding of the segments' operating performance. This non-GAAP financial measure should not be considered as an alternative to, or more meaningful than, GAAP financial measures such as operating income (loss) or net income (loss). The Company's non-GAAP financial measure, adjusted gross margin, is not standardized; therefore, it may not be possible to compare this financial measure with other companies' gross margin measures having the same or similar names.

In addition to operating revenues and operating expenses, management also uses the non-GAAP financial measure of adjusted gross margin when evaluating the results of operations for the electric and natural gas distribution segments. Adjusted gross margin for the electric and natural gas distribution segments is calculated by adding back adjustments to operating income (loss). These add-back adjustments include: operation and maintenance expense; depreciation, depletion and amortization expense; and certain taxes, other than income.

Adjusted gross margin includes operating revenues less the cost of electric fuel and purchased power, purchased natural gas sold and certain taxes, other than income. These taxes, other than income, included as a reduction to adjusted gross margin relate to revenue taxes. These segments pass on to their customers the increases and decreases in the wholesale cost of power purchases, natural gas and other fuel supply costs in accordance with regulatory requirements. As such, the segments' revenues are directly impacted by the fluctuations in such commodities. Revenue taxes, which are passed back to customers, fluctuate with revenues as they are calculated as a percentage of revenues. For these reasons, period over period, the segments' operating income (loss) is generally not impacted. The Company's management believes the adjusted gross margin is a useful supplemental financial measure as these items are included in both operating revenues and operating expenses. The Company's management also believes that adjusted gross margin and the remaining operating expenses that calculate operating income (loss) are useful to investors in assessing the Company's utility performance as management has the ability to influence control over the remaining operating expenses.

Part II

The following information reconciles operating income to adjusted gross margin for the electric segment.

Years ended December 31,	2020	2019	2018
(In millions)			
Operating income	\$ 63.4	\$ 64.0	\$ 65.2
Adjustments:			
Operating expenses:			
Operation and maintenance	121.3	125.7	123.0
Depreciation, depletion and amortization	63.0	58.7	51.0
Taxes, other than income	16.8	16.1	14.5
Total adjustments	201.1	200.5	188.5
Adjusted gross margin	\$ 264.5	\$ 264.5	\$ 253.7

The following information reconciles operating income to adjusted gross margin for the natural gas distribution segment.

Years ended December 31,	2020	2019	2018
(In millions)			
Operating income	\$ 73.1	\$ 69.2	\$ 72.3
Adjustments:			
Operating expenses:			
Operation and maintenance	185.4	185.0	173.4
Depreciation, depletion and amortization	84.6	79.6	72.5
Taxes, other than income	24.6	23.5	21.7
Total adjustments	294.6	288.1	267.6
Adjusted gross margin	\$ 367.7	\$ 357.3	\$ 339.9

Effects of Inflation

Inflation did not have a significant effect on the Company's operations in 2020, 2019 or 2018.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to the impact of market fluctuations associated with commodity prices and interest rates. The Company has policies and procedures to assist in controlling these market risks and from time to time has utilized derivatives to manage a portion of its risk.

Interest rate risk

The Company uses fixed and variable rate long-term debt to partially finance capital expenditures, including acquisitions, and mandatory debt retirements. These debt agreements expose the Company to market risk related to changes in interest rates. The Company manages this risk by taking advantage of market conditions when timing the placement of long-term financing. The Company from time to time has utilized interest rate swap agreements to manage a portion of the Company's interest rate risk and may take advantage of such agreements in the future to minimize such risk. For additional information on the Company's long-term debt, see Item 8 - Notes 8 and 9. At December 31, 2020 and 2019, the Company had no outstanding interest rate hedges.

The following table shows the amount of long-term debt, which excludes unamortized debt issuance costs and discount, and related weighted average interest rates, both by expected maturity dates, as of December 31, 2020.

	2021	2022	2023	2024	2025	Thereafter	Total	Fair Value
(Dollars in millions)								
Long-term debt:								
Fixed rate	\$ 1.6	\$ 148.0	\$ 77.9	\$ 61.4	\$ 177.8	\$ 1,530.7	\$ 1,997.4	\$ 2,321.6
Weighted average interest rate	1.1 %	4.5 %	3.7 %	4.2 %	4.0 %	4.5 %	4.4 %	
Variable rate	\$ —	\$ —	\$ —	\$ 221.5	\$ —	\$ —	\$ 221.5	\$ 221.5
Weighted average interest rate	— %	— %	— %	1.0 %	— %	— %	1.0 %	

Commodity price risk

The Company enters into commodity price derivative contracts to minimize the price volatility associated with natural gas costs at its natural gas distribution segment. At December 31, 2020 and 2019, these contracts were not material. For more information on the Company's derivatives, see Item 8 - Note 2.

Item 8. Financial Statements and Supplementary Data

Management's Report on Internal Control Over Financial Reporting

The management of MDU Resources Group, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework (2013)*.

Based on our evaluation under the framework in *Internal Control-Integrated Framework (2013)*, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2020.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2020, has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report.

/s/ David L. Goodin

/s/ Jason L. Vollmer

David L. Goodin
President and Chief Executive Officer

Jason L. Vollmer
Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of MDU Resources Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of MDU Resources Group, Inc. and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and the financial statement schedules listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 19, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue from Contracts with Customers-Construction Contract Revenue-Refer to Notes 2 and 3 to the financial statements

Critical Audit Matter Description

The Company recognizes construction contract revenue over time using an input method based on the cost-to-cost measure of progress as it best depicts the transfer of assets to the customer. Under this method of measuring progress, costs incurred are compared with total estimated costs of the performance obligation and revenues are recorded proportionately to the costs incurred. Ordinarily the Company's contracts represent a single distinct performance obligation due to the highly interdependent and interrelated nature of the underlying goods or services. For the year ended December 31, 2020, the Company recognized \$3.1 billion of construction contract revenue.

Given the judgments necessary to estimate total costs and profit for the performance obligations used to recognize revenue for construction contracts, auditing such estimates required extensive audit effort due to the volume and complexity of construction contracts and a high degree of auditor judgment when performing audit procedures and evaluating the results of those procedures.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's estimates of total costs and profit for the performance obligations used to recognize revenue for certain construction contracts included the following, among others:

- We tested the design and operating effectiveness of management's controls over construction contract revenue, including those over management's estimation of total costs and profit for the performance obligations.

- We developed an expectation of the amount of construction contract revenues for certain performance obligations based on prior year markups, and taking into account current year events, applied to the construction contract costs in the current year and compared our expectation to the amount of construction contract revenues recorded by management.
- We selected a sample of construction contracts and performed the following:
 - Evaluated whether the contracts were properly included in management's calculation of construction contract revenue based on the terms and conditions of each contract, including whether continuous transfer of control to the customer occurred as progress was made toward fulfilling the performance obligation.
 - Compared the transaction prices to the consideration expected to be received based on current rights and obligations under the contracts and any modifications that were agreed upon with the customers.
 - Evaluated management's identification of distinct performance obligations by evaluating whether the underlying goods, services, or both were highly interdependent and interrelated.
 - Tested the accuracy and completeness of the costs incurred to date for the performance obligation.
 - Evaluated the estimates of total cost and profit for the performance obligation by:
 - Comparing total costs incurred to date to the costs management estimated to be incurred to date and selecting specific cost types to compare costs incurred to date to management's estimated costs at completion.
 - Evaluating management's ability to achieve the estimates of total cost and profit by performing corroborating inquiries with the Company's project managers and engineers, and comparing the estimates to management's work plans, engineering specifications, and supplier contracts.
 - Comparing management's estimates for the selected contracts to costs and profits of similar performance obligations, when applicable.
 - Tested the mathematical accuracy of management's calculation of construction contract revenue for the performance obligation.
- We evaluated management's ability to estimate total costs and profits accurately by comparing actual costs and profits to management's historical estimates for performance obligations that have been fulfilled.

Regulatory Matters-Impact of Rate Regulation on the Financial Statements-Refer to Notes 2 and 20 to the financial statements

Critical Audit Matter Description

Through the Company's regulated utility businesses, it provides electric and natural gas services to customers, and generates, transmits, and distributes electricity. The Company is subject to rate regulation by federal and state utility regulatory agencies (collectively, the "Commissions"), which have jurisdiction with respect to the rates of electric and natural gas distribution companies in states where the Company operates. The Company's regulated utility businesses account for certain income and expense items under the provisions of regulatory accounting, which requires these businesses to defer as regulatory assets or liabilities certain items that would have otherwise been reflected as expense or income, respectively, based on the expected regulatory treatment in future rates. The expected recovery or flowback of these deferred items generally is based on specific ratemaking decisions or precedent for each item.

Rates are determined and approved in regulatory proceedings based on an analysis of the Company's costs to provide utility service and a return on the Company's investment in the regulated utility businesses. Regulatory decisions can have an impact on the recovery of costs, the rate of return earned on investment, and the timing and amount of assets to be recovered by rates. The regulation of rates is premised on the full recovery of prudently incurred costs and a reasonable rate of return on invested capital. Decisions to be made by the Commissions in the future will impact the accounting for regulated operations.

Accounting for the economics of rate regulation impacts multiple financial statement line items and disclosures, such as property, plant, and equipment; regulatory assets and liabilities; operating revenues; operation and maintenance expense; and depreciation expense. We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures and the degree of subjectivity involved in assessing the impact of future regulatory orders on the financial statements. Management judgments include assessing the likelihood of (1) recovery in future rates of incurred costs and (2) refunds to customers. Given management's accounting judgments are based on assumptions about the outcome of future decisions by the Commissions, auditing these judgments requires specialized knowledge of accounting for rate regulation due to its inherent complexities.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the Commissions included the following, among others:

- We tested the design and operating effectiveness of management's controls over the evaluation of the likelihood of (1) the recovery in future rates of costs incurred as property, plant, and equipment and deferred as regulatory assets; and (2) a refund or a future reduction in rates that should be reported as regulatory liabilities. We tested management's controls over the initial recognition of amounts as regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.

Part II

- We read relevant regulatory orders issued by the Commissions for the Company and other public utilities in the Company's significant jurisdictions, regulatory statutes, interpretations, procedural memorandums, filings made by interveners, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the treatment of similar costs under similar circumstances. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.
- For regulatory matters in process, we inspected the Company's filings with the Commissions and the filings with the Commissions by intervenors that may impact the Company's future rates, for any evidence that might contradict management's assertions.
- We obtained an analysis from management regarding probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities not yet addressed in a regulatory order to assess management's assertion that amounts are probable of recovery, or a future reduction in rates.

/s/ Deloitte & Touche LLP

Minneapolis, Minnesota

February 19, 2021

We have served as the Company's auditor since 2002.

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of MDU Resources Group, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of MDU Resources Group, Inc. and subsidiaries (the "Company") as of December 31, 2020, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2020, of the Company and our report dated February 19, 2021, expressed an unqualified opinion on those consolidated financial statements and financial statement schedules.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Minneapolis, Minnesota

February 19, 2021

Part II

Consolidated Statements of Income

Years ended December 31,	2020	2019	2018
	(In thousands, except per share amounts)		
Operating revenues:			
Electric, natural gas distribution and regulated pipeline	\$ 1,249,146	\$ 1,279,304	\$ 1,213,227
Non-regulated pipeline, construction materials and contracting, construction services and other	4,283,604	4,057,472	3,318,325
Total operating revenues	5,532,750	5,336,776	4,531,552
Operating expenses:			
Operation and maintenance:			
Electric, natural gas distribution and regulated pipeline	353,184	356,132	340,331
Non-regulated pipeline, construction materials and contracting, construction services and other	3,675,078	3,539,162	2,915,790
Total operation and maintenance	4,028,262	3,895,294	3,256,121
Purchased natural gas sold	390,269	421,545	404,153
Depreciation, depletion and amortization	285,100	256,017	220,205
Taxes, other than income	217,253	196,143	168,638
Electric fuel and purchased power	66,941	86,557	80,712
Total operating expenses	4,987,825	4,855,556	4,129,829
Operating income	544,925	481,220	401,723
Other income (expense)	26,711	15,812	(238)
Interest expense	96,519	98,587	84,614
Income before income taxes	475,117	398,445	316,871
Income taxes	84,590	63,279	47,485
Income from continuing operations	390,527	335,166	269,386
Income (loss) from discontinued operations, net of tax	(322)	287	2,932
Net income	\$ 390,205	\$ 335,453	\$ 272,318
Earnings per share - basic:			
Income from continuing operations	\$ 1.95	\$ 1.69	\$ 1.38
Discontinued operations, net of tax	—	—	.01
Earnings per share - basic	\$ 1.95	\$ 1.69	\$ 1.39
Earnings per share - diluted:			
Income from continuing operations	\$ 1.95	\$ 1.69	\$ 1.38
Discontinued operations, net of tax	—	—	.01
Earnings per share - diluted	\$ 1.95	\$ 1.69	\$ 1.39
Weighted average common shares outstanding - basic	200,502	198,612	195,720
Weighted average common shares outstanding - diluted	200,571	198,626	196,150

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

Years ended December 31,	2020	2019	2018
	(In thousands)		
Net income	\$ 390,205	\$ 335,453	\$ 272,318
Other comprehensive income (loss):			
Reclassification adjustment for loss on derivative instruments included in net income, net of tax of \$145, \$(140) and \$429 in 2020, 2019 and 2018, respectively	446	731	162
Postretirement liability adjustment:			
Postretirement liability gains (losses) arising during the period, net of tax of \$(2,606), \$(2,012) and \$1,471 in 2020, 2019 and 2018, respectively	(8,395)	(6,151)	4,441
Amortization of postretirement liability losses included in net periodic benefit cost, net of tax of \$630, \$476 and \$721 in 2020, 2019 and 2018, respectively	1,922	1,486	2,173
Postretirement liability adjustment	(6,473)	(4,665)	6,614
Foreign currency translation adjustment:			
Foreign currency translation adjustment recognized during the period, net of tax of \$0, \$0 and \$(14) in 2020, 2019 and 2018, respectively	—	—	(61)
Reclassification adjustment for foreign currency translation adjustment included in net income, net of tax of \$0, \$0 and \$75 in 2020, 2019 and 2018, respectively	—	—	249
Foreign currency translation adjustment	—	—	188
Net unrealized gain (loss) on available-for-sale investments:			
Net unrealized gain (loss) on available-for-sale investments arising during the period, net of tax of \$0, \$35 and \$(38) in 2020, 2019 and 2018, respectively	(1)	134	(144)
Reclassification adjustment for loss on available-for-sale investments included in net income, net of tax of \$14, \$10 and \$35 in 2020, 2019 and 2018, respectively	52	40	131
Net unrealized gain (loss) on available-for-sale investments	51	174	(13)
Other comprehensive income (loss)	(5,976)	(3,760)	6,951
Comprehensive income attributable to common stockholders	\$ 384,229	\$ 331,693	\$ 279,269

The accompanying notes are an integral part of these consolidated financial statements.

Part II

Consolidated Balance Sheets

December 31,	2020	2019
(In thousands, except shares and per share amounts)		
Assets		
Current assets:		
Cash and cash equivalents	\$ 59,547	\$ 66,459
Receivables, net	873,986	836,605
Inventories	291,167	278,407
Current regulatory assets	68,527	63,613
Prepayments and other current assets	44,120	52,617
Total current assets	1,337,347	1,297,701
Noncurrent assets:		
Property, plant and equipment	8,300,770	7,908,628
Less accumulated depreciation, depletion and amortization	3,133,831	2,991,486
Net property, plant and equipment	5,166,939	4,917,142
Goodwill	714,963	681,358
Other intangible assets, net	25,496	15,246
Regulatory assets	379,381	353,784
Investments	165,022	148,656
Operating lease right-of-use assets	120,113	115,323
Other	144,111	153,849
Total noncurrent assets	6,716,025	6,385,358
Total assets	\$ 8,053,372	\$ 7,683,059
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term borrowings	\$ 50,000	\$ —
Long-term debt due within one year	1,555	16,540
Accounts payable	426,264	403,391
Taxes payable	88,844	48,970
Dividends payable	42,611	41,580
Accrued compensation	90,629	99,269
Regulatory liabilities due within one year	31,450	42,935
Operating lease liabilities due within one year	33,655	31,664
Other accrued liabilities	198,514	182,078
Total current liabilities	963,522	866,427
Noncurrent liabilities:		
Long-term debt	2,211,575	2,226,567
Deferred income taxes	516,098	506,583
Regulatory liabilities	428,075	447,370
Asset retirement obligations	440,356	413,298
Operating lease liabilities	86,868	83,742
Other	327,773	291,826
Total noncurrent liabilities	4,010,745	3,969,386
Commitments and contingencies		
Stockholders' equity:		
Common stock Authorized - 500,000,000 shares, \$1.00 par value Shares issued - 201,061,198 at December 31, 2020 and 200,922,790 at December 31, 2019	201,061	200,923
Other paid-in capital	1,371,385	1,355,404
Retained earnings	1,558,363	1,336,647
Accumulated other comprehensive loss	(48,078)	(42,102)
Treasury stock at cost - 538,921 shares	(3,626)	(3,626)
Total stockholders' equity	3,079,105	2,847,246
Total liabilities and stockholders' equity	\$ 8,053,372	\$ 7,683,059

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Equity

Years ended December 31, 2020, 2019 and 2018

	Common Stock		Other Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
At December 31, 2017	195,843,297	\$ 195,843	\$ 1,233,412	\$ 1,040,748	\$ (37,334)	(538,921)	\$ (3,626)	\$ 2,429,043
Cumulative effect of adoption of ASC 606	—	—	—	(970)	—	—	—	(970)
Adjusted Balance at January 1, 2018	195,843,297	195,843	1,233,412	1,039,778	(37,334)	(538,921)	(3,626)	2,428,073
Net income	—	—	—	272,318	—	—	—	272,318
Other comprehensive income	—	—	—	—	6,951	—	—	6,951
Reclassification of certain prior period tax effects from accumulated other comprehensive loss	—	—	—	7,959	(7,959)	—	—	—
Dividends declared on common stock	—	—	—	(156,453)	—	—	—	(156,453)
Stock-based compensation	—	—	5,060	—	—	—	—	5,060
Repurchase of common stock	—	—	—	—	—	(182,424)	(5,020)	(5,020)
Issuance of common stock upon vesting of stock-based compensation, net of shares used for tax withholdings	—	—	(7,350)	—	—	182,424	5,020	(2,330)
Issuance of common stock	721,610	722	17,454	—	—	—	—	18,176
At December 31, 2018	196,564,907	196,565	1,248,576	1,163,602	(38,342)	(538,921)	(3,626)	2,566,775
Net Income	—	—	—	335,453	—	—	—	335,453
Other comprehensive loss	—	—	—	—	(3,760)	—	—	(3,760)
Dividends declared on common stock	—	—	—	(162,408)	—	—	—	(162,408)
Stock-based compensation	—	—	7,353	—	—	—	—	7,353
Issuance of common stock upon vesting of stock-based compensation, net of shares used for tax withholdings	246,214	246	(3,261)	—	—	—	—	(3,015)
Issuance of common stock	4,111,669	4,112	102,736	—	—	—	—	106,848
At December 31, 2019	200,922,790	200,923	1,355,404	1,336,647	(42,102)	(538,921)	(3,626)	2,847,246
Net income	—	—	—	390,205	—	—	—	390,205
Other comprehensive loss	—	—	—	—	(5,976)	—	—	(5,976)
Dividends declared on common stock	—	—	—	(168,489)	—	—	—	(168,489)
Stock-based compensation	—	—	13,096	—	—	—	—	13,096
Issuance of common stock upon vesting of stock-based compensation, net of shares used for tax withholdings	26,406	26	(388)	—	—	—	—	(362)
Issuance of common stock	112,002	112	3,273	—	—	—	—	3,385
At December 31, 2020	201,061,198	\$ 201,061	\$ 1,371,385	\$ 1,558,363	\$ (48,078)	(538,921)	\$ (3,626)	\$ 3,079,105

The accompanying notes are an integral part of these consolidated financial statements.

Part II

Consolidated Statements of Cash Flows

Years ended December 31,	2020	2019	2018
	(In thousands)		
Operating activities:			
Net income	\$ 390,205	\$ 335,453	\$ 272,318
Income (loss) from discontinued operations, net of tax	(322)	287	2,932
Income from continuing operations	390,527	335,166	269,386
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	285,100	256,017	220,205
Deferred income taxes	(1,801)	63,415	59,735
Changes in current assets and liabilities, net of acquisitions:			
Receivables	7,796	(104,374)	28,234
Inventories	(7,221)	9,331	(46,796)
Other current assets	31,601	(38,283)	(31,814)
Accounts payable	15,955	30,079	21,109
Other current liabilities	35,591	51,278	22,285
Other noncurrent changes	12,201	(60,813)	(38,521)
Net cash provided by continuing operations	769,749	541,816	503,823
Net cash provided by (used in) discontinued operations	(1,375)	464	(3,942)
Net cash provided by operating activities	768,374	542,280	499,881
Investing activities:			
Capital expenditures	(558,007)	(576,065)	(568,230)
Acquisitions, net of cash acquired	(105,979)	(55,597)	(167,692)
Net proceeds from sale or disposition of property and other	35,557	29,812	26,100
Investments	(1,814)	(2,011)	(2,321)
Net cash used in continuing operations	(630,243)	(603,861)	(712,143)
Net cash provided by discontinued operations	—	—	1,236
Net cash used in investing activities	(630,243)	(603,861)	(710,907)
Financing activities:			
Issuance of short-term borrowings	75,000	169,977	—
Repayment of short-term borrowings	(25,000)	(170,000)	—
Issuance of long-term debt	116,973	599,455	566,829
Repayment of long-term debt	(148,634)	(468,917)	(174,520)
Proceeds from issuance of common stock	3,385	106,848	—
Payments of stock issuance costs	—	—	(10)
Dividends paid	(166,405)	(160,256)	(154,573)
Repurchase of common stock	—	—	(5,020)
Tax withholding on stock-based compensation	(362)	(3,015)	(2,330)
Net cash provided by (used in) financing activities	(145,043)	74,092	230,376
Effect of exchange rate changes on cash and cash equivalents	—	—	(1)
Increase (decrease) in cash and cash equivalents	(6,912)	12,511	19,349
Cash and cash equivalents - beginning of year	66,459	53,948	34,599
Cash and cash equivalents - end of year	\$ 59,547	\$ 66,459	\$ 53,948

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1 - Basis of Presentation

The abbreviations and acronyms used throughout are defined following the Notes to Consolidated Financial Statements. The consolidated financial statements of the Company include the accounts of the following businesses: electric, natural gas distribution, pipeline, construction materials and contracting, construction services and other. The electric and natural gas distribution businesses, as well as a portion of the pipeline business, are regulated. Construction materials and contracting, construction services and the other businesses, as well as a portion of the pipeline business, are non-regulated. For further descriptions of the Company's businesses, see Note 17.

On January 2, 2019, the Company announced the completion of the Holding Company Reorganization, which resulted in Montana-Dakota becoming a subsidiary of the Company. The purpose of the reorganization was to make the public utility division into a subsidiary of the holding company, just as the other operating companies are wholly owned subsidiaries.

In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic, and the President of the United States declared the COVID-19 outbreak as a national emergency. Governmental restrictions and guidelines implemented to control the spread of COVID-19 reduced commercial and interpersonal activity throughout the Company's areas of operation. Most of the Company's products and services are considered essential and accordingly operations have been generally allowed to continue. The Company has experienced some inefficiency impacts, including operation suspensions and interruptions at some locations to carry out preventive measures or in response to instances of positive tests or quarantines. The Company has assessed the impacts of the COVID-19 pandemic on its results of operations for the twelve months ended December 31, 2020, and determined there were no material adverse impacts.

In the first quarter of 2020, the Company recorded an out-of-period adjustment to correct the recognition of revenue on a construction contract, which was the result of an overstatement of operating revenue and receivables of \$7.7 million and an understatement of operating expense and accounts payable of \$1.2 million in the year ended December 31, 2019. This adjustment resulted in an after-tax reduction to net income of \$6.7 million in the first quarter of 2020. The Company evaluated the impact of the out-of-period adjustment and concluded it was not material to any previously issued interim and annual consolidated financial statements and the adjustment was not material to the three months ended March 31, 2020, or the twelve months ended December 31, 2020.

In the fourth quarter of 2020, the Company recorded an out-of-period adjustment to correct the recognition of net periodic benefit cost and other comprehensive income associated with the Company's benefit plans, which was the result of the previous overstatement of benefit plan expenses of \$6.5 million, understatement of accumulated other comprehensive loss of \$2.7 million and overstatement of regulatory liabilities of \$3.8 million from 2006 through 2020. This adjustment resulted in an after-tax increase to net income of \$4.4 million in the fourth quarter of 2020. The Company evaluated the impact of the out-of-period adjustment, individually and in the aggregate with the previously mentioned out-of-period adjustment, and concluded it was not material to any previously issued interim and annual consolidated financial statements and the adjustment was not material to the three and twelve months ended December 31, 2020.

Effective January 1, 2020, the Company adopted the requirements of the ASU on the measurement of credit losses on certain financial instruments following a modified retrospective approach, as further discussed in Note 2. As such, results for reporting periods beginning on January 1, 2020, are presented under the new guidance, while prior period amounts are not adjusted and continue to be reported in accordance with historic accounting. The Company's adoption of this guidance did not have a material impact on its financial reporting.

The assets and liabilities of the Company's discontinued operations have been classified as held for sale and are included in prepayments and other current assets, noncurrent assets - other and other accrued liabilities on the Consolidated Balance Sheets and are not material to the financial statements for any period presented. The results and supporting activities are shown in income (loss) from discontinued operations on the Consolidated Statements of Income. Unless otherwise indicated, the amounts presented in the accompanying notes to the consolidated financial statements relate to the Company's continuing operations.

Management has also evaluated the impact of events occurring after December 31, 2020, up to the date of issuance of these consolidated financial statements.

Principles of consolidation

The consolidated financial statements were prepared in accordance with GAAP and include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation, except for certain transactions related to the Company's regulated operations in accordance with GAAP. For more information on intercompany revenues, see Note 17.

The statements also include the Company's ownership interests in the assets, liabilities and expenses of jointly owned electric transmission and generating facilities. See Note 19 for additional information.

Use of estimates

The preparation of financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Estimates are used for items such as long-lived assets and goodwill; fair values of acquired assets and liabilities under the acquisition method of accounting; aggregate reserves; property depreciable lives; tax provisions; revenue recognized using the cost-to-cost measure of progress for contracts; expected credit losses; environmental and other loss contingencies; regulatory assets expected to be recovered in rates charged to customers; costs on construction contracts; unbilled revenues; actuarially determined benefit costs; asset retirement obligations; lease classification; present value of right-of-use assets and lease liabilities; and the valuation of stock-based compensation. As additional information becomes available, or actual amounts are determinable, the recorded estimates are revised. Consequently, operating results can be affected by revisions to prior accounting estimates.

Note 2 - Significant Accounting Policies

New accounting standards

Recently adopted accounting standards

ASU 2016-13 - Measurement of Credit Losses on Financial Instruments In June 2016, the FASB issued guidance on the measurement of credit losses on certain financial instruments. The guidance introduced a new impairment model known as the current expected credit loss model that replaced the incurred loss impairment methodology previously included under GAAP. This guidance required entities to present certain investments in debt securities, trade accounts receivable and other financial assets at their net carrying value of the amount expected to be collected on the financial statements. The Company adopted the guidance on January 1, 2020, using a modified retrospective approach.

The Company formed an implementation team to review and assess existing financial assets to identify and evaluate the financial assets subject to the new current expected credit loss model. The Company assessed the impact of the guidance on its processes and internal controls and has identified and updated existing internal controls and processes to ensure compliance with the new guidance; such modifications were deemed insignificant. During the assessment phase, the Company identified the complete portfolio of assets subject to the current expected credit loss model. The Company determined the guidance did not have a material impact on its results of operations, financial position, cash flows or disclosures and did not record a material cumulative effect adjustment upon adoption. See Receivables and allowance for expected credit losses within this note for additional information on the Company's expected credit losses.

ASU 2018-13 - Changes to the Disclosure Requirements for Fair Value Measurement In August 2018, the FASB issued guidance on modifying the disclosure requirements on fair value measurements as part of the disclosure framework project. The guidance modified, among other things, the disclosures required for Level 3 fair value measurements, including the range and weighted average of significant unobservable inputs. The guidance removed, among other things, the disclosure requirement to disclose transfers between Levels 1 and 2. The Company adopted the guidance on January 1, 2020, and determined it did not have a material impact on its disclosures.

Recently issued accounting standards not yet adopted

ASU 2018-14 - Changes to the Disclosure Requirements for Defined Benefit Plans In August 2018, the FASB issued guidance on modifying the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans as part of the disclosure framework project. The guidance removed disclosures that are no longer considered cost beneficial, clarifies the specific requirements of disclosures and added disclosure requirements identified as relevant. The guidance added, among other things, the requirement to include an explanation for significant gains and losses related to changes in benefit obligations for the period. The guidance removed, among other things, the disclosure requirement to disclose the amount of net periodic benefit costs to be amortized over the next fiscal year from accumulated other comprehensive income (loss) and the effects a one percentage point change in assumed health care cost trend rates will have on certain benefit components. The guidance was effective for the Company on January 1, 2021, and must be applied on a retrospective basis. The Company determined the new guidance will not materially impact its consolidated financial statement disclosures.

ASU 2019-12 - Simplifying the Accounting for Income Taxes In December 2019, the FASB issued guidance on simplifying the accounting for income taxes by removing certain exceptions in ASC 740 and providing simplification amendments. The guidance removed exceptions on intraperiod tax allocations and reporting and provided simplification on accounting for franchise taxes, tax basis goodwill and tax law changes. The Company adopted the guidance on January 1, 2021, and determined it did not have a material impact on its results of operations, financial position, cash flows and disclosures.

ASU 2020-04 - Reference Rate Reform In March 2020, the FASB issued optional guidance to ease the facilitation of the effects of reference rate reform on financial reporting. The guidance applies to certain contract modifications, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. LIBOR is expected to be retired with a full phase-out by the end of 2021 and replaced by new reference rates, which includes SOFR. The guidance can be applied beginning in the interim period that includes March 12, 2020, and cannot be applied to contract modifications or hedging relationships entered into or evaluated after December 31, 2022. The Company has updated its credit agreements to include language regarding the successor or alternate rate to LIBOR, and a review of other contracts and agreements is on-going. The Company does not expect the guidance to have a material impact on its results of operations, financial position, cash flows or disclosures.

Cash and cash equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Revenue recognition

Revenue is recognized when a performance obligation is satisfied by transferring control over a product or service to a customer. Revenue is measured based on consideration specified in a contract with a customer and excludes any sales incentives and amounts collected on behalf of third parties. The Company is considered an agent for certain taxes collected from customers. As such, the Company presents revenues net of these taxes at the time of sale to be remitted to governmental authorities, including sales and use taxes.

The electric and natural gas distribution segments generate revenue from the sales of electric and natural gas products and services, which includes retail and transportation services. These segments establish a customer's retail or transportation service account based on the customer's application/contract for service, which indicates approval of a contract for service. The contract identifies an obligation to provide service in exchange for delivering or standing ready to deliver the identified commodity; and the customer is obligated to pay for the service as provided in the applicable tariff. The product sales are based on a fixed rate that includes a base and per-unit rate, which are included in approved tariffs as determined by state or federal regulatory agencies. The quantity of the commodity consumed or transported determines the total per-unit revenue. The service provided, along with the product consumed or transported, are a single performance obligation because both are required in combination to successfully transfer the contracted product or service to the customer. Revenues are recognized over time as customers receive and consume the products and services. The method of measuring progress toward the completion of the single performance obligation is on a per-unit output method basis, with revenue recognized based on the direct measurement of the value to the customer of the goods or services transferred to date. For contracts governed by the Company's utility tariffs, amounts are billed monthly with the amount due between 15 and 22 days of receipt of the invoice depending on the applicable state's tariff. For other contracts not governed by tariff, payment terms are net 30 days. At this time, the segment has no material obligations for returns, refunds or other similar obligations.

The pipeline segment generates revenue from providing natural gas transportation, gathering and underground storage services, as well as other energy-related services to both third parties and internal customers, largely the natural gas distribution segment. The pipeline segment establishes a contract with a customer based upon the customer's request for firm or interruptible natural gas transportation, storage or gathering service(s). The contract identifies an obligation for the segment to provide the requested service(s) in exchange for consideration from the customer over a specified term. Depending on the type of service(s) requested and contracted, the service provided may include transporting, gathering or storing an identified quantity of natural gas and/or standing ready to deliver or store an identified quantity of natural gas. Natural gas transportation, gathering and storage revenues are based on fixed rates, which may include reservation fees and/or per-unit commodity rates. The services provided by the segment are generally treated as single performance obligations satisfied over time simultaneous to when the service is provided and revenue is recognized. Rates for the segment's regulated services are based on its FERC approved tariff or customer negotiated rates, and rates for its non-regulated services are negotiated with its customers and set forth in the contract. For contracts governed by the company's tariff, amounts are billed on or before the ninth business day of the following month and the amount is due within 12 days of receipt of the invoice. For gathering contracts not governed by the tariff, amounts are due within 20 days of invoice receipt. For other contracts not governed by the tariff, payment terms are net 30 days. At this time, the segment has no material obligations for returns, refunds or other similar obligations.

The construction materials and contracting segment generates revenue from contracting services and construction materials sales. This segment focuses on the vertical integration of its contracting services with its construction materials to support the aggregate-based product lines. This segment provides contracting services to a customer when a contract has been signed by both the customer and a representative of the segment obligating a service to be provided in exchange for the consideration identified in the contract. The nature of the services this segment provides generally includes integrating a set of services and related construction materials into a single project to create a distinct bundle of goods and services, which the Company evaluates to determine whether a separate performance obligation exists. The transaction price is the original contract price plus any subsequent change orders and variable consideration. Examples of variable consideration that exist in this segment's contracts include liquidated damages; performance bonuses or incentives and penalties; claims; unapproved/unpriced change orders; and index pricing. The variable amounts usually arise upon achievement of certain performance metrics or change in project scope. The Company estimates the amount of revenue to be recognized on variable consideration using estimation methods that best predict the most likely amount of consideration the Company expects to be entitled to or expects to incur. The Company includes variable consideration in the estimated transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is resolved. Changes in circumstances could impact management's estimates made in determining the value of variable consideration recorded. The Company updates its estimate of the transaction price each reporting period and the effect of variable consideration on the transaction price is recognized as an adjustment to revenue on a cumulative catch-up basis. Revenue is recognized over time using an input method based on the cost-to-cost measure of progress on a project. This is the preferred method of measuring revenue because the costs incurred have been determined to represent the best indication of the overall progress toward the transfer of such goods or services promised to a customer. This segment also sells construction materials to third parties and internal customers. The contract for material sales is the use of a sales order or an invoice, which includes the pricing and payment terms. All material contracts contain a single performance obligation for the delivery of a single distinct product or a distinct separately identifiable bundle of products and services. Revenue is recognized at a point in time when the performance obligation has been satisfied with the delivery of the products or services. The warranties associated with the sales are those consistent with a standard warranty that the product meets certain specifications for quality or those required by law. For most contracts, amounts billed to customers are due within 30 days of receipt. There are no material obligations for returns, refunds or other similar obligations.

Part II

The construction services segment generates revenue from specialty contracting services which also includes the sale of construction equipment and other supplies. This segment provides specialty contracting services to a customer when a contract has been signed by both the customer and a representative of the segment obligating a service to be provided in exchange for the consideration identified in the contract. The nature of the services this segment provides generally includes multiple promised goods and services in a single project to create a distinct bundle of goods and services, which the Company evaluates to determine whether a separate performance obligation exists. The transaction price is the original contract price plus any subsequent change orders and variable consideration. Examples of variable consideration that exist in this segment's contracts include claims, unapproved/unpriced change orders, bonuses, incentives, penalties and liquidated damages. The variable amounts usually arise upon achievement of certain performance metrics or change in project scope. The Company estimates the amount of revenue to be recognized on variable consideration using estimation methods that best predict the most likely amount of consideration the Company expects to be entitled to or expects to incur. The Company includes variable consideration in the estimated transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is resolved. Changes in circumstances could impact management's estimates made in determining the value of variable consideration recorded. The Company updates its estimate of the transaction price each reporting period and the effect of variable consideration on the transaction price is recognized as an adjustment to revenue on a cumulative catch-up basis. Revenue is recognized over time using the input method based on the measurement of progress on a project. The input method is the preferred method of measuring revenue because the costs incurred have been determined to represent the best indication of the overall progress toward the transfer of such goods or services promised to a customer. This segment also sells construction equipment and other supplies to third parties and internal customers. The contract for these sales is the use of a sales order or invoice, which includes the pricing and payment terms. All such contracts include a single performance obligation for the delivery of a single distinct product or a distinct separately identifiable bundle of products and services. Revenue is recognized at a point in time when the performance obligation has been satisfied with the delivery of the products or services. The warranties associated with the sales are those consistent with a standard warranty that the product meets certain specifications for quality or those required by law. For most contracts, amounts billed to customers are due within 30 days of receipt. There are no material obligations for returns, refunds or other similar obligations.

The Company recognizes all other revenues when services are rendered or goods are delivered.

Legal costs

The Company expenses external legal fees as they are incurred.

Business combinations

For all business combinations, the Company preliminarily allocates the purchase price of the acquisitions to the assets acquired and liabilities assumed based on their estimated fair values as of the acquisition dates and are considered provisional until final fair values are determined or the measurement period has passed. The Company expects to record adjustments as it accumulates the information needed to estimate the fair value of assets acquired and liabilities assumed, including working capital balances, estimated fair value of identifiable intangible assets, property, plant and equipment, total consideration and goodwill. The excess of the purchase price over the aggregate fair values is recorded as goodwill. The Company calculated the fair value of the assets acquired in 2020 and 2019 using a market or cost approach (or a combination of both). Fair values for some of the assets were determined based on Level 3 inputs including estimated future cash flows, discount rates, growth rates, sales projections, retention rates and terminal values, all of which require significant management judgment and are susceptible to change. The final fair value of the net assets acquired may result in adjustments to the assets and liabilities, including goodwill, and will be made as soon as practical, but no later than 12 months from the respective acquisition dates. Any subsequent measurement period adjustments are not expected to have a material impact on the Company's results of operations.

Receivables and allowance for expected credit losses

Receivable consists primarily of trade receivables from the sale of goods and services, which are recorded at the invoiced amount, and contract assets, net of expected credit losses. For more information on contract assets, see Note 3. The Company's trade receivables are all due in 12 months or less. The total balance of receivables past due 90 days or more was \$43.9 million and \$46.7 million at December 31, 2020 and 2019, respectively.

The Company's expected credit losses are determined through a review using historical credit loss experience, changes in asset specific characteristics, current conditions and reasonable and supportable future forecasts, among other specific account data, and is performed at least quarterly. The Company develops and documents its methodology to determine its allowance for expected credit losses at each of its reportable business segments. Risk characteristics used by the business segments may include customer mix, knowledge of customers and general economic conditions of the various local economies, among others. Specific account balances are written off when management determines the amounts to be uncollectible.

The Company conducted additional analysis of its receivables and allowance for expected credit losses due to the impacts of COVID-19. As more customer balances enter arrears, further analysis supported increasing the uncollectible factors used in determining the expected credit losses of certain segments during 2020. Management has reviewed the balance reserved through the allowance for expected credit losses and believes it is reasonable.

Details of the Company's expected credit losses were as follows:

	Electric	Natural gas distribution	Pipeline	Construction materials and contracting	Construction services	Total
(In thousands)						
At January 1, 2020	\$ 328	\$ 1,056	\$ —	\$ 5,357	\$ 1,756	\$ 8,497
Current expected credit loss provision	1,517	3,187	2	1,447	4,832	10,985
Less write-offs charged against the allowance	1,289	2,511	—	640	866	5,306
Credit loss recoveries collected	343	839	—	—	—	1,182
At December 31, 2020	\$ 899	\$ 2,571	\$ 2	\$ 6,164	\$ 5,722	\$ 15,358

The Company's allowance for doubtful accounts at December 31, 2019, was \$8.5 million.

Receivables also consist of accrued unbilled revenue representing revenues recognized in excess of amounts billed. Accrued unbilled revenue at MDU Energy Capital was \$94.0 million and \$100.8 million at December 31, 2020 and 2019, respectively.

Amounts representing balances billed but not paid by customers under retainage provisions in contracts at December 31 were as follows:

	2020	2019
(In thousands)		
Short-term retainage*	\$ 100,054	\$ 75,590
Long-term retainage**	2,761	14,228
Total retainage	\$ 102,815	\$ 89,818

* Expected to be paid within 12 months or less and included in receivables, net.

** Included in noncurrent assets - other.

Inventories and natural gas in storage

Natural gas in storage for the Company's regulated operations is generally valued at lower of cost or market using the last-in, first-out method or lower of cost or net realizable value using the average cost or first-in, first-out method. The majority of all other inventories are valued at the lower of cost or net realizable value using the average cost method. The portion of the cost of natural gas in storage expected to be used within 12 months was included in inventories. Inventories at December 31 consisted of:

	2020	2019
(In thousands)		
Aggregates held for resale	\$ 175,782	\$ 147,723
Asphalt oil	28,238	41,912
Materials and supplies	25,142	22,512
Merchandise for resale	21,087	22,232
Natural gas in storage (current)	21,919	22,058
Other	18,999	21,970
Total	\$ 291,167	\$ 278,407

The remainder of natural gas in storage, which largely represents the cost of gas required to maintain pressure levels for normal operating purposes, was included in noncurrent assets - other and was \$47.5 million and \$48.4 million at December 31, 2020 and 2019, respectively.

Part II

Property, plant and equipment

Additions to property, plant and equipment are recorded at cost. When regulated assets are retired, or otherwise disposed of in the ordinary course of business, the original cost of the asset is charged to accumulated depreciation. With respect to the retirement or disposal of all other assets, the resulting gains or losses are recognized as a component of income. The Company is permitted to capitalize AFUDC on regulated construction projects and to include such amounts in rate base when the related facilities are placed in service. In addition, the Company capitalizes interest, when applicable, on certain construction projects associated with its other operations. The amount of AFUDC for the years ended December 31 was as follows:

	2020	2019	2018
	(In thousands)		
AFUDC - borrowed	\$ 2,640	\$ 2,807	\$ 2,290
AFUDC - equity	\$ 1,270	\$ 698	\$ 1,897

Generally, property, plant and equipment are depreciated on a straight-line basis over the average useful lives of the assets, except for depletable aggregate reserves, which are depleted based on the units-of-production method. The Company collects removal costs for plant assets in regulated utility rates. These amounts are recorded as regulatory liabilities on the Consolidated Balance Sheets.

Impairment of long-lived assets

The Company reviews the carrying values of its long-lived assets, excluding goodwill, whenever events or changes in circumstances indicate that such carrying values may not be recoverable. The determination of whether an impairment has occurred is based on an estimate of undiscounted future cash flows attributable to the assets, compared to the carrying value of the assets. If impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the assets and recording a loss if the carrying value is greater than the fair value. The impairments are recorded in operation and maintenance expense on the Consolidated Statements of Income.

No significant impairment losses were recorded in 2020, 2019 or 2018. Unforeseen events and changes in circumstances could require the recognition of impairment losses at some future date.

Regulatory assets and liabilities

The Company's regulated businesses are subject to various state and federal agency regulations. The accounting policies followed by these businesses are generally subject to the Uniform System of Accounts of the FERC as well as the provisions of ASC 980 - *Regulated Operations*. These accounting policies differ in some respects from those used by the Company's non-regulated businesses.

The Company's regulated businesses account for certain income and expense items under the provisions of regulatory accounting, which requires these businesses to defer as regulatory assets or liabilities certain items that would have otherwise been reflected as expense or income, respectively. The Company records regulatory assets or liabilities at the time the Company determines the amounts to be recoverable in current or future rates. Regulatory assets and liabilities are being amortized consistently with the regulatory treatment established by the FERC and the applicable state public service commission. See Note 6 for more information regarding the nature and amounts of these regulatory deferrals.

Natural gas costs recoverable or refundable through rate adjustments

Under the terms of certain orders of the applicable state public service commissions, the Company is deferring natural gas commodity, transportation and storage costs that are greater or less than amounts presently being recovered through its existing rate schedules. Such orders generally provide that these amounts are recoverable or refundable through rate adjustments. Natural gas costs refundable through rate adjustments were \$18.6 million and \$23.8 million at December 31, 2020 and 2019, respectively, which was included in regulatory liabilities due within one year on the Consolidated Balance Sheets. Natural gas costs recoverable through rate adjustments were \$64.0 million and \$89.2 million at December 31, 2020 and 2019, respectively, which was included in current regulatory assets and noncurrent assets - regulatory assets on the Consolidated Balance Sheets.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net tangible and intangible assets acquired in a business combination. Goodwill is required to be tested for impairment annually, which the Company completes in the fourth quarter, or more frequently if events or changes in circumstances indicate that goodwill may be impaired.

The Company has determined that the reporting units for its goodwill impairment test are its operating segments, or components of an operating segment, that constitute a business for which discrete financial information is available and for which segment management regularly reviews the operating results. For more information on the Company's operating segments, see Note 17. Goodwill impairment, if any, is measured by comparing the fair value of each reporting unit to its carrying value. If the fair value of a reporting unit exceeds its carrying value, the goodwill of the reporting unit is not impaired. If the carrying value of a reporting unit exceeds its fair value, the Company must record an impairment loss for the amount that the carrying value of the reporting unit, including goodwill, exceeds the fair value of the reporting unit. For the years ended December 31, 2020, 2019 and 2018, there were no impairment losses recorded. The Company performed its annual goodwill impairment test in the fourth quarter of 2020 and determined the fair value substantially exceeded the carrying value at all reporting units at October 31, 2020.

Investments

The Company's investments include the cash surrender value of life insurance policies, an insurance contract, mortgage-backed securities and U.S. Treasury securities. The Company measures its investment in the insurance contract at fair value with any unrealized gains and losses recorded on the Consolidated Statements of Income. The Company has not elected the fair value option for its mortgage-backed securities and U.S. Treasury securities and, as a result, the unrealized gains and losses on these investments are recorded in accumulated other comprehensive income (loss). For more information, see Notes 8 and 18.

Derivative instruments

The Company enters into commodity price derivative contracts in order to minimize the price volatility associated with natural gas costs at its natural gas distribution segment. These derivatives are not designated as hedging instruments and are recorded in the Consolidated Balance Sheets at fair value, as discussed in Note 8. Changes in the fair value of these derivatives along with any contract settlements are recorded each period in regulatory assets or liabilities in accordance with regulatory accounting. The Company does not enter into any derivatives for trading or other speculative purposes.

In 2017, the WUTC issued a requirement for gas providers to implement robust, risk-responsive hedging programs in order to minimize volatility in natural gas prices for natural gas utility customers and in 2019, the Company implemented policies and procedures that met these requirements. During 2020 and 2019, the Company entered into commodity price derivative contracts securing the purchase of 1.4 million MMBtu and 535,000 MMBtu of natural gas, respectively.

Leases

Lease liabilities and their corresponding right-of-use assets are recorded based on the present value of lease payments over the expected lease term. The Company recognizes leases with an original lease term of 12 months or less in income on a straight-line basis over the term of the lease and does not recognize a corresponding right-of-use asset or lease liability. The Company determines the lease term based on the non-cancelable and cancelable periods in each contract. The non-cancelable period consists of the term of the contract that is legally enforceable and cannot be canceled by either party without incurring a significant penalty. The cancelable period is determined by various factors that are based on who has the right to cancel a contract. If only the lessor has the right to cancel the contract, the Company will assume the contract will continue. If the lessee is the only party that has the right to cancel the contract, the Company looks to asset, entity and market-based factors. If both the lessor and the lessee have the right to cancel the contract, the Company assumes the contract will not continue.

The discount rate used to calculate the present value of the lease liabilities is based upon the implied rate within each contract. If the rate is unknown or cannot be determined, the Company uses an incremental borrowing rate, which is determined by the length of the contract, asset class and the Company's borrowing rates, as of the commencement date of the contract.

Asset retirement obligations

The Company records the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the Company capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the Company either settles the obligation for the recorded amount or incurs a gain or loss at its non-regulated operations or incurs a regulatory asset or liability at its regulated operations.

Stock-based compensation

The Company determines compensation expense for stock-based awards based on the estimated fair values at the grant date and recognizes the related compensation expense over the vesting period. The Company uses the straight-line amortization method to recognize compensation expense related to restricted stock, which only has a service condition. This method recognizes stock compensation expense on a straight-line basis over the requisite service period for the entire award. The Company recognizes compensation expense related to performance awards that vest based on performance metrics and service conditions on a straight-line basis over the service period. Inception-to-date expense is adjusted based upon the determination of the potential achievement of the performance target at each reporting date. The Company recognizes compensation expense related to performance awards with market-based performance metrics on a straight-line basis over the requisite service period.

The Company records the compensation expense for performance share awards using an estimated forfeiture rate. The estimated forfeiture rate is calculated based on an average of actual historical forfeitures. The Company also performs an analysis of any known factors at the time of the calculation to identify any necessary adjustments to the average historical forfeiture rate. At the time actual forfeitures become more than estimated forfeitures, the Company records compensation expense using actual forfeitures.

Earnings per share

Basic earnings per share were computed by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per share were computed by dividing net income by the total of the weighted average number of shares of common stock outstanding during the year, plus the effect of nonvested performance share awards and restricted stock units. Common stock outstanding includes issued shares less shares held in treasury. Net income was the same for both the basic and diluted earnings per share calculations. A reconciliation of the weighted average common shares outstanding used in the basic and diluted earnings per share calculation was as follows:

	2020	2019	2018
	(In thousands)		
Weighted average common shares outstanding - basic	200,502	198,612	195,720
Effect of dilutive performance share awards	69	14	430
Weighted average common shares outstanding - diluted	200,571	198,626	196,150
Shares excluded from the calculation of diluted earnings per share	164	164	10

Income taxes

The Company provides deferred federal and state income taxes on all temporary differences between the book and tax basis of the Company's assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. Excess deferred income tax balances associated with the Company's rate-regulated activities have been recorded as a regulatory liability and are included in other liabilities. These regulatory liabilities are expected to be reflected as a reduction in future rates charged to customers in accordance with applicable regulatory procedures.

The Company uses the deferral method of accounting for investment tax credits and amortizes the credits on regulated electric and natural gas distribution plant over various periods that conform to the ratemaking treatment prescribed by the applicable state public service commissions.

The Company records uncertain tax positions in accordance with accounting guidance on accounting for income taxes on the basis of a two-step process in which (1) the Company determines whether it is more-likely-than-not that the tax position will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of the tax benefit that is more than 50 percent percent likely to be realized upon ultimate settlement with the related tax authority. Tax positions that do not meet the more-likely-than-not criteria are reflected as a tax liability. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income taxes.

Variable interest entities

The Company evaluates its arrangements and contracts with other entities to determine if they are VIEs and if so, if the Company is the primary beneficiary. GAAP provides a framework for identifying VIEs and determining when a company should include the assets, liabilities, noncontrolling interest and results of activities of a VIE in its consolidated financial statements.

A VIE should be consolidated if a party with an ownership, contractual or other financial interest in the VIE (a variable interest holder) has the power to direct the VIE's most significant activities and the obligation to absorb losses or right to receive benefits of the VIE that could be significant to the VIE. A variable interest holder that consolidates the VIE is called the primary beneficiary. Upon consolidation, the primary beneficiary generally must initially record all of the VIE's assets, liabilities and noncontrolling interests at fair value and subsequently account for the VIE as if it were consolidated.

The Company's evaluation of whether it qualifies as the primary beneficiary of a VIE involves significant judgments, estimates and assumptions and includes a qualitative analysis of the activities that most significantly impact the VIE's economic performance and whether the Company has the power to direct those activities, the design of the entity, the rights of the parties and the purpose of the arrangement.

Note 3 - Revenue from Contracts with Customers

Revenue is recognized when a performance obligation is satisfied by transferring control over a product or service to a customer. Revenue is measured based on consideration specified in a contract with a customer and excludes any sales incentives and amounts collected on behalf of third parties. The Company is considered an agent for certain taxes collected from customers. As such, the Company presents revenues net of these taxes at the time of sale to be remitted to governmental authorities, including sales and use taxes.

As part of the adoption of ASC 606 - *Revenue from Contracts with Customers*, the Company elected the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Company otherwise would have recognized is 12 months or less.

Disaggregation

In the following table, revenue is disaggregated by the type of customer or service provided. The Company believes this level of disaggregation best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The table also includes a reconciliation of the disaggregated revenue by reportable segments. For more information on the Company's business segments, see Note 17.

Year ended December 31, 2020	Electric	Natural gas distribution	Pipeline	Construction materials and contracting	Construction services	Other	Total
(In thousands)							
Residential utility sales	\$ 122,663	\$ 476,388	\$ —	\$ —	\$ —	\$ —	599,051
Commercial utility sales	131,477	277,873	—	—	—	—	409,350
Industrial utility sales	36,744	26,243	—	—	—	—	62,987
Other utility sales	6,634	—	—	—	—	—	6,634
Natural gas transportation	—	45,546	111,686	—	—	—	157,232
Natural gas gathering	—	—	4,865	—	—	—	4,865
Natural gas storage	—	—	14,918	—	—	—	14,918
Contracting services	—	—	—	1,069,665	—	—	1,069,665
Construction materials	—	—	—	1,659,152	—	—	1,659,152
Intrasegment eliminations	—	—	—	(550,815)	—	—	(550,815)
Inside specialty contracting	—	—	—	—	1,397,124	—	1,397,124
Outside specialty contracting	—	—	—	—	649,486	—	649,486
Other	32,452	10,753	12,216	—	1,541	11,903	68,865
Intersegment eliminations	(491)	(534)	(58,531)	(417)	(5,038)	(11,958)	(76,969)
Revenues from contracts with customers	329,479	836,269	85,154	2,177,585	2,043,113	(55)	5,471,545
Revenues out of scope	2,059	11,382	192	—	47,572	—	61,205
Total external operating revenues	\$ 331,538	\$ 847,651	\$ 85,346	\$ 2,177,585	\$ 2,090,685	\$ (55)	\$ 5,532,750

Year ended December 31, 2019	Electric	Natural gas distribution	Pipeline	Construction materials and contracting	Construction services	Other	Total
(In thousands)							
Residential utility sales	\$ 125,369	\$ 483,452	\$ —	\$ —	\$ —	\$ —	608,821
Commercial utility sales	141,596	296,835	—	—	—	—	438,431
Industrial utility sales	37,765	26,895	—	—	—	—	64,660
Other utility sales	7,408	—	—	—	—	—	7,408
Natural gas transportation	—	45,449	101,665	—	—	—	147,114
Natural gas gathering	—	—	9,164	—	—	—	9,164
Natural gas storage	—	—	11,708	—	—	—	11,708
Contracting services	—	—	—	1,088,633	—	—	1,088,633
Construction materials	—	—	—	1,627,833	—	—	1,627,833
Intrasegment eliminations	—	—	—	(525,749)	—	—	(525,749)
Inside specialty contracting	—	—	—	—	1,266,196	—	1,266,196
Outside specialty contracting	—	—	—	—	531,882	—	531,882
Other	35,574	12,726	17,687	—	131	16,551	82,669
Intersegment eliminations	—	—	(56,252)	(1,066)	(3,370)	(16,461)	(77,149)
Revenues from contracts with customers	347,712	865,357	83,972	2,189,651	1,794,839	90	5,281,621
Revenues out of scope	4,013	(135)	220	—	51,057	—	55,155
Total external operating revenues	\$ 351,725	\$ 865,222	\$ 84,192	\$ 2,189,651	\$ 1,845,896	\$ 90	\$ 5,336,776

Part II

Year ended December 31, 2018	Electric	Natural gas distribution	Pipeline	Construction materials and contracting	Construction services	Other	Total
(In thousands)							
Residential utility sales	\$ 121,477	\$ 457,959	\$ —	\$ —	\$ —	\$ —	579,436
Commercial utility sales	136,236	276,716	—	—	—	—	412,952
Industrial utility sales	34,353	24,603	—	—	—	—	58,956
Other utility sales	7,556	—	—	—	—	—	7,556
Natural gas transportation	—	43,238	89,159	—	—	—	132,397
Natural gas gathering	—	—	9,159	—	—	—	9,159
Natural gas storage	—	—	11,543	—	—	—	11,543
Contracting services	—	—	—	968,755	—	—	968,755
Construction materials	—	—	—	1,423,068	—	—	1,423,068
Intrasegment eliminations	—	—	—	(465,969)	—	—	(465,969)
Inside specialty contracting	—	—	—	—	926,875	—	926,875
Outside specialty contracting	—	—	—	—	392,544	—	392,544
Other	31,568	14,579	18,865	—	525	11,259	76,796
Intersegment eliminations	—	—	(50,905)	(669)	(1,681)	(11,052)	(64,307)
Revenues from contracts with customers	331,190	817,095	77,821	1,925,185	1,318,263	207	4,469,761
Revenues out of scope	3,933	6,152	197	—	51,509	—	61,791
Total external operating revenues	\$ 335,123	\$ 823,247	\$ 78,018	\$ 1,925,185	\$ 1,369,772	\$ 207	\$ 4,531,552

Presented in the previous tables are intrasegment revenues within the construction materials and contracting segment to highlight the focus on vertical integration as this segment sells materials to both third parties and internal customers. Due to consolidation requirements, these revenues must be eliminated against construction materials to arrive at the external operating revenue total for the segment.

Contract balances

The timing of revenue recognition may differ from the timing of invoicing to customers. The timing of invoicing to customers does not necessarily correlate with the timing of revenues being recognized under the cost-to-cost method of accounting. Contracts from contracting services are billed as work progresses in accordance with agreed upon contractual terms. Generally, billing to the customer occurs contemporaneous to revenue recognition. A variance in timing of the billings may result in a contract asset or a contract liability. A contract asset occurs when revenues are recognized under the cost-to-cost measure of progress, which exceeds amounts billed on uncompleted contracts. Such amounts will be billed as standard contract terms allow, usually based on various measures of performance or achievement. A contract liability occurs when there are billings in excess of revenues recognized under the cost-to-cost measure of progress on uncompleted contracts. Contract liabilities decrease as revenue is recognized from the satisfaction of the related performance obligation.

The changes in contract assets and liabilities were as follows:

	December 31, 2020	December 31, 2019	Change	Location on Consolidated Balance Sheets
(In thousands)				
Contract assets	\$ 104,345	\$ 109,078	\$ (4,733)	Receivables, net
Contract liabilities - current	(158,603)	(142,768)	(15,835)	Accounts payable
Contract liabilities - noncurrent	(52)	(19)	(33)	Noncurrent liabilities - other
Net contract liabilities	\$ (54,310)	\$ (33,709)	\$ (20,601)	

	December 31, 2019	December 31, 2018	Change	Location on Consolidated Balance Sheets
(In thousands)				
Contract assets	\$ 109,078	\$ 104,239	\$ 4,839	Receivables, net
Contract liabilities - current	(142,768)	(93,901)	(48,867)	Accounts payable
Contract liabilities - noncurrent	(19)	(135)	116	Noncurrent liabilities - other
Net contract assets (liabilities)	\$ (33,709)	\$ 10,203	\$ (43,912)	

The Company recognized \$138.2 million and \$89.0 million in revenue for the years ended December 31, 2020 and 2019, respectively, which was previously included in contract liabilities at December 31, 2019 and 2018, respectively.

The Company recognized a net increase in revenues of \$58.8 million and \$44.1 million for the years ended December 31, 2020 and 2019, respectively, from performance obligations satisfied in prior periods.

Remaining performance obligations

The remaining performance obligations, also referred to as backlog, at the construction materials and contracting and construction services segments include unrecognized revenues that the Company reasonably expects to be realized. These unrecognized revenues can include: projects that have a written award, a letter of intent, a notice to proceed, an agreed upon work order to perform work on mutually accepted terms and conditions and change orders or claims to the extent management believes additional contract revenues will be earned and are deemed probable of collection. Excluded from remaining performance obligations are potential orders under master service agreements. The majority of the Company's construction contracts have an original duration of less than two years.

The remaining performance obligations at the pipeline segment include firm transportation and storage contracts with fixed pricing and fixed volumes. The Company has applied the practical expedient that does not require additional disclosures for contracts with an original duration of less than 12 months to certain firm transportation and non-regulated contracts. The Company's firm transportation and firm storage contracts included in the remaining performance obligations have weighted average remaining durations of approximately five and one years, respectively.

At December 31, 2020, the Company's remaining performance obligations were \$2.1 billion. The Company expects to recognize the following revenue amounts in future periods related to these remaining performance obligations: \$1.6 billion within the next 12 months or less; \$298.8 million within the next 13 to 24 months; and \$234.3 million in 25 months or more.

Note 4 - Business Combinations

The following acquisitions were accounted for as business combinations in accordance with ASC 805 - *Business Combinations*. The results of the business combinations have been included in the Company's Consolidated Financial Statements beginning on the acquisition date. Pro forma financial amounts reflecting the effects of the business combinations are not presented, as none of these business combinations, individually or in the aggregate, were material to the Company's financial position or results of operations.

The acquisitions are also subject to customary adjustments based on, among other things, the amount of cash, debt and working capital in the business as of the closing date. The amounts included in the Consolidated Balance Sheets for these adjustments are considered provisional until final settlement has occurred.

The following acquisitions were made during 2020 and 2019 at the construction materials and contracting segment:

- In December 2020, the Company acquired the assets of McMurry Ready-Mix Co., an aggregates and concrete supplier in Wyoming.
- In February 2020, the Company acquired the assets of Oldcastle Infrastructure Spokane, a prestressed-concrete business in Washington.
- In December 2019, the Company acquired the assets Roadrunner Ready Mix, Inc., a provider of ready-mixed concrete in Idaho.
- In March 2019, the Company acquired Viesko Redi-Mix, Inc., a provider of ready-mixed concrete in Oregon.

The following acquisitions were made during 2020 and 2019 at the construction services segment:

- In February 2020, the Company acquired PerLectric, Inc., an electrical construction company in Virginia.
- In September 2019, the Company acquired the assets of Pride Electric, Inc., an electrical construction company in Washington.

The total purchase price for acquisitions that occurred in 2020 was \$110.2 million, subject to certain adjustments, with cash acquired totaling \$1.7 million. The purchase price includes consideration paid of \$106.0 million and \$2.5 million of indemnity holdback liabilities. The amounts allocated to the aggregated assets acquired and liabilities assumed during 2020 were as follows: \$54.8 million to current assets; \$27.1 million to property, plant and equipment; \$33.6 million to goodwill; \$19.0 million to other intangible assets; \$22.6 million to current liabilities; \$300,000 to noncurrent liabilities - other and \$1.4 million to asset retirement obligations. At December 31, 2020, the purchase price adjustments for Oldcastle Infrastructure Spokane had been settled and no material adjustments were made to the provisional accounting. Purchase price allocations for PerLectric, Inc. and McMurry Ready-Mix Co. are preliminary and will be finalized within 12 months of the respective acquisition dates. The Company issued debt to finance these acquisitions.

In 2019, the gross aggregate consideration for acquisitions was \$56.8 million, subject to certain adjustments, and includes \$1.2 million of debt assumed. The amounts allocated to the aggregated assets acquired and liabilities assumed during 2019 were as follows: \$15.8 million to current assets; \$16.7 million to property, plant and equipment; \$23.1 million to goodwill; \$6.7 million to other intangible assets; \$500,000 to noncurrent assets - other; \$5.9 million to current liabilities and \$100,000 to noncurrent liabilities - other. At December 31, 2020, the purchase price adjustments for all 2019 acquisitions had been settled and no material adjustments were made to the provisional accounting. The Company issued debt and equity securities to finance these acquisitions.

During 2020, measurement period adjustments were made to previously reported provisional amounts, which increased goodwill by \$391,000.

Costs incurred for acquisitions are included in operation and maintenance expense on the Consolidated Statements of Income and were not material for the years ended December 31, 2020 and 2019.

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Note 5 - Property, Plant and Equipment

Property, plant and equipment at December 31 was as follows:

	2020	2019	Weighted Average Depreciable Life in Years
(Dollars in thousands, where applicable)			
Regulated:			
Electric:			
Generation	\$ 1,133,390	\$ 1,139,059	48
Distribution	464,442	443,780	46
Transmission	524,155	445,485	64
Construction in progress	61,766	66,664	—
Other	139,650	132,157	14
Natural gas distribution:			
Distribution	2,302,121	2,133,249	47
Transmission	104,695	104,401	51
Storage	33,014	31,484	24
General	198,211	191,446	14
Construction in progress	16,836	39,506	—
Other	213,976	188,037	16
Pipeline:			
Transmission	665,567	636,796	46
Gathering	—	35,661	—
Storage	52,632	50,001	53
Construction in progress	46,690	22,597	—
Other	49,640	48,340	17
Non-regulated:			
Pipeline:			
Gathering	—	31,148	—
Construction in progress	4	154	—
Other	7,164	9,518	11
Construction materials and contracting:			
Land	132,948	127,729	—
Buildings and improvements	130,417	122,064	21
Machinery, vehicles and equipment	1,284,604	1,180,343	12
Construction in progress	23,803	25,018	—
Aggregate reserves	456,704	455,408	**
Construction services:			
Land	7,218	7,146	—
Buildings and improvements	41,674	31,735	25
Machinery, vehicles and equipment	163,080	156,537	7
Other	8,824	17,952	4
Other:			
Land	2,648	2,648	—
Other	34,897	32,565	12
Less accumulated depreciation, depletion and amortization	3,133,831	2,991,486	
Net property, plant and equipment	\$ 5,166,939	\$ 4,917,142	

* Depleted on the units-of-production method based on recoverable aggregate reserves.

Note 6 - Regulatory Assets and Liabilities

The following table summarizes the individual components of unamortized regulatory assets and liabilities as of December 31:

	Estimated Recovery or Refund Period *	2020	2019
(In thousands)			
Regulatory assets:			
Current:			
Natural gas costs recoverable through rate adjustments	Up to 1 year	\$ 42,481	\$ 42,823
Cost recovery mechanisms	Up to 1 year	10,645	6,288
Conservation programs	Up to 1 year	7,117	6,963
Other	Up to 1 year	8,284	7,539
		68,527	63,613
Noncurrent:			
Pension and postretirement benefits	**	155,942	157,069
Plant costs/asset retirement obligations	Over plant lives	71,740	66,000
Plant to be retired	-	65,919	32,931
Manufactured gas plant sites remediation	-	26,429	15,126
Natural gas costs recoverable through rate adjustments	Up to 2 years	21,539	46,381
Cost recovery mechanisms	Up to 10 years	16,245	13,108
Taxes recoverable from customers	Over plant lives	10,785	11,486
Long-term debt refinancing costs	Up to 40 years	4,426	4,286
Other	Up to 18 years	6,356	7,397
		379,381	353,784
Total regulatory assets		\$ 447,908	\$ 417,397
Regulatory liabilities:			
Current:			
Natural gas costs refundable through rate adjustments	Up to 1 year	\$ 18,565	\$ 23,825
Electric fuel and purchased power deferral	Up to 1 year	3,667	5,824
Taxes refundable to customers	Up to 1 year	3,557	3,472
Other	Up to 1 year	5,661	9,814
		31,450	42,935
Noncurrent:			
Taxes refundable to customers	Over plant lives	227,850	246,034
Plant removal and decommissioning costs	Over plant lives	167,171	173,722
Pension and postretirement benefits	**	16,989	18,065
Other	Up to 21 years	16,065	9,549
		428,075	447,370
Total regulatory liabilities		\$ 459,525	\$ 490,305
Net regulatory position		\$ (11,617)	\$ (72,908)

* Estimated recovery or refund period for amounts currently being recovered or refunded in rates to customers.

** Recovered as expense is incurred or cash contributions are made.

As of December 31, 2020 and 2019, approximately \$332.5 million and \$276.5 million, respectively, of regulatory assets were not earning a rate of return but are expected to be recovered from customers in future rates. These assets are largely comprised of the unfunded portion of pension and postretirement benefits, asset retirement obligations, accelerated depreciation on plant to be retired and the estimated future cost of manufactured gas plant site remediation.

In 2019, the Company experienced increased natural gas costs in Washington from the rupture of the Enbridge pipeline in Canada in late 2018. As a result, the Company requested, and the WUTC approved, recovery of the balance of natural gas costs recoverable related to this period of time over three years rather than its normal one-year recovery period.

In February 2019, the Company announced that it intends to retire one aging coal-fired electric generating unit in March 2021 and two units in early 2022. The Company has accelerated the depreciation related to these facilities in property, plant and equipment and has recorded the difference between the accelerated depreciation, in accordance with GAAP, and the depreciation approved for rate-making purposes as regulatory assets. The Company expects to recover the regulatory assets related to the plants to be retired in future rates.

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If, for any reason, the Company's regulated businesses cease to meet the criteria for application of regulatory accounting for all or part of their operations, the regulatory assets and liabilities relating to those portions ceasing to meet such criteria would be removed from the balance sheet and included in the statement of income or accumulated other comprehensive income (loss) in the period in which the discontinuance of regulatory accounting occurs.

Note 7 - Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill were as follows:

	Balance at January 1, 2020	Goodwill Acquired During the Year	Measurement Period Adjustments	Balance at December 31, 2020
(In thousands)				
Natural gas distribution	\$ 345,736	\$ —	\$ —	\$ 345,736
Construction materials and contracting	217,234	8,778	(9)	226,003
Construction services	118,388	24,436	400	143,224
Total	\$ 681,358	\$ 33,214	\$ 391	\$ 714,963

	Balance at January 1, 2019	Goodwill Acquired During the Year	Measurement Period Adjustments	Balance at December 31, 2019
(In thousands)				
Natural gas distribution	\$ 345,736	\$ —	\$ —	\$ 345,736
Construction materials and contracting	209,421	14,482	(6,669)	217,234
Construction services	109,765	8,623	—	118,388
Total	\$ 664,922	\$ 23,105	\$ (6,669)	\$ 681,358

Other amortizable intangible assets at December 31 were as follows:

	2020	2019
(In thousands)		
Customer relationships	\$ 28,836	\$ 17,958
Less accumulated amortization	6,887	6,268
	21,949	11,690
Noncompete agreements	3,941	3,439
Less accumulated amortization	2,309	1,957
	1,632	1,482
Other	12,927	8,094
Less accumulated amortization	11,012	6,020
	1,915	2,074
Total	\$ 25,496	\$ 15,246

The previous tables include goodwill and intangible assets associated with the business combinations completed during 2020 and 2019. For more information related to these business combinations, see Note 4.

Amortization expense for amortizable intangible assets for the years ended December 31, 2020, 2019 and 2018, was \$9.0 million, \$2.4 million and \$1.2 million, respectively. The amounts of estimated amortization expense for identifiable intangible assets as of December 31, 2020, were:

	2021	2022	2023	2024	2025	Thereafter
(In thousands)						
Amortization expense	\$ 4,911	\$ 4,394	\$ 4,121	\$ 3,799	\$ 1,862	\$ 6,409

Note 8 - Fair Value Measurements

The Company measures its investments in certain fixed-income and equity securities at fair value with changes in fair value recognized in income. The Company anticipates using these investments, which consist of an insurance contract, to satisfy its obligations under its unfunded, nonqualified defined benefit plans for executive officers and certain key management employees, and invests in these fixed-income and equity securities for the purpose of earning investment returns and capital appreciation. These investments, which totaled \$100.1 million and \$87.0 million at December 31, 2020 and 2019, respectively, are classified as investments on the Consolidated Balance Sheets. The net unrealized gains on these investments for the years ended December 31, 2020 and 2019, were \$13.1 million and \$13.2 million, respectively. The net unrealized loss on these investments for the year ended December 31, 2018, was \$3.6 million. The change in fair value, which is considered part of the cost of the plan, is classified in other income on the Consolidated Statements of Income.

The Company did not elect the fair value option, which records gains and losses in income, for its available-for-sale securities, which include mortgage-backed securities and U.S. Treasury securities. These available-for-sale securities are recorded at fair value and are classified as investments on the Consolidated Balance Sheets. Unrealized gains or losses are recorded in accumulated other comprehensive income (loss). Details of available-for-sale securities were as follows:

December 31, 2020	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In thousands)				
Mortgage-backed securities	\$ 9,799	\$ 156	\$ 9	\$ 9,946
U.S. Treasury securities	1,386	—	5	1,381
Total	\$ 11,185	\$ 156	\$ 14	\$ 11,327

December 31, 2019	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In thousands)				
Mortgage-backed securities	\$ 9,804	\$ 87	\$ 10	\$ 9,881
U.S. Treasury securities	1,228	1	—	1,229
Total	\$ 11,032	\$ 88	\$ 10	\$ 11,110

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The fair value ASC establishes a hierarchy for grouping assets and liabilities, based on the significance of inputs. The estimated fair values of the Company's assets and liabilities measured on a recurring basis are determined using the market approach.

The Company's assets measured at fair value on a recurring basis were as follows:

Fair Value Measurements at December 31, 2020, Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2020
(In thousands)				
Assets:				
Money market funds	\$ —	\$ 8,917	\$ —	\$ 8,917
Insurance contract*	—	100,104	—	100,104
Available-for-sale securities:				
Mortgage-backed securities	—	9,946	—	9,946
U.S. Treasury securities	—	1,381	—	1,381
Total assets measured at fair value	\$ —	\$ 120,348	\$ —	\$ 120,348

* The insurance contract invests approximately 57 percent in fixed-income investments, 18 percent in common stock of large-cap companies, 9 percent in common stock of mid-cap companies, 9 percent in common stock of small-cap companies, 5 percent in target date investments and 2 percent in cash equivalents.

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Fair Value Measurements at December 31, 2019, Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2019
(In thousands)				
Assets:				
Money market funds	\$ —	\$ 8,440	\$ —	\$ 8,440
Insurance contract*	—	87,009	—	87,009
Available-for-sale securities:				
Mortgage-backed securities	—	9,881	—	9,881
U.S. Treasury securities	—	1,229	—	1,229
Total assets measured at fair value	\$ —	\$ 106,559	\$ —	\$ 106,559

* The insurance contract invests approximately 51 percent in fixed-income investments, 23 percent in common stock of large-cap companies, 12 percent in common stock of mid-cap companies, 10 percent in common stock of small-cap companies, 3 percent in target date investments and 1 percent in cash equivalents.

The Company's money market funds are valued at the net asset value of shares held at the end of the period, based on published market quotations on active markets, or using other known sources including pricing from outside sources. The estimated fair value of the Company's mortgage-backed securities and U.S. Treasury securities are based on comparable market transactions, other observable inputs or other sources, including pricing from outside sources. The estimated fair value of the Company's insurance contract is based on contractual cash surrender values that are determined primarily by investments in managed separate accounts of the insurer. These amounts approximate fair value. The managed separate accounts are valued based on other observable inputs or corroborated market data.

Though the Company believes the methods used to estimate fair value are consistent with those used by other market participants, the use of other methods or assumptions could result in a different estimate of fair value.

The Company applies the provisions of the fair value measurement standard to its nonrecurring, non-financial measurements, including long-lived asset impairments. These assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances. The Company reviews the carrying value of its long-lived assets, excluding goodwill, whenever events or changes in circumstances indicate that such carrying amounts may not be recoverable.

In the second quarter of 2019, the Company reviewed a non-utility investment at its electric and natural gas distribution segments for impairment. This was a cost-method investment and was written down to zero using the income approach to determine its fair value, requiring the Company to record a write-down of \$2.0 million, before tax. The fair value of this investment was categorized as Level 3 in the fair value hierarchy. The reduction is reflected in investments on the Consolidated Balance Sheet, as well as within other income on the Consolidated Statement of Income.

The estimated fair value of the Company's Level 2 commodity derivative instruments is based on futures prices, volatility and time to maturity, among other things. Counterparty statements are utilized to determine the value of the commodity derivative instruments and are reviewed and corroborated using various methodologies and significant observable inputs. The Company's and the counterparties' nonperformance risk is also evaluated.

The Company performed a fair value assessment of the assets acquired and liabilities assumed in the business combinations that occurred during 2020 and 2019. For more information on these Level 2 and Level 3 fair value measurements, see Notes 2 and 4.

The Company's long-term debt is not measured at fair value on the Consolidated Balance Sheets and the fair value is being provided for disclosure purposes only. The fair value was categorized as Level 2 in the fair value hierarchy and was based on discounted future cash flows using current market interest rates. The estimated fair value of the Company's Level 2 long-term debt at December 31 was as follows:

	2020	2019
(In thousands)		
Carrying Amount	\$ 2,213,130	\$ 2,243,107
Fair Value	\$ 2,537,289	\$ 2,418,631

The carrying amounts of the Company's remaining financial instruments included in current assets and current liabilities approximate their fair values.

Note 9 - Debt

Certain debt instruments of the Company's subsidiaries, including those discussed later, contain restrictive and financial covenants and cross-default provisions. In order to borrow under the debt agreements, the subsidiary companies must be in compliance with the applicable covenants and certain other conditions, all of which the subsidiaries, as applicable, were in compliance with at December 31, 2020. In the event the subsidiaries do not comply with the applicable covenants and other conditions, alternative sources of funding may need to be pursued.

The following table summarizes the outstanding revolving credit facilities of the Company's subsidiaries:

Company	Facility	Facility Limit	Amount Outstanding at December 31, 2020	Amount Outstanding at December 31, 2019	Letters of Credit at December 31, 2020	Expiration Date
(In millions)						
Montana-Dakota Utilities Co.	Commercial paper/Revolving credit agreement (a)	\$ 175.0	\$ 87.7	\$ 118.6	\$ —	12/19/24
Cascade Natural Gas Corporation	Revolving credit agreement	\$ 100.0 (b)	\$ 54.0	\$ 64.6	\$ 2.2 (c)	6/7/24
Intermountain Gas Company	Revolving credit agreement	\$ 85.0 (d)	\$ 41.9	\$ 24.5	\$ —	6/7/24
Centennial Energy Holdings, Inc.	Commercial paper/Revolving credit agreement (e)	\$ 600.0	\$ 37.9	\$ 104.3	\$ —	12/19/24

(a) The commercial paper program is supported by a revolving credit agreement with various banks (provisions allow for increased borrowings, at the option of Montana-Dakota on stated conditions, up to a maximum of \$225.0 million). There were no amounts outstanding under the revolving credit agreement.

(b) Certain provisions allow for increased borrowings, up to a maximum of \$125.0 million.

(c) Outstanding letter(s) of credit reduce the amount available under the credit agreement.

(d) Certain provisions allow for increased borrowings, up to a maximum of \$110.0 million.

(e) The commercial paper program is supported by a revolving credit agreement with various banks (provisions allow for increased borrowings, at the option of Centennial on stated conditions, up to a maximum of \$700.0 million). There were no amounts outstanding under the revolving credit agreement.

The respective commercial paper programs are supported by revolving credit agreements. While the amount of commercial paper outstanding does not reduce available capacity under the respective revolving credit agreements, Montana-Dakota and Centennial do not issue commercial paper in an aggregate amount exceeding the available capacity under their credit agreements. The commercial paper borrowings may vary during the period, largely the result of fluctuations in working capital requirements due to the seasonality of certain operations of the Company's subsidiaries.

Short-term debt

Montana-Dakota On April 8, 2020, Montana-Dakota entered into a \$75.0 million term loan agreement with a LIBOR-based variable interest rate and a maturity date of April 7, 2021. At December 31, 2020, Montana-Dakota had \$50.0 million outstanding under the agreement. The agreement contains customary covenants and provisions, including a covenant of Montana-Dakota not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent. The covenants also include certain restrictions on the sale of certain assets, loans and investments.

Long-term debt

Long-term Debt Outstanding Long-term debt outstanding was as follows:

	Weighted Average Interest Rate at December 31, 2020	2020	2019
(In thousands)			
Senior Notes due on dates ranging from October 22, 2022 to October 30, 2060	4.40 %	\$ 1,950,000	\$ 1,850,000
Commercial paper supported by revolving credit agreements	.28 %	125,600	222,900
Credit agreements due on June 7, 2024	1.88 %	95,900	89,050
Medium-Term Notes due on dates ranging from September 15, 2027 to March 16, 2029	7.32 %	35,000	50,000
Term Loan Agreement due on September 3, 2032	2.00 %	8,400	9,100
Other notes due on dates ranging from July 15, 2021 to November 30, 2038	.75 %	4,034	29,117
Less unamortized debt issuance costs		5,803	7,010
Less discount		1	50
Total long-term debt		2,213,130	2,243,107
Less current maturities		1,555	16,540
Net long-term debt		\$ 2,211,575	\$ 2,226,567

Montana-Dakota On January 1, 2019, the Company's revolving credit agreement and commercial paper program became Montana-Dakota's revolving credit agreement and commercial paper program as a result of the Holding Company Reorganization. The outstanding balance of the revolving credit agreement was also transferred to Montana-Dakota. All of the related terms and covenants of the credit agreements remained the same.

Montana-Dakota's revolving credit agreement supports its commercial paper program. Commercial paper borrowings under this agreement are classified as long-term debt as they are intended to be refinanced on a long-term basis through continued commercial paper borrowings. The credit agreement contains customary covenants and provisions, including covenants of Montana-Dakota not to permit, as of the end of any fiscal quarter,

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the ratio of funded debt to total capitalization (determined on a consolidated basis) to be greater than 65 percent. Other covenants include limitations on the sale of certain assets and on the making of certain loans and investments.

Montana-Dakota's ratio of total debt to total capitalization at December 31, 2020, was 49 percent.

Cascade Any borrowings under the revolving credit agreement are classified as long-term debt as they are intended to be refinanced on a long-term basis through continued borrowings. The credit agreement contains customary covenants and provisions, including a covenant of Cascade not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent. Other covenants include restrictions on the sale of certain assets, limitations on indebtedness and the making of certain investments.

On June 15, 2020, Cascade issued \$50.0 million of senior notes under a note purchase agreement with maturity dates ranging from June 15, 2050 to June 15, 2060, at a weighted average interest rate of 3.66 percent. The agreement contains customary covenants and provisions, including a covenant of Cascade not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent.

On October 30, 2020, Cascade issued \$25.0 million of senior notes under a note purchase agreement with a maturity date of October 30, 2060, at an interest rate of 3.34 percent. The agreement contains customary covenants and provisions, including a covenant of Cascade not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent.

Cascade's ratio of total debt to total capitalization at December 31, 2020, was 53 percent.

Intermountain Any borrowings under the revolving credit agreement are classified as long-term debt as they are intended to be refinanced on a long-term basis through continued borrowings. The credit agreement contains customary covenants and provisions, including a covenant of Intermountain not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent. Other covenants include restrictions on the sale of certain assets, limitations on indebtedness and the making of certain investments.

Intermountain's ratio of total debt to total capitalization at December 31, 2020, was 51 percent.

Centennial Centennial's revolving credit agreement supports its commercial paper program. Commercial paper borrowings under this agreement are classified as long-term debt as they are intended to be refinanced on a long-term basis through continued commercial paper borrowings. Centennial's revolving credit agreement contains customary covenants and provisions, including a covenant of Centennial, not to permit, as of the end of any fiscal quarter, the ratio of total consolidated debt to total consolidated capitalization to be greater than 65 percent. Other covenants include restricted payments, restrictions on the sale of certain assets, limitations on subsidiary indebtedness, minimum consolidated net worth, limitations on priority debt and the making of certain loans and investments.

Centennial's ratio of total debt to total capitalization at December 31, 2020, was 31 percent.

Certain of Centennial's financing agreements contain cross-default provisions. These provisions state that if Centennial or any subsidiary of Centennial fails to make any payment with respect to any indebtedness or contingent obligation, in excess of a specified amount, under any agreement that causes such indebtedness to be due prior to its stated maturity or the contingent obligation to become payable, the applicable agreements will be in default.

WBI Energy Transmission On July 26, 2019, WBI Energy Transmission amended its uncommitted note purchase and private shelf agreement to increase capacity to \$300.0 million and extend the issuance period to May 16, 2022. On December 16, 2020, WBI Energy Transmission issued \$25.0 million of senior notes under the private shelf agreement with a maturity date of December 16, 2035, at an interest rate of 3.26 percent. WBI Energy Transmission had \$195.0 million of notes outstanding at December 31, 2020, which reduced the remaining capacity under this uncommitted private shelf agreement to \$105.0 million. This agreement contains customary covenants and provisions, including a covenant of WBI Energy Transmission not to permit, as of the end of any fiscal quarter, the ratio of total debt to total capitalization to be greater than 55 percent. Other covenants include a limitation on priority debt and restrictions on the sale of certain assets and the making of certain investments.

WBI Energy Transmission's ratio of total debt to total capitalization at December 31, 2020, was 41 percent.

Schedule of Debt Maturities Long-term debt maturities, which excludes unamortized debt issuance costs and discount, for the five years and thereafter following December 31, 2020, were as follows:

	2021	2022	2023	2024	2025	Thereafter
	(In thousands)					
Long-term debt maturities	\$ 1,555	\$ 148,021	\$ 77,921	\$ 282,922	\$ 177,802	\$ 1,530,713

Note 10 - Leases

Most of the leases the Company enters into are for equipment, buildings, easements and vehicles as part of their ongoing operations. The Company also leases certain equipment to third parties through its utility and construction services segments. The Company determines if an arrangement contains a lease at inception of a contract and accounts for all leases in accordance with ASC 842 - *Leases*.

The recognition of leases requires the Company to make estimates and assumptions that affect the lease classification and the assets and liabilities recorded. The accuracy of lease assets and liabilities reported on the Consolidated Financial Statements depends on, among other things, management's estimates of interest rates used to discount the lease assets and liabilities to their present value, as well as the lease terms based on the unique facts and circumstances of each lease.

Lessee accounting

The leases the Company has entered into as part of its ongoing operations are considered operating leases and are recognized on the Consolidated Balance Sheets as operating lease right-of-use assets, operating lease liabilities due within one year and, if applicable, noncurrent liabilities - operating lease liabilities. The corresponding lease costs are included in operation and maintenance expense on the Consolidated Statements of Income.

Generally, the leases for vehicles and equipment have a term of five years or less and buildings and easements have a longer term of up to 35 years or more. To date, the Company does not have any residual value guarantee amounts probable of being owed to a lessor, financing leases or material agreements with related parties.

The following tables provide information on the Company's operating leases at and for the years ended December 31:

	2020	2019
	(In thousands)	
Lease costs:		
Operating lease cost	\$ 45,319	\$ 43,759
Variable lease cost	1,319	1,555
Short-term lease cost	135,376	120,030
Total lease costs	\$ 182,014	\$ 165,344

	2020	2019
	(Dollars in thousands)	
Weighted average remaining lease term	2.73 years	3.13 years
Weighted average discount rate	4.03 %	4.41 %
Cash paid for amounts included in the measurement of lease liabilities	\$ 45,043	\$ 43,477

The reconciliation of the future undiscounted cash flows to the operating lease liabilities presented on the Consolidated Balance Sheet at December 31, 2020, was as follows:

	(In thousands)
2021	\$ 36,632
2022	25,133
2023	16,639
2024	12,140
2025	7,852
Thereafter	48,845
Total	147,241
Less discount	26,718
Total operating lease liabilities	\$ 120,523

Lessor accounting

The Company leases certain equipment to third parties through its utility and construction services segments, which are considered short-term operating leases with terms of less than 12 months. The Company recognized revenue from operating leases of \$48.0 million and \$51.5 million for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020, the Company had \$11.2 million of lease receivables with a majority due within 12 months or less.

Note 11 - Asset Retirement Obligations

The Company records obligations related to retirement costs of natural gas distribution mains and lines, natural gas transmission lines, natural gas storage wells, decommissioning of certain electric generating facilities, reclamation of certain aggregate properties, special handling and disposal of hazardous materials at certain electric generating facilities, natural gas distribution facilities and buildings, and certain other obligations as asset retirement obligations.

A reconciliation of the Company's liability, which the current portion is included in other accrued liabilities on the Consolidated Balance Sheets, for the years ended December 31 was as follows:

	2020	2019
	(In thousands)	
Balance at beginning of year	\$ 417,575	\$ 375,553
Liabilities incurred	11,560	25,869
Liabilities acquired	1,378	486
Liabilities settled	(5,369)	(7,097)
Accretion expense*	21,668	19,789
Revisions in estimates	107	2,975
Balance at end of year	\$ 446,919	\$ 417,575

* Includes \$20.1 million and \$18.3 million in 2020 and 2019, respectively, related to regulatory assets.

The Company believes that largely all expenses related to asset retirement obligations at the Company's regulated operations will be recovered in rates over time and, accordingly, defers such expenses as regulatory assets. For more information on the Company's regulatory assets and liabilities, see Note 6.

Note 12 - Equity

The Company depends on earnings and dividends from its subsidiaries to pay dividends on common stock. The Company has paid quarterly dividends for 83 consecutive years with an increase in the dividend amount for the last 30 consecutive years. For the years ended December 31, 2020, 2019 and 2018, dividends declared on common stock were \$.8350, \$.8150 and \$.7950 per common share, respectively. Dividends on common stock are paid quarterly to the stockholders of record less than 30 days prior to the distribution date. For the years ended December 31, 2020, 2019 and 2018, the dividends declared to common stockholders were \$167.4 million, \$162.1 million and \$155.7 million, respectively.

The declaration and payment of dividends of the Company is at the sole discretion of the board of directors. In addition, the Company's subsidiaries are generally restricted to paying dividends out of capital accounts or net assets. The following discusses the most restrictive limitations.

Pursuant to a covenant under a credit agreement, Centennial may only declare or pay distributions if, as of the last day of any fiscal quarter, the ratio of Centennial's average consolidated indebtedness as of the last day of such fiscal quarter and each of the preceding three fiscal quarters to Centennial's Consolidated EBITDA does not exceed 3.5 to 1. In addition, certain credit agreements and regulatory limitations of the Company's subsidiaries also contain restrictions on dividend payments. The most restrictive limitation requires the Company's subsidiaries not to permit the ratio of funded debt to capitalization to be greater than 65 percent. Based on this limitation, approximately \$1.4 billion of the net assets of the Company's subsidiaries, which represents common stockholders' equity including retained earnings, would be restricted from use for dividend payments at December 31, 2020.

The Company currently has a shelf registration statement on file with the SEC, under which the Company may issue and sell any combination of common stock and debt securities. The Company may sell such securities if warranted by market conditions and the Company's capital requirements. Any public offer and sale of such securities will be made only by means of a prospectus meeting the requirements of the Securities Act and the rules and regulations thereunder.

In August 2020, the Company amended the Distribution Agreement dated February 22, 2019, with J.P. Morgan Securities LLC and MUFG Securities Americas Inc., as sales agents. The Distribution Agreement allows the offering, issuance and sale of up to 6.4 million shares of the Company's common stock in connection with an "at-the-market" offering. The common stock may be offered for sale, from time to time, in accordance with the terms and conditions of the agreement.

The Company did not issue shares of common stock for the year ended December 31, 2020, pursuant to the "at-the-market" offering. The Company issued 3.6 million shares of common stock for the year ended December 31, 2019, pursuant to the "at-the-market" offering. For the year ended December 31, 2019, the Company received net proceeds of \$94.0 million and paid commissions to the sales agents of approximately \$950,000 in connection with the sales of common stock under the "at-the-market" offering. The net proceeds were used for capital expenditures and acquisitions. As of December 31, 2020, the Company had capacity to issue up to 6.4 million additional shares of common stock under the "at-the-market" offering program.

The K-Plan provides participants the option to invest in the Company's common stock. For the years ended December 31, 2020, 2019 and 2018, the K-Plan purchased shares of common stock on the open market or issued original issue common stock of the Company. At December 31, 2020, there were 7.2 million shares of common stock reserved for original issuance under the K-Plan.

The Company currently has 2.0 million shares of preferred stock authorized to be issued with a \$100 par value. At December 31, 2020 and 2019, there were no shares outstanding.

Note 13 - Stock-Based Compensation

The Company has stock-based compensation plans under which it is currently authorized to grant restricted stock and other stock awards. As of December 31, 2020, there were 4.2 million remaining shares available to grant under these plans. The Company either purchases shares on the open market or issues new shares of common stock to satisfy the vesting of stock-based awards.

Total stock-based compensation expense (after tax) was \$10.8 million, \$6.5 million and \$4.6 million in 2020, 2019 and 2018, respectively.

As of December 31, 2020, total remaining unrecognized compensation expense related to stock-based compensation was approximately \$10.9 million (before income taxes) which will be amortized over a weighted average period of 1.6 years.

Stock awards

Non-employee directors receive shares of common stock in addition to and in lieu of cash payment for directors' fees. There were 45,273 shares with a fair value of \$1.1 million, 41,644 shares with a fair value of \$1.2 million and 38,605 shares with a fair value of \$1.0 million issued to non-employee directors during the years ended December 31, 2020, 2019 and 2018, respectively.

Restricted stock awards

In February 2018, the Company granted restricted stock awards under the long-term performance-based incentive plan to certain key employees. The Company granted 22,838 shares at a weighted average grant-date fair value of \$27.48 per share. The restricted stock awards vested on December 31, 2020. The fair value of the vested awards was \$600,000.

Performance share awards

Since 2003, key employees of the Company have been granted performance share awards each year under the long-term performance-based incentive plan. Entitlement to performance shares is established by either the market condition or the performance metrics and service condition relative to the designated award.

Target grants of performance shares outstanding at December 31, 2020, were as follows:

Grant Date	Performance Period	Target Grant of Shares
February 2019	2019-2021	327,194
February 2020	2020-2022	285,980

Under the market condition for these performance share awards, participants may earn from zero to 200 percent of the apportioned target grant of shares based on the Company's total shareholder return relative to that of the selected peer group. Compensation expense is based on the grant-date fair value as determined by Monte Carlo simulation. The blended volatility term structure ranges are comprised of 50 percent historical volatility and 50 percent implied volatility. Risk-free interest rates were based on U.S. Treasury security rates in effect as of the grant date. Assumptions used for grants applicable to the market condition for certain performance shares issued in 2020, 2019 and 2018 were:

	2020				2019				2018			
Weighted average grant-date fair value	\$40.75				\$35.07				\$34.55			
Blended volatility range	15.30 %	–	15.97 %	19.50 %	–	19.69 %	17.87 %	–	22.14 %			
Risk-free interest rate range	1.45 %	–	1.62 %	2.46 %	–	2.55 %	1.86 %	–	2.46 %			
Weighted average discounted dividends per share	\$2.91				\$2.85				\$2.46			

Under the performance conditions for these performance share awards, participants may earn from zero to 200 percent of the apportioned target grant of shares. The performance conditions are based on the Company's compound annual growth rate in earnings from continuing operations before interest, taxes, depreciation, depletion and amortization and the Company's compound annual growth rate in earnings from continuing operations. The weighted average grant-date fair value per share for the performance shares applicable to these performance conditions issued in 2020, 2019 and 2018 was \$31.63, \$26.25 and \$27.48, respectively.

The fair value of the performance shares that vested during both years ended December 31, 2020 and 2019, was \$9.7 million. There were no performance shares that vested in 2018.

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A summary of the status of the performance share awards for the year ended December 31, 2020, was as follows:

	Number of Shares	Weighted Average Grant-Date Fair Value
Nonvested at beginning of period	573,503	\$ 30.81
Granted	285,980	36.19
Additional performance shares earned	123,147	27.48
Less:		
Vested	369,456	29.84
Nonvested at end of period	613,174	\$ 33.24

Note 14 - Accumulated Other Comprehensive Income (Loss)

The Company's accumulated other comprehensive income (loss) is comprised of losses on derivative instruments qualifying as hedges, postretirement liability adjustments and gain (loss) on available-for-sale investments.

The after-tax changes in the components of accumulated other comprehensive loss at December 31, 2020, 2019 and 2018, were as follows:

	Net Unrealized Loss on Derivative Instruments Qualifying as Hedges	Post- retirement Liability Adjustment	Net Unrealized Gain (Loss) on Available- for-sale Investments	Total Accumulated Other Comprehensive Loss
(In thousands)				
At December 31, 2018	\$ (2,161)	\$ (36,069)	\$ (112)	\$ (38,342)
Other comprehensive income (loss) before reclassifications	—	(6,151)	134	(6,017)
Amounts reclassified from accumulated other comprehensive loss	731	1,486	40	2,257
Net current-period other comprehensive income (loss)	731	(4,665)	174	(3,760)
At December 31, 2019	(1,430)	(40,734)	62	(42,102)
Other comprehensive loss before reclassifications	—	(8,395)	(1)	(8,396)
Amounts reclassified from accumulated other comprehensive loss	446	1,922	52	2,420
Net current-period other comprehensive income (loss)	446	(6,473)	51	(5,976)
At December 31, 2020	\$ (984)	\$ (47,207)	\$ 113	\$ (48,078)

The following amounts were reclassified out of accumulated other comprehensive loss into net income. The amounts presented in parenthesis indicate a decrease to net income on the Consolidated Statements of Income. The reclassifications for the years ended December 31 were as follows:

	2020	2019	Location on Consolidated Statements of Income
(In thousands)			
Reclassification adjustment for loss on derivative instruments included in net income	\$ (591)	(591)	Interest expense
	145	(140)	Income taxes
	(446)	(731)	
Amortization of postretirement liability losses included in net periodic benefit cost	(2,552)	(1,962)	Other income
	630	476	Income taxes
	(1,922)	(1,486)	
Reclassification adjustment for loss on available-for-sale investments included in net income	(66)	(50)	Other income
	14	10	Income taxes
	(52)	(40)	
Total reclassifications	\$ (2,420)	(2,257)	

Note 15 - Income Taxes

The components of income before income taxes from continuing operations for each of the years ended December 31 were as follows:

	2020	2019	2018
	(In thousands)		
United States	\$ 474,856	\$ 398,532	\$ 317,655
Foreign	261	(87)	(784)
Income before income taxes from continuing operations	\$ 475,117	\$ 398,445	\$ 316,871

Income tax expense (benefit) from continuing operations for the years ended December 31 was as follows:

	2020	2019	2018
	(In thousands)		
Current:			
Federal	\$ 65,006	\$ (3,502)	\$ (15,901)
State	21,234	3,366	3,651
Foreign	151	—	—
	86,391	(136)	(12,250)
Deferred:			
Income taxes:			
Federal	(3,735)	50,218	50,755
State	(625)	12,098	7,206
Investment tax credit - net	2,559	1,099	1,774
	(1,801)	63,415	59,735
Total income tax expense	\$ 84,590	\$ 63,279	\$ 47,485

The TCJA was enacted on December 22, 2017. The SEC issued rules that allowed for a measurement period of up to 12 months after the enactment date of the TCJA to finalize the recording of the related tax impacts. The Company reviewed the impacts of the TCJA and completed its assessment of the transitional impacts during the period ending December 31, 2018, of which there were no such material adjustments.

Components of deferred tax assets and deferred tax liabilities at December 31 were as follows:

	2020	2019
	(In thousands)	
Deferred tax assets:		
Postretirement	\$ 51,495	\$ 51,075
Compensation-related	40,477	37,330
Operating lease liabilities	25,963	24,459
Payroll tax deferral	14,010	—
Legal and environmental contingencies	9,467	6,601
Asset retirement obligations	8,060	7,450
Customer advances	7,463	7,325
Federal renewable energy credit	—	5,343
Other	37,944	32,533
Total deferred tax assets	194,879	172,116
Deferred tax liabilities:		
Depreciation and basis differences on property, plant and equipment	536,966	511,867
Postretirement	49,233	48,927
Operating lease right-of-use-assets	25,858	24,436
Intangible asset amortization	19,514	18,930
Other	67,922	61,385
Total deferred tax liabilities	699,493	665,545
Valuation allowance	11,484	13,154
Net deferred income tax liability	\$ 516,098	\$ 506,583

As of December 31, 2020 and 2019, the Company had various state income tax net operating loss carryforwards of \$151.5 million and \$149.8 million, respectively, and federal and state income tax credit carryforwards, excluding alternative minimum tax credit carryforwards, of \$37.1 million and \$43.7 million, respectively. Included in the state credits are various regulatory investment tax credits of approximately \$36.3 million and \$37.4 million at December 31, 2020 and 2019, respectively. The state income tax credit carryforwards are due to expire between

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2021 and 2034. Changes in tax regulations or assumptions regarding current and future taxable income could require additional valuation allowances in the future.

The following table reconciles the change in the net deferred income tax liability from December 31, 2019, to December 31, 2020, to deferred income tax benefit:

	2020
	(In thousands)
Change in net deferred income tax liability from the preceding table	\$ 9,515
Deferred taxes associated with other comprehensive loss	1,817
Excess deferred income tax amortization	(12,517)
Other	(616)
Deferred income tax benefit for the period	\$ (1,801)

Total income tax expense differs from the amount computed by applying the statutory federal income tax rate to income before taxes. The reasons for this difference were as follows:

Years ended December 31,	2020		2019		2018	
	Amount	%	Amount	%	Amount	%
	(Dollars in thousands)					
Computed tax at federal statutory rate	\$ 99,775	21.0	\$ 83,674	21.0	\$ 66,543	21.0
Increases (reductions) resulting from:						
State income taxes, net of federal income tax	17,845	3.8	14,029	3.5	12,190	3.8
Federal renewable energy credit	(16,009)	(3.4)	(15,843)	(4.0)	(11,759)	(3.7)
Tax compliance and uncertain tax positions	(3,543)	(.7)	(2,739)	(.7)	(2,725)	(.9)
Excess deferred income tax amortization	(12,517)	(2.6)	(11,904)	(3.0)	(9,319)	(2.9)
TCJA revaluation	—	—	—	—	(5,947)	(1.9)
TCJA revaluation related to accumulated other comprehensive loss balance	—	—	—	—	(42)	—
Other	(961)	(.3)	(3,938)	(.9)	(1,456)	(.4)
Total income tax expense	\$ 84,590	17.8	\$ 63,279	15.9	\$ 47,485	15.0

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state, local and foreign jurisdictions. The Company is no longer subject to U.S. federal or non-U.S. income tax examinations by tax authorities for years ending prior to 2016. With few exceptions, as of December 31, 2020, the Company is no longer subject to state and local income tax examinations by tax authorities for years ending prior to 2016.

For the years ended December 31, 2020, 2019 and 2018, total reserves for uncertain tax positions were not material. The Company recognizes interest and penalties accrued relative to unrecognized tax benefits in income tax expense.

Note 16 - Cash Flow Information

Cash expenditures for interest and income taxes for the years ended December 31 were as follows:

	2020	2019	2018
	(In thousands)		
Interest, net*	\$ 88,681	\$ 93,414	\$ 83,009
Income taxes paid (refunded), net**	\$ 65,536	\$ (8,475)	\$ 16,041

* AFUDC - borrowed was \$2.6 million, \$2.8 million and \$2.3 million for the years ended December 31, 2020, 2019 and 2018, respectively.

** Income taxes paid (refunded), including discontinued operations, were \$59.4 million, \$(9.4) million and \$5.5 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Noncash investing and financing transactions at December 31 were as follows:

	2020	2019	2018
	(In thousands)		
Property, plant and equipment additions in accounts payable	\$ 26,082	\$ 46,119	\$ 42,355
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 54,356	\$ 54,880	\$ —
Issuance of common stock in connection with acquisition	\$ —	\$ —	\$ 18,186
Debt assumed in connection with a business combination	\$ —	\$ 1,163	\$ —
Accrual for holdback payment related to a business combination	\$ 2,500	\$ —	\$ —

Note 17 - Business Segment Data

The Company's reportable segments are those that are based on the Company's method of internal reporting, which generally segregates the strategic business units due to differences in products, services and regulation. The internal reporting of these operating segments is defined based on the reporting and review process used by the Company's chief executive officer. The Company's operations are located within the United States.

The electric segment generates, transmits and distributes electricity in Montana, North Dakota, South Dakota and Wyoming. The natural gas distribution segment distributes natural gas in those states, as well as in Idaho, Minnesota, Oregon and Washington. These operations also supply related value-added services.

The pipeline segment provides natural gas transportation and underground storage services through a regulated pipeline system primarily in the Rocky Mountain and northern Great Plains regions of the United States. This segment also provides non-regulated cathodic protection and other energy-related services. In 2020, the pipeline segment divested its regulated and non-regulated natural gas gathering assets. With the completion of these sales, the segment has exited the natural gas gathering business.

The construction materials and contracting segment mines, processes and sells construction aggregates (crushed stone, sand and gravel); produces and sells asphalt mix; and supplies ready-mixed concrete. This segment focuses on vertical integration of its contracting services with its construction materials to support the aggregate-based product lines including aggregate placement, asphalt and concrete paving, and site development and grading. Although not common to all locations, other products include the sale of cement, liquid asphalt for various commercial and roadway applications, various finished concrete products and other building materials and related contracting services. This segment operates in the central, southern and western United States, including Alaska and Hawaii.

The construction services segment provides inside and outside specialty contracting services in 44 states plus Washington D.C. Its inside services include design, construction and maintenance of electrical and communication wiring and infrastructure, fire suppression systems, and mechanical piping and services. Its outside services include design, construction and maintenance of overhead and underground electrical distribution and transmission lines, substations, external lighting, traffic signalization, and gas pipelines, as well as utility excavation and the manufacture and distribution of transmission line construction equipment. This segment also constructs and maintains renewable energy projects. These specialty contracting services are provided to utilities and large manufacturing, commercial, industrial, institutional and governmental customers.

The Other category includes the activities of Centennial Capital, which, through its subsidiary InterSource Insurance Company, insures various types of risks as a captive insurer for certain of the Company's subsidiaries. The function of the captive insurer is to fund the self-insured layers of the insured Company's general liability, automobile liability, pollution liability and other coverages. Centennial Capital also owns certain real and personal property. In addition, the Other category includes certain assets, liabilities and tax adjustments of the holding company primarily associated with corporate functions and certain general and administrative costs (reflected in operation and maintenance expense) and interest expense, which were previously allocated to the refining business and Fidelity and do not meet the criteria for income (loss) from discontinued operations. The Other category also includes Centennial Resources' former investment in Brazil.

Discontinued operations include the results and supporting activities of Dakota Prairie Refining and Fidelity other than certain general and administrative costs and interest expense as described above.

The information below follows the same accounting policies as described in Note 2. Information on the Company's segments as of December 31 and for the years then ended was as follows:

	2020	2019	2018
	(In thousands)		
External operating revenues:			
Regulated operations:			
Electric	\$ 331,538	\$ 351,725	\$ 335,123
Natural gas distribution	847,651	865,222	823,247
Pipeline	69,957	62,357	54,857
	1,249,146	1,279,304	1,213,227
Non-regulated operations:			
Pipeline	15,389	21,835	23,161
Construction materials and contracting	2,177,585	2,189,651	1,925,185
Construction services	2,090,685	1,845,896	1,369,772
Other	(55)	90	207
	4,283,604	4,057,472	3,318,325
Total external operating revenues	\$ 5,532,750	\$ 5,336,776	\$ 4,531,552

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	2020	2019	2018
	(In thousands)		
Intersegment operating revenues:			
Regulated operations:			
Electric	\$ 491	\$ —	\$ —
Natural gas distribution	534	—	—
Pipeline	57,977	56,037	50,580
	59,002	56,037	50,580
Non-regulated operations:			
Pipeline	554	215	325
Construction materials and contracting	417	1,066	669
Construction services	5,038	3,370	1,681
Other	11,958	16,461	11,052
	17,967	21,112	13,727
Intersegment eliminations	(76,969)	(77,149)	(64,307)
Total intersegment operating revenues	\$ —	\$ —	\$ —
Depreciation, depletion and amortization:			
Electric	\$ 62,998	\$ 58,721	\$ 50,982
Natural gas distribution	84,580	79,564	72,486
Pipeline	21,669	21,220	17,896
Construction materials and contracting	89,626	77,450	61,158
Construction services	23,523	17,038	15,728
Other	2,704	2,024	1,955
Total depreciation, depletion and amortization	\$ 285,100	\$ 256,017	\$ 220,205
Operating income (loss):			
Electric	\$ 63,434	\$ 64,039	\$ 65,148
Natural gas distribution	73,082	69,188	72,336
Pipeline	49,436	42,796	36,128
Construction materials and contracting	214,498	179,955	141,426
Construction services	147,644	126,426	86,764
Other	(3,169)	(1,184)	(79)
Total operating income	\$ 544,925	\$ 481,220	\$ 401,723
Interest expense:			
Electric	\$ 26,699	\$ 25,334	\$ 25,860
Natural gas distribution	36,798	35,488	30,768
Pipeline	7,622	7,198	5,964
Construction materials and contracting	20,577	23,792	17,290
Construction services	4,095	5,331	3,551
Other	883	1,859	2,762
Intersegment eliminations	(155)	(415)	(1,581)
Total interest expense	\$ 96,519	\$ 98,587	\$ 84,614
Income tax expense (benefit):			
Electric	\$ (11,636)	\$ (12,650)	\$ (6,482)
Natural gas distribution	5,746	1,405	4,075
Pipeline	7,650	7,219	2,677
Construction materials and contracting	47,431	37,389	28,357
Construction services	35,797	29,973	20,000
Other	(398)	(57)	(1,142)
Total income expense	\$ 84,590	\$ 63,279	\$ 47,485

	2020	2019	2018
	(In thousands)		
Net income (loss):			
Regulated operations:			
Electric	\$ 55,601	\$ 54,763	\$ 47,000
Natural gas distribution	44,049	39,517	37,732
Pipeline	35,453	28,255	26,905
	135,103	122,535	111,637
Non-regulated operations:			
Pipeline	1,559	1,348	1,554
Construction materials and contracting	147,325	120,371	92,647
Construction services	109,721	92,998	64,309
Other	(3,181)	(2,086)	(761)
	255,424	212,631	157,749
Income from continuing operations	390,527	335,166	269,386
Income (loss) from discontinued operations, net of tax	(322)	287	2,932
Net income	\$ 390,205	\$ 335,453	\$ 272,318
Capital expenditures:			
Electric	\$ 114,676	\$ 99,449	\$ 186,105
Natural gas distribution	193,048	206,799	205,896
Pipeline	62,224	71,477	70,057
Construction materials and contracting	191,635	190,092	280,396
Construction services	83,651	60,500	25,081
Other	3,045	8,181	1,768
Total capital expenditures (a)	\$ 648,279	\$ 636,498	\$ 769,303
Assets:			
Electric (b)	\$ 2,123,693	\$ 1,680,194	\$ 1,613,822
Natural gas distribution (b)	2,302,770	2,574,965	2,375,871
Pipeline	703,377	677,482	616,959
Construction materials and contracting	1,798,493	1,684,161	1,508,032
Construction services	818,662	761,127	604,798
Other (c)	305,157	303,279	266,111
Assets held for sale	1,220	1,851	2,517
Total assets	\$ 8,053,372	\$ 7,683,059	\$ 6,988,110
Property, plant and equipment:			
Electric (b)	\$ 2,323,403	\$ 2,227,145	\$ 2,148,569
Natural gas distribution (b)	2,868,853	2,688,123	2,499,093
Pipeline	821,697	834,215	764,959
Construction materials and contracting	2,028,476	1,910,562	1,768,006
Construction services	220,796	213,370	188,586
Other	37,545	35,213	28,108
Less accumulated depreciation, depletion and amortization	3,133,831	2,991,486	2,818,644
Net property, plant and equipment	\$ 5,166,939	\$ 4,917,142	\$ 4,578,677

(a) Capital expenditures for 2020, 2019 and 2018 include noncash transactions such as the issuance of the Company's equity securities in connection with acquisitions, capital expenditure-related accounts payable, AFUDC and accrual of holdback payments in connection with acquisitions totaling \$(15.7) million, \$4.8 million and \$33.4 million, respectively.

(b) Includes allocations of common utility property.

(c) Includes assets not directly assignable to a business (i.e. cash and cash equivalents, certain accounts receivable, certain investments and other miscellaneous current and deferred assets).

Note 18 - Employee Benefit Plans

Pension and other postretirement benefit plans

The Company has noncontributory qualified defined benefit pension plans and other postretirement benefit plans for certain eligible employees. The Company uses a measurement date of December 31 for all of its pension and postretirement benefit plans.

Prior to 2013, defined benefit pension plan benefits and accruals for all nonunion and certain union plans were frozen and on June 30, 2015, the remaining union plan was frozen. These employees were eligible to receive additional defined contribution plan benefits. In October 2018, the Company transferred the liability of certain participants in the defined benefit pension plan, who are currently receiving benefits, to an annuity company. The transfer of the benefit payments for these participants reduced the Company's liability and future premiums.

Effective January 1, 2010, eligibility to receive retiree medical benefits was modified at certain of the Company's businesses. Employees who had attained age 55 with 10 years of continuous service by December 31, 2010, were provided the option to choose between a pre-65 comprehensive medical plan coupled with a Medicare supplement or a specified company funded Retiree Reimbursement Account, regardless of when they retire. All other eligible employees must meet the new eligibility criteria of age 60 and 10 years of continuous service at the time they retire to be eligible for a specified company funded Retiree Reimbursement Account. Employees hired after December 31, 2009, will not be eligible for retiree medical benefits at certain of the Company's businesses.

In 2012, the Company modified health care coverage for certain retirees. Effective January 1, 2013, post-65 coverage was replaced by a fixed-dollar subsidy for retirees and spouses to be used to purchase individual insurance through an exchange.

Changes in benefit obligation and plan assets and amounts recognized in the Consolidated Balance Sheets at December 31 were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2020	2019	2020	2019
(In thousands)				
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 421,166	\$ 391,602	\$ 83,614	\$ 81,201
Service cost	—	—	1,532	1,142
Interest cost	12,093	15,225	2,437	2,986
Plan participants' contributions	—	—	752	1,040
Actuarial loss	27,737	40,219	2,203	2,632
Benefits paid	(23,636)	(25,880)	(4,383)	(5,387)
Benefit obligation at end of year	437,360	421,166	86,155	83,614
Change in net plan assets:				
Fair value of plan assets at beginning of year	365,264	307,809	94,587	82,516
Actual return on plan assets	42,206	58,409	10,249	15,731
Employer contribution	—	24,926	434	687
Plan participants' contributions	—	—	752	1,040
Benefits paid	(23,636)	(25,880)	(4,383)	(5,387)
Fair value of net plan assets at end of year	383,834	365,264	101,639	94,587
Funded status - over (under)	\$ (53,526)	\$ (55,902)	\$ 15,484	\$ 10,973
Amounts recognized in the Consolidated Balance Sheets at December 31:				
Noncurrent assets - other	\$ —	\$ —	\$ 36,769	\$ 30,475
Other accrued liabilities	—	—	622	647
Noncurrent liabilities - other	53,526	55,902	20,663	18,855
Benefit obligation assets (liabilities) - net amount recognized	\$ (53,526)	\$ (55,902)	\$ 15,484	\$ 10,973
Amounts recognized in accumulated other comprehensive loss:				
Actuarial loss	\$ 27,527	\$ 27,748	\$ 5,557	\$ 6,118
Prior service credit	—	—	(634)	(731)
Total	\$ 27,527	\$ 27,748	\$ 4,923	\$ 5,387
Amounts recognized in regulatory assets or liabilities:				
Actuarial (gain) loss	\$ 154,013	\$ 155,484	\$ (8,228)	\$ (4,450)
Prior service credit	—	—	(6,808)	(8,109)
Total	\$ 154,013	\$ 155,484	\$ (15,036)	\$ (12,559)

Employer contributions and benefits paid in the preceding table include only those amounts contributed directly to, or paid directly from, plan assets. Amounts related to regulated operations are recorded as regulatory assets or liabilities and are expected to be reflected in rates charged to customers over time. For more information on regulatory assets and liabilities, see Note 6.

Unrecognized pension actuarial losses in excess of 10 percent of the greater of the projected benefit obligation or the market-related value of assets are amortized over the average life expectancy of plan participants for frozen plans. The market-related value of assets is determined using a five-year average of assets.

The pension plans all have accumulated benefit obligations in excess of plan assets. The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for these plans at December 31 were as follows:

	2020	2019
	(In thousands)	
Projected benefit obligation	\$ 437,360	\$ 421,166
Accumulated benefit obligation	\$ 437,360	\$ 421,166
Fair value of plan assets	\$ 383,834	\$ 365,264

The components of net periodic benefit cost (credit), other than the service cost component, are included in other income on the Consolidated Statements of Income. These components related to the Company's pension and other postretirement benefit plans for the years ended December 31 were as follows:

	Pension Benefits			Other Postretirement Benefits		
	2020	2019	2018	2020	2019	2018
Components of net periodic benefit cost (credit):	(In thousands)					
Service cost	\$ —	\$ —	\$ —	\$ 1,532	\$ 1,142	\$ 1,494
Interest cost	12,093	15,225	14,591	2,437	2,986	2,899
Expected return on assets	(19,949)	(18,236)	(20,753)	(5,019)	(4,804)	(4,866)
Amortization of prior service credit	—	—	—	(1,398)	(1,398)	(1,394)
Recognized net actuarial loss	7,172	5,548	7,005	287	353	640
Net periodic benefit cost (credit), including amount capitalized	(684)	2,537	843	(2,161)	(1,721)	(1,227)
Less amount capitalized	—	—	—	156	113	153
Net periodic benefit cost (credit)	(684)	2,537	843	(2,317)	(1,834)	(1,380)
Other changes in plan assets and benefit obligations recognized in accumulated comprehensive loss:						
Net (gain) loss	934	(144)	991	(259)	(127)	(1,735)
Amortization of actuarial loss	(1,155)	(904)	(1,084)	(306)	(110)	(354)
Amortization of prior service (cost) credit	—	—	—	101	100	(220)
Total recognized in accumulated other comprehensive loss	(221)	(1,048)	(93)	(464)	(137)	(2,309)
Other changes in plan assets and benefit obligations recognized in regulatory assets or liabilities:						
Net (gain) loss	4,546	189	8,263	(3,793)	(8,168)	(732)
Amortization of actuarial gain (loss)	(6,017)	(4,644)	(5,921)	19	(242)	(286)
Amortization of prior service credit	—	—	—	1,297	1,297	1,614
Total recognized in regulatory assets or liabilities	(1,471)	(4,455)	2,342	(2,477)	(7,113)	596
Total recognized in net periodic benefit cost (credit), accumulated other comprehensive loss and regulatory assets or liabilities	\$ (2,376)	\$ (2,966)	\$ 3,092	\$ (5,258)	\$ (9,084)	\$ (3,093)

The estimated net loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive loss and regulatory assets or liabilities into net periodic benefit cost in 2021 is \$8.0 million. The estimated net loss and prior service credit for the other postretirement benefit plans that will be amortized from accumulated other comprehensive loss and regulatory assets or liabilities into net periodic benefit credit in 2021 are \$24,000 and \$1.4 million, respectively. Prior service credit is amortized on a straight-line basis over the average remaining service period of active participants.

Part II

Weighted average assumptions used to determine benefit obligations at December 31 were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2020	2019	2020	2019
Discount rate	2.30 %	2.96 %	2.30 %	3.00 %
Expected return on plan assets	6.00 %	6.25 %	5.50 %	5.75 %
Rate of compensation increase	N/A	N/A	3.00 %	3.00 %

Weighted average assumptions used to determine net periodic benefit cost (credit) for the years ended December 31 were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2020	2019	2020	2019
Discount rate	2.96 %	4.03 %	3.00 %	4.05 %
Expected return on plan assets	6.25 %	6.25 %	5.75 %	5.75 %
Rate of compensation increase	N/A	N/A	3.00 %	3.00 %

The expected rate of return on pension plan assets is based on a targeted asset allocation range determined by the funded ratio of the plan. As of December 31, 2020, the expected rate of return on pension plan assets is based on the targeted asset allocation range of 35 percent to 45 percent equity securities and 55 percent to 65 percent fixed-income securities and the expected rate of return from these asset categories. The expected rate of return on other postretirement plan assets is based on the targeted asset allocation range of 10 percent equity securities and 90 percent fixed-income securities and the expected rate of return from these asset categories. The expected return on plan assets for other postretirement benefits reflects insurance-related investment costs.

Health care rate assumptions for the Company's other postretirement benefit plans as of December 31 were as follows:

	2020	2019
Health care trend rate assumed for next year	7.0 %	7.1 %
Health care cost trend rate - ultimate	4.5 %	4.5 %
Year in which ultimate trend rate achieved	2031	2024

The Company's other postretirement benefit plans include health care and life insurance benefits for certain retirees. The plans underlying these benefits may require contributions by the retiree depending on such retiree's age and years of service at retirement or the date of retirement. The Company contributes a flat dollar amount to the monthly premiums which is updated annually on January 1.

Assumed health care cost trend rates may have a significant effect on the amounts reported for the health care plans. A one percentage point change in the assumed health care cost trend rates would have had the following effects at December 31, 2020:

		1 Percentage Point Increase		1 Percentage Point Decrease
(In thousands)				
Effect on total of service and interest cost components	\$	182	\$	(154)
Effect on postretirement benefit obligation	\$	3,846	\$	(3,304)

The Company does not expect to contribute to its defined benefit pension plans in 2021 due to an additional \$20.0 million contributed to the plans in 2019. The Company expects to contribute approximately \$500,000 to its postretirement benefit plans in 2021.

The following benefit payments, which reflect future service, as appropriate, and expected Medicare Part D subsidies at December 31, 2020, are as follows:

Years	Pension Benefits	Other Postretirement Benefits	Expected Medicare Part D Subsidy
	(In thousands)		
2021	\$ 24,455	\$ 5,404	\$ 95
2022	24,507	5,437	89
2023	24,733	5,424	83
2024	24,835	5,377	75
2025	24,713	5,277	70
2026-2030	119,191	25,949	252

Outside investment managers manage the Company's pension and postretirement assets. The Company's investment policy with respect to pension and other postretirement assets is to make investments solely in the interest of the participants and beneficiaries of the plans and for the exclusive purpose of providing benefits accrued and defraying the reasonable expenses of administration. The Company strives to maintain investment diversification to assist in minimizing the risk of large losses. The Company's policy guidelines allow for investment of funds in cash equivalents, fixed-income securities and equity securities. The guidelines prohibit investment in commodities and futures contracts, equity private placement, employer securities, leveraged or derivative securities, options, direct real estate investments, precious metals, venture capital and limited partnerships. The guidelines also prohibit short selling and margin transactions. The Company's practice is to periodically review and rebalance asset categories based on its targeted asset allocation percentage policy.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The fair value ASC establishes a hierarchy for grouping assets and liabilities, based on the significance of inputs. The estimated fair values of the Company's pension plans' assets are determined using the market approach.

The carrying value of the pension plans' Level 2 cash equivalents approximates fair value and is determined using observable inputs in active markets or the net asset value of shares held at year end, which is determined using other observable inputs including pricing from outside sources.

The estimated fair value of the pension plans' Level 1 and Level 2 equity securities are based on the closing price reported on the active market on which the individual securities are traded or other known sources including pricing from outside sources. The estimated fair value of the pension plans' Level 1 and Level 2 collective and mutual funds are based on the net asset value of shares held at year end, based on either published market quotations on active markets or other known sources including pricing from outside sources. The estimated fair value of the pension plans' Level 2 corporate and municipal bonds is determined using other observable inputs, including benchmark yields, reported trades, broker/dealer quotes, bids, offers, future cash flows and other reference data. The estimated fair value of the pension plans' Level 1 U.S. Government securities are valued based on quoted prices on an active market. The estimated fair value of the pension plans' Level 2 U.S. Government securities are valued mainly using other observable inputs, including benchmark yields, reported trades, broker/dealer quotes, bids, offers, to be announced prices, future cash flows and other reference data. Some of these securities are valued using pricing from outside sources.

All investments measured at net asset value in the tables that follow are invested in comingled funds, separate accounts or common collective trusts which do not have publicly quoted prices. The fair value of the comingled funds, separate accounts and common collective trusts are determined based on the net asset value of the underlying investments. The fair value of the underlying investments held by the comingled funds, separate accounts and common collective trusts is generally based on quoted prices in active markets.

Though the Company believes the methods used to estimate fair value are consistent with those used by other market participants, the use of other methods or assumptions could result in a different estimate of fair value.

The fair value of the Company's pension plans' assets (excluding cash) by class were as follows:

	Fair Value Measurements at December 31, 2020, Using			Balance at December 31, 2020
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	(In thousands)			
Assets:				
Cash equivalents	\$ —	\$ 7,841	\$ —	\$ 7,841
Equity securities:				
U.S. companies	12,844	—	—	12,844
International companies	—	1,727	—	1,727
Collective and mutual funds*	177,397	55,788	—	233,185
Corporate bonds	—	92,809	—	92,809
Municipal bonds	—	10,126	—	10,126
U.S. Government securities	11,177	2,695	—	13,872
Investments measured at net asset value	—	—	—	11,430
Total assets measured at fair value	\$ 201,418	\$ 170,986	\$ —	\$ 383,834

* Collective and mutual funds invest approximately 36 percent in corporate bonds, 24 percent in common stock of international companies, 18 percent in common stock of large-cap U.S. companies, 8 percent in cash equivalents, 5 percent in U.S. Government securities and 9 percent in other investments.

Part II

	Fair Value Measurements at December 31, 2019, Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		Balance at December 31, 2019
	(In thousands)				
Assets:					
Cash equivalents	\$ —	\$ 26,166	\$ —	\$	26,166
Equity securities:					
U.S. companies	14,457	—	—		14,457
International companies	—	938	—		938
Collective and mutual funds*	160,906	58,894	—		219,800
Corporate bonds	—	80,768	—		80,768
Municipal bonds	—	11,828	—		11,828
U.S. Government securities	7,296	2,082	—		9,378
Total assets measured at fair value	\$ 182,659	\$ 180,676	\$ —	\$	363,335

* Collective and mutual funds invest approximately 29 percent in common stock of international companies, 21 percent in common stock of large-cap U.S. companies, 18 percent in U.S. Government securities, 9 percent in corporate bonds, 6 percent in cash equivalents and 17 percent in other investments.

The estimated fair values of the Company's other postretirement benefit plans' assets are determined using the market approach.

The estimated fair value of the other postretirement benefit plans' Level 2 cash equivalents is valued at the net asset value of shares held at year end, based on published market quotations on active markets, or using other known sources including pricing from outside sources. The estimated fair value of the other postretirement benefit plans' Level 1 and Level 2 equity securities is based on the closing price reported on the active market on which the individual securities are traded or other known sources including pricing from outside sources. The estimated fair value of the other postretirement benefit plans' Level 2 insurance contract is based on contractual cash surrender values that are determined primarily by investments in managed separate accounts of the insurer. These amounts approximate fair value. The managed separate accounts are valued based on other observable inputs or corroborated market data.

Though the Company believes the methods used to estimate fair value are consistent with those used by other market participants, the use of other methods or assumptions could result in a different estimate of fair value.

The fair value of the Company's other postretirement benefit plans' assets (excluding cash) by asset class were as follows:

	Fair Value Measurements at December 31, 2020, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2020
(In thousands)				
Assets:				
Cash equivalents	\$ —	\$ 3,517	\$ —	\$ 3,517
Equity securities:				
U.S. companies	1,850	—	—	1,850
International companies	—	2	—	2
Collective and mutual funds (a)	10	147	—	157
Insurance contract (b)	—	96,103	—	96,103
Investments measured at net asset value	—	—	—	10
Total assets measured at fair value	\$ 1,860	\$ 99,769	\$ —	\$ 101,639

(a) Collective and mutual funds invest approximately 36 percent in corporate bonds, 24 percent in common stock of international companies, 18 percent in common stock of large-cap U.S. companies, 8 percent in cash equivalents, 5 percent in U.S. Government securities and 9 percent in other investments.

(b) The insurance contract invests approximately 67 percent in corporate bonds, 12 percent in U.S. Government securities, 10 percent in common stock of large-cap U.S. companies, 4 percent in common stock of small-cap U.S. companies, 1 percent in cash equivalents and 6 percent in other investments.

	Fair Value Measurements at December 31, 2019, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2019
	(In thousands)			
Assets:				
Cash equivalents	\$ —	\$ 4,017	\$ —	\$ 4,017
Equity securities:				
U.S. companies	2,073	—	—	2,073
International companies	—	1	—	1
Collective and mutual funds (a)	10	221	—	231
Insurance contract (b)	—	88,265	—	88,265
Total assets measured at fair value	\$ 2,083	\$ 92,504	\$ —	\$ 94,587

- (a) Collective and mutual funds invest approximately 29 percent in common stock of international companies, 21 percent in common stock of large-cap U.S. companies, 18 percent in U.S. Government securities, 9 percent in corporate bonds, 6 percent in cash equivalents and 17 percent in other investments.
- (b) The insurance contract invests approximately 50 percent in corporate bonds, 25 percent in common stock of large-cap U.S. companies, 7 percent in U.S. Government securities, 7 percent in common stock of small-cap U.S. companies and 11 percent in other investments.

Nonqualified benefit plans

In addition to the qualified defined benefit pension plans reflected in the table at the beginning of this note, the Company also has unfunded, nonqualified defined benefit plans for executive officers and certain key management employees that generally provide for defined benefit payments at age 65 following the employee's retirement or, upon death, to their beneficiaries for a 15-year period. In February 2016, the Company froze the unfunded, nonqualified defined benefit plans to new participants and eliminated benefit increases. Vesting for participants not fully vested was retained.

The projected benefit obligation and accumulated benefit obligation for these plans at December 31 were as follows:

	2020	2019
	(In thousands)	
Projected benefit obligation	\$ 101,242	\$ 99,245
Accumulated benefit obligation	\$ 101,242	\$ 99,245

The components of net periodic benefit cost are included in other income on the Consolidated Statements of Income. These components related to the Company's nonqualified defined benefit plans for the years ended December 31 were as follows:

	2020	2019	2018
	(In thousands)		
Components of net periodic benefit cost:			
Service cost	\$ 58	\$ 109	\$ 185
Interest cost	2,606	3,473	3,157
Recognized net actuarial loss	1,192	764	1,047
Net periodic benefit cost	\$ 3,856	\$ 4,346	\$ 4,389

Weighted average assumptions used at December 31 were as follows:

	2020	2019
Benefit obligation discount rate	1.97 %	2.73 %
Benefit obligation rate of compensation increase	N/A	N/A
Net periodic benefit cost discount rate	2.73 %	3.86 %
Net periodic benefit cost rate of compensation increase	N/A	N/A

The amount of future benefit payments for the unfunded, nonqualified defined benefit plans at December 31, 2020, are expected to aggregate as follows:

	2021	2022	2023	2024	2025	2026-2030
	(In thousands)					
Nonqualified benefits	\$ 7,693	\$ 6,957	\$ 6,933	\$ 7,299	\$ 7,253	\$ 33,938

Part II

In 2012, the Company established a nonqualified defined contribution plan for certain key management employees. In 2020, the plan was frozen to new participants and no new Company contributions will be made to the plan after December 31, 2020. A new plan was adopted in 2020 to replace the plan originally established in 2012 with similar provisions. Vesting for participants not fully vested was retained. Expenses incurred under this plan for 2020, 2019 and 2018 were \$1.8 million, \$1.6 million and \$597,000, respectively.

The amount of investments that the Company anticipates using to satisfy obligations under these plans at December 31 was as follows:

	2020	2019
	(In thousands)	
Investments		
Insurance contract*	\$ 100,104	\$ 87,009
Life insurance**	39,779	38,659
Other	8,917	8,450
Total investments	\$ 148,800	\$ 134,118

* For more information on the insurance contract, see Note 8.
** Investments of life insurance are carried on plan participants (payable upon the employee's death).

Defined contribution plans

The Company sponsors various defined contribution plans for eligible employees and the costs incurred under these plans were \$50.1 million in 2020, \$51.8 million in 2019 and \$42.4 million in 2018.

Multiemployer plans

The Company contributes to a number of MEPPs under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the MEPP by one employer may be used to provide benefits to employees of other participating employers
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers
- If the Company chooses to stop participating in some of its MEPPs, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability

The Company's participation in these plans is outlined in the following table. Unless otherwise noted, the most recent Pension Protection Act zone status available in 2020 and 2019 is for the plan's year-end at December 31, 2019, and December 31, 2018, respectively. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are between 65 percent and 80 percent funded, and plans in the green zone are at least 80 percent funded.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Contributions			Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		2020	2019		2020	2019	2018		
		(In thousands)							
Alaska Laborers-Employers Retirement Fund	91-6028298-001	Yellow as of 6/30/2020	Yellow as of 6/30/2019	Implemented	\$ 828	\$ 815	\$ 732	No	12/31/2020
Construction Industry and Laborers Joint Pension Trust for So Nevada, Plan A	88-0135695-001	Red	Red	Implemented	515	544	346	No	6/30/2023
Edison Pension Plan	93-6061681-001	Green	Green	No	16,121	12,252	12,111	No	12/31/2021
IBEW Local 212 Pension Trust	31-6127280-001	Green as of 4/30/2020	Green as of 4/30/2019	No	1,521	1,110	1,341	No	6/1/2025
IBEW Local 357 Pension Plan A	88-6023284-001	Green	Green	No	9,913	10,162	3,460	No	5/31/2021
IBEW Local 38 Pension Plan	34-6574238-001	Red as of 4/30/2020	Yellow as of 4/30/2019	Implemented	140	158	116	No	4/23/2023
IBEW Local 648 Pension Plan	31-6134845-001	Yellow as of 2/28/2020	Yellow as of 2/28/2019	Implemented	526	728	2,175	No	8/29/2021
IBEW Local 82 Pension Plan	31-6127268-001	Green as of 6/30/2020	Green as of 6/30/2019	No	1,373	1,662	1,569	No	12/3/2023
Idaho Plumbers and Pipefitters Pension Plan	82-6010346-001	Green as of 5/31/2020	Green as of 5/31/2019	No	1,370	1,307	1,247	No	3/31/2023
Minnesota Teamsters Construction Division Pension Fund	41-6187751-001	Green as of 11/30/2019	Green as of 11/30/2018	No	663	673	740	No	4/30/2021
National Automatic Sprinkler Industry Pension Fund	52-6054620-001	Red	Red	Implemented	954	1,074	738	No	3/31/2021-7/31/2024
National Electrical Benefit Fund	53-0181657-001	Green	Green	No	14,484	12,679	8,468	No	12/31/2021-8/30/2025
Pension Trust Fund for Operating Engineers	94-6090764-001	Yellow	Yellow	Implemented	2,680	2,598	2,403	No	6/15/2022-6/30/2023
Sheet Metal Workers Pension Plan of Southern CA, AZ, and NV	95-6052257-001	Yellow	Yellow	Implemented	3,255	2,119	1,774	No	6/30/2024
Southwest Marine Pension Trust	95-6123404-001	Red	Red	Implemented	170	132	81	No	1/31/2024
Other funds					30,931	24,512	21,421		
Total contributions					\$ 85,444	\$ 72,525	\$ 58,722		

* Plan includes contributions required by collective bargaining agreements which have expired, but contain provisions automatically renewing their terms in the absence of a subsequent negotiated agreement.

Part II

The Company was listed in the plans' Forms 5500 as providing more than 5 percent of the total contributions for the following plans and plan years:

Pension Fund	Year Contributions to Plan Exceeded More Than 5 Percent of Total Contributions (as of December 31 of the Plan's Year-End)
Edison Pension Plan	2019 and 2018
IBEW Local 82 Pension Plan	2019 and 2018
IBEW Local 124 Pension Trust Fund	2019 and 2018
IBEW Local 212 Pension Trust Fund	2019 and 2018
IBEW Local 357 Pension Plan A	2019 and 2018
IBEW Local 648 Pension Plan	2019 and 2018
IBEW Local 683 Pension Fund Pension Plan	2019
IBEW Local Union No 226 Open End Pension Fund	2019 and 2018
Idaho Plumbers and Pipefitters Pension Plan	2019 and 2018
International Union of Operating Engineers Local 701 Pension Trust Fund	2019 and 2018
Minnesota Teamsters Construction Division Pension Fund	2019 and 2018
Pension and Retirement Plan of Plumbers and Pipefitters Local 525	2019 and 2018

The Company also contributes to a number of multiemployer other postretirement plans under the terms of collective-bargaining agreements that cover its union-represented employees. These plans provide benefits such as health insurance, disability insurance and life insurance to retired union employees. Many of the multiemployer other postretirement plans are combined with active multiemployer health and welfare plans. The Company's total contributions to its multiemployer other postretirement plans, which also includes contributions to active multiemployer health and welfare plans, were \$63.8 million, \$59.5 million and \$51.9 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Amounts contributed in 2020, 2019 and 2018 to defined contribution multiemployer plans were \$54.2 million, \$49.2 million and \$31.1 million, respectively.

Note 19 - Jointly Owned Facilities

The consolidated financial statements include the Company's ownership interests in three coal-fired electric generating facilities (Big Stone Station, Coyote Station and Wygen III) and one major transmission line (BSSE). Each owner of the jointly owned facilities is responsible for financing its investment. The Company's share of the jointly owned facilities operating expenses was reflected in the appropriate categories of operating expenses (electric fuel and purchased power; operation and maintenance; and taxes, other than income) in the Consolidated Statements of Income.

At December 31, the Company's share of the cost of utility plant in service, construction work in progress and related accumulated depreciation for the jointly owned facilities was as follows:

	Ownership Percentage	2020	2019
(In thousands)			
Big Stone Station:	22.7 %		
Utility plant in service	\$	155,967	\$ 152,836
Construction work in progress		104	518
Less accumulated depreciation		45,435	46,266
	\$	110,636	\$ 107,088
BSSE:	50.0 %		
Utility plant in service	\$	107,442	\$ 105,767
Construction work in progress		—	—
Less accumulated depreciation		2,682	1,232
	\$	104,760	\$ 104,535
Coyote Station:	25.0 %		
Utility plant in service	\$	159,784	\$ 160,235
Construction work in progress		323	21
Less accumulated depreciation		108,852	107,638
	\$	51,255	\$ 52,618
Wygen III:	25.0 %		
Utility plant in service	\$	66,101	\$ 67,869
Construction work in progress		232	112
Less accumulated depreciation		10,038	10,482
	\$	56,295	\$ 57,499

Note 20 - Regulatory Matters

The Company regularly reviews the need for electric and natural gas rate changes in each of the jurisdictions in which service is provided. The Company files for rate adjustments to seek recovery of operating costs and capital investments, as well as reasonable returns as allowed by regulators. Certain regulatory proceedings and cases may also contain recurring mechanisms that can have an annual true-up. Examples of these recurring mechanisms include: infrastructure riders, transmission trackers, renewable resource cost adjustment riders, as well as weather normalization and decoupling mechanisms. The following paragraphs summarize the Company's significant regulatory proceedings and cases by jurisdiction, including the status of each open request. The Company is unable to predict the ultimate outcome of these matters, the timing of final decisions of the various regulators and courts, or the effect on the Company's results of operations, financial position or cash flows.

MNPUC

On September 27, 2019, Great Plains filed an application with the MNPUC for a natural gas rate increase of approximately \$2.9 million annually or approximately 12.0 percent above current rates. The requested increase was primarily to recover investments in facilities to enhance safety and reliability and the depreciation and taxes associated with the increase in investment. On November 22, 2019, Great Plains received approval to implement an interim rate increase of approximately \$2.6 million or approximately 11.0 percent, subject to refund, effective January 1, 2020. On October 26, 2020, the MNPUC issued an order authorizing an annual increase in revenues of approximately \$2.6 million or approximately 11.5 percent. This matter is pending before the MNPUC.

MTPSC

On May 8, 2020, Montana-Dakota filed a request with the MTPSC to use deferred accounting for costs related to the COVID-19 pandemic. The filing was withdrawn by Montana-Dakota on January 25, 2021.

On June 22, 2020, Montana-Dakota filed an application with the MTPSC for a natural gas rate increase of approximately \$8.6 million annually or approximately 13.4 percent above current rates. The requested increase was primarily to recover investments in facilities that were made to enhance system safety and reliability, as well as the depreciation, taxes and operation and maintenance costs associated with this increase in investment. On January 14, 2021, Montana-Dakota received approval to implement an interim rate increase of approximately \$4.9 million or approximately 7.7 percent, subject to refund, effective February 1, 2021. On February 1, 2021, Montana-Dakota filed a stipulation and settlement agreement with the MTPSC reflecting an updated increase of approximately \$7.3 million annually or approximately 11.4 percent above current rates. On February 16, 2021, the MTPSC approved the settlement with rates effective on or after March 15, 2021.

NDPSC

On April 24, 2020, Montana-Dakota filed a request with the NDPSC to use deferred accounting for costs related to the COVID-19 pandemic. On February 3, 2021, the NDPSC approved this request with an accounting order to track expenses and revenues related to the COVID-19 pandemic. This order had an effective date of April 24, 2020.

On August 26, 2020, Montana-Dakota filed an application with the NDPSC for a natural gas rate increase of approximately \$9.0 million annually or approximately 7.8 percent above current rates. The requested increase was primarily to recover investments in facilities to enhance system safety and reliability and the depreciation and taxes associated with the increase in investment. On December 16, 2020, Montana-Dakota received approval to implement an interim rate increase of approximately \$6.9 million or approximately 6.0 percent, subject to refund, effective January 1, 2021. A hearing is scheduled for March 17, 2021. This matter is pending before the NDPSC.

Montana-Dakota has a renewable resource cost adjustment rate tariff that allows for annual adjustments for recent projected capital costs and related expenses for projects determined to be recoverable under the tariff. On November 2, 2020, Montana-Dakota filed an annual update to its renewable resource cost adjustment requesting to recover a revised revenue requirement of approximately \$14.4 million annually, not including the prior period true-up adjustment. The update reflects a decrease of approximately \$300,000 from the revenues currently included in rates. On January 6, 2021, the NDPSC approved the increase with rates effective February 1, 2021.

OPUC

On March 31, 2020, Cascade filed a natural gas general rate case with the OPUC requesting an increase in annual revenue of approximately \$4.9 million or approximately 7.2 percent, which included a request for an additional recovery of environmental remediation deferred costs of approximately \$364,000. On September 30, 2020, Cascade filed a settlement agreement with the OPUC reflecting an annual increase in revenues of approximately \$3.2 million or approximately 4.8 percent. On January 6, 2021, the filing was approved with rates effective February 1, 2021. On January 21, 2021, Cascade submitted a compliance filing using final costs for plant additions which resulted in a final increase in revenues of approximately \$2.9 million or approximately 4.3 percent.

WUTC

On May 27, 2020, Cascade filed a request with the WUTC to use deferred accounting for costs related to the COVID-19 pandemic. On December 10, 2020, the WUTC approved this request.

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On June 19, 2020, Cascade filed an application with the WUTC for a natural gas rate increase of approximately \$13.8 million annually or approximately 5.3 percent above current rates. The requested increase was primarily to recover investments made in infrastructure upgrades, as well as increased operation and maintenance costs. Cascade updated its filing on July 24, 2020, to approximately \$14.3 million annually or approximately 5.5 percent. Cascade filed a rebuttal case on January 8, 2021, supporting an increase of approximately \$7.4 million annually or approximately 2.8 percent. The revised revenue within the rebuttal case reflects several adjustments including depreciation, reduction to return on equity, delays on certain projects, adjustments to income taxes and updates to wages. The WUTC has 11 months to render a final decision on the rate case. A hearing is scheduled for February 24, 2021. This matter is pending before the WUTC.

FERC

On September 1, 2020, Montana-Dakota filed an update to its transmission formula rate under the MISO tariff for its multi-value project for \$12.9 million, which is effective January 1, 2021.

Note 21 - Commitments and Contingencies

The Company is party to claims and lawsuits arising out of its business and that of its consolidated subsidiaries, which may include, but are not limited to, matters involving property damage, personal injury, and environmental, contractual, statutory and regulatory obligations. The Company accrues a liability for those contingencies when the incurrence of a loss is probable and the amount can be reasonably estimated. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the minimum of the range is accrued. The Company does not accrue liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated or when the liability is believed to be only reasonably possible or remote. For contingencies where an unfavorable outcome is probable or reasonably possible and which are material, the Company discloses the nature of the contingency and, in some circumstances, an estimate of the possible loss. Accruals are based on the best information available, but in certain situations management is unable to estimate an amount or range of a reasonably possible loss including, but not limited to when: (1) the damages are unsubstantiated or indeterminate, (2) the proceedings are in the early stages, (3) numerous parties are involved, or (4) the matter involves novel or unsettled legal theories.

At December 31, 2020 and 2019, the Company accrued liabilities which have not been discounted, including liabilities held for sale, of \$41.5 million and \$29.1 million, respectively. At December 31, 2020 and 2019, the Company also recorded corresponding insurance receivables of \$17.5 million and \$16.2 million, respectively, and regulatory assets of \$21.3 million and \$10.5 million, respectively, related to the accrued liabilities. The accruals are for contingencies, including litigation, production taxes, royalty claims and environmental matters. This includes amounts that have been accrued for matters discussed in Environmental matters within this note. The Company will continue to monitor each matter and adjust accruals as might be warranted based on new information and further developments. Management believes that the outcomes with respect to probable and reasonably possible losses in excess of the amounts accrued, net of insurance recoveries, while uncertain, either cannot be estimated or will not have a material effect upon the Company's financial position, results of operations or cash flows. Unless otherwise required by GAAP, legal costs are expensed as they are incurred.

Environmental matters

Portland Harbor Site In December 2000, Knife River - Northwest was named by the EPA as a PRP in connection with the cleanup of the riverbed site adjacent to a commercial property site acquired by Knife River - Northwest from Georgia-Pacific West, Inc. along the Willamette River. The riverbed site is part of the Portland, Oregon, Harbor Superfund Site where the EPA wants responsible parties to share in the costs of cleanup. To date, costs of the overall remedial investigation and feasibility study of the harbor site are being recorded, and initially paid, through an administrative consent order by the LWG. Investigative costs are indicated to be in excess of \$100 million. The EPA issued an ROD in January 2017 adopting a selected remedy which is expected to take 13 years to complete with a then estimated present value of approximately \$1 billion. Corrective action will not be taken until remedial design/remedial action plans are approved by the EPA. Knife River - Northwest was also notified that the Portland Harbor Natural Resource Trustee Council intends to perform an injury assessment to natural resources resulting from the release of hazardous substances at the Harbor Superfund Site. It is not possible to estimate the costs of natural resource damages until an assessment is completed and allocations are undertaken.

At this time, Knife River - Northwest does not believe it is a responsible party and has notified Georgia-Pacific West, Inc., that it intends to seek indemnity for liabilities incurred in relation to the above matters pursuant to the terms of their sale agreement. Knife River - Northwest has entered into an agreement tolling the statute of limitations in connection with the LWG's potential claim for contribution to the costs of the remedial investigation and feasibility study. LWG has stated its intent to file suit against Knife River - Northwest and others to recover LWG's investigation costs to the extent Knife River - Northwest cannot demonstrate its non-liability for the contamination or is unwilling to participate in an alternative dispute resolution process that has been established to address the matter. At this time, Knife River - Northwest has agreed to participate in the alternative dispute resolution process.

The Company believes it is not probable that it will incur any material environmental remediation costs or damages in relation to the above referenced matter.

Manufactured Gas Plant Sites Claims have been made against Cascade for cleanup of environmental contamination at manufactured gas plant sites operated by Cascade's predecessors and a similar claim has been made against Montana-Dakota for a site operated by Montana-Dakota and its predecessors. Any accruals related to these claims are reflected in regulatory assets. For more information, see Note 6.

Demand has been made of Montana-Dakota to participate in investigation and remediation of environmental contamination at a site in Missoula, Montana. The site operated as a former manufactured gas plant from approximately 1907 to 1938 when it was converted to a butane-air plant that operated until 1956. Montana-Dakota or its predecessors owned or controlled the site for a period of the time it operated as a manufactured gas plant and Montana-Dakota operated the butane-air plant from 1940 to 1951, at which time it sold the plant. There are no documented wastes or by-products resulting from the mixing or distribution of butane-air gas. Preliminary assessment of a portion of the site provided a recommended remedial alternative for that portion of approximately \$560,000. However, the recommended remediation would not address any potential contamination to adjacent parcels that may be impacted by contamination from the manufactured gas plant. An environmental assessment was started in 2020, which is estimated to cost approximately \$800,000. Montana-Dakota and another party agreed to voluntarily investigate and remediate the site and that Montana-Dakota will pay two-thirds of the costs for further investigation and remediation of the site. Montana-Dakota has accrued costs of \$800,000 for the remediation and investigation costs, and has incurred costs of \$130,000 as of December 31, 2020. Montana-Dakota received notice from a prior insurance carrier that it will participate in payment of defense costs incurred in relation to the claim.

A claim was made against Cascade for contamination at the Bremerton Gasworks Superfund Site in Bremerton, Washington, which was received in 1997. A preliminary investigation has found soil and groundwater at the site contain contaminants requiring further investigation and cleanup. The EPA conducted a Targeted Brownfields Assessment of the site and released a report summarizing the results of that assessment in August 2009. The assessment confirmed that contaminants have affected soil and groundwater at the site, as well as sediments in the adjacent Port Washington Narrows. In April 2010, the Washington DOE issued notice it considered Cascade a PRP for hazardous substances at the site. In May 2012, the EPA added the site to the National Priorities List of Superfund sites. Cascade entered into an administrative settlement agreement and consent order with the EPA regarding the scope and schedule for a remedial investigation and feasibility study for the site. Current estimates for the cost to complete the remedial investigation and feasibility study are approximately \$7.6 million of which \$5.0 million has been incurred as of December 31, 2020. Based on the site investigation, preliminary remediation alternative costs were provided by consultants in August 2020; therefore, the accrual for these costs was increased in the third quarter of 2020 by \$11.1 million. The preliminary information received through the completion of the data report allowed for the projection of possible costs for a variety of site configurations, remedial measures and potential natural resource damage claims of between \$13.6 million and \$71.0 million. At December 31, 2020, Cascade has accrued \$2.6 million for the remedial investigation and feasibility study, as well as \$17.5 million for remediation of this site. The accrual for remediation cost will be reviewed and adjusted, if necessary, after the completion of the feasibility study. In April 2010, Cascade filed a petition with the WUTC for authority to defer the costs incurred in relation to the environmental remediation of this site. The WUTC approved the petition in September 2010, subject to conditions set forth in the order.

A claim was made against Cascade for contamination at a site in Bellingham, Washington. Cascade received notice from a party in May 2008 that Cascade may be a PRP, along with other parties, for contamination from a manufactured gas plant owned by Cascade and its predecessor from about 1946 to 1962. Other PRPs reached an agreed order and work plan with the Washington DOE for completion of a remedial investigation and feasibility study for the site. A feasibility study prepared for one of the PRPs in March 2018 identifies five cleanup action alternatives for the site with estimated costs ranging from \$8.0 million to \$20.4 million with a selected preferred alternative having an estimated total cost of \$9.3 million. The other PRPs will develop a cleanup action plan and, after public review of the cleanup action plan, develop design documents. Cascade believes its proportional share of any liability will be relatively small in comparison to other PRPs. The plant manufactured gas from coal between approximately 1890 and 1946. In 1946, shortly after Cascade's predecessor acquired the plant, the plant converted to a propane-air gas facility. There are no documented wastes or by-products resulting from the mixing or distribution of propane-air gas. Cascade has recorded an accrual for this site for an amount that is not material.

The Company has received notices from and entered into agreement with certain of its insurance carriers that they will participate in defense for certain contamination claims subject to full and complete reservations of rights and defenses to insurance coverage. To the extent these claims are not covered by insurance, the Company intends to seek recovery of remediation costs through its natural gas rates charged to customers.

Purchase commitments

The Company has entered into various commitments largely consisting of contracts for natural gas and coal supply; purchased power; natural gas transportation and storage; royalties; information technology; and construction materials. Certain of these contracts are subject to variability in volume and price. The commitment terms vary in length, up to 39 years. The commitments under these contracts as of December 31, 2020, were:

	2021	2022	2023	2024	2025	Thereafter
	(In thousands)					
Purchase commitments	\$ 458,397	\$ 235,858	\$ 173,306	\$ 124,724	\$ 98,894	\$ 691,613

These commitments were not reflected in the Company's consolidated financial statements. Amounts purchased under various commitments for the years ended December 31, 2020, 2019 and 2018, were \$666.0 million, \$686.5 million and \$548.0 million, respectively.

Guarantees

In 2009, multiple sale agreements were signed to sell the Company's ownership interests in the Brazilian Transmission Lines. In connection with the sale, Centennial agreed to guarantee payment of any indemnity obligations of certain of the Company's indirect wholly owned subsidiaries. The

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remaining guarantee is expected to expire in 2021. The guarantees were required by the buyers as a condition to the sale of the Brazilian Transmission Lines.

Certain subsidiaries of the Company have outstanding guarantees to third parties that guarantee the performance of other subsidiaries of the Company. These guarantees are related to construction contracts, insurance deductibles and loss limits, and certain other guarantees. At December 31, 2020, the fixed maximum amounts guaranteed under these agreements aggregated \$212.4 million. Certain of the guarantees also have no fixed maximum amounts specified. The amounts of scheduled expiration of the maximum amounts guaranteed under these agreements aggregate to \$178.6 million in 2021; \$16.1 million in 2022; \$7.0 million in 2023; \$500,000 in 2024; \$500,000 in 2025; \$700,000 thereafter; and \$9.0 million, which has no scheduled maturity date. There were no amounts outstanding under the previously mentioned guarantees at December 31, 2020. In the event of default under these guarantee obligations, the subsidiary issuing the guarantee for that particular obligation would be required to make payments under its guarantee.

Certain subsidiaries have outstanding letters of credit to third parties related to insurance policies and other agreements, some of which are guaranteed by other subsidiaries of the Company. At December 31, 2020, the fixed maximum amounts guaranteed under these letters of credit aggregated \$22.7 million. The amounts of scheduled expiration of the maximum amounts guaranteed under these letters of credit aggregate to \$22.2 million in 2021 and \$500,000 in 2022. There were no amounts outstanding under the previously mentioned letters of credit at December 31, 2020. In the event of default under these letter of credit obligations, the subsidiary guaranteeing the letter of credit would be obligated for reimbursement of payments made under the letter of credit.

In addition, Centennial, Knife River and MDU Construction Services have issued guarantees to third parties related to the routine purchase of maintenance items, materials and lease obligations for which no fixed maximum amounts have been specified. These guarantees have no scheduled maturity date. In the event a subsidiary of the Company defaults under these obligations, Centennial, Knife River or MDU Construction Services would be required to make payments under these guarantees. Any amounts outstanding by subsidiaries of the Company were reflected on the Consolidated Balance Sheet at December 31, 2020.

In the normal course of business, Centennial has surety bonds related to construction contracts and reclamation obligations of its subsidiaries. In the event a subsidiary of Centennial does not fulfill a bonded obligation, Centennial would be responsible to the surety bond company for completion of the bonded contract or obligation. A large portion of the surety bonds is expected to expire within the next 12 months; however, Centennial will likely continue to enter into surety bonds for its subsidiaries in the future. At December 31, 2020, approximately \$953.9 million of surety bonds were outstanding, which were not reflected on the Consolidated Balance Sheet.

Variable interest entities

The Company evaluates its arrangements and contracts with other entities to determine if they are VIEs and if so, if the Company is the primary beneficiary.

Fuel Contract Coyote Station entered into a coal supply agreement with Coyote Creek that provides for the purchase of coal necessary to supply the coal requirements of the Coyote Station for the period May 2016 through December 2040. Coal purchased under the coal supply agreement is reflected in inventories on the Consolidated Balance Sheets and is recovered from customers as a component of electric fuel and purchased power.

The coal supply agreement creates a variable interest in Coyote Creek due to the transfer of all operating and economic risk to the Coyote Station owners, as the agreement is structured so that the price of the coal will cover all costs of operations, as well as future reclamation costs. The Coyote Station owners are also providing a guarantee of the value of the assets of Coyote Creek as they would be required to buy the assets at book value should they terminate the contract prior to the end of the contract term and are providing a guarantee of the value of the equity of Coyote Creek in that they are required to buy the entity at the end of the contract term at equity value. Although the Company has determined that Coyote Creek is a VIE, the Company has concluded that it is not the primary beneficiary of Coyote Creek because the authority to direct the activities of the entity is shared by the four unrelated owners of the Coyote Station, with no primary beneficiary existing. As a result, Coyote Creek is not required to be consolidated in the Company's financial statements.

At December 31, 2020, the Company's exposure to loss as a result of the Company's involvement with the VIE, based on the Company's ownership percentage, was \$33.7 million.

Supplementary Financial Information

Quarterly Data (Unaudited)

The following unaudited information shows selected items by quarter for the years 2020 and 2019:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(In thousands, except per share amounts)				
2020				
Operating revenues	\$ 1,197,373	\$ 1,362,928	\$ 1,587,289	\$ 1,385,160
Operating expenses	1,140,303	1,224,674	1,383,578	1,239,270
Operating income	57,070	138,254	203,711	145,890
Income from continuing operations	25,539	99,842	153,015	112,131
Income (loss) from discontinued operations, net of tax	(409)	(139)	63	163
Net income	25,130	99,703	153,078	112,294
Earnings per share - basic:				
Income from continuing operations	.13	.50	.76	.56
Discontinued operations, net of tax	—	—	—	—
Earnings per share - basic	.13	.50	.76	.56
Earnings per share - diluted:				
Income from continuing operations	.13	.50	.76	.56
Discontinued operations, net of tax	—	—	—	—
Earnings per share - diluted	.13	.50	.76	.56
Weighted average common shares outstanding:				
Basic	200,440	200,522	200,522	200,522
Diluted	200,456	200,539	200,619	200,923
2019				
Operating revenues	\$ 1,091,191	\$ 1,303,573	\$ 1,563,799	\$ 1,378,213
Operating expenses	1,026,973	1,206,262	1,374,329	1,247,992
Operating income	64,218	97,311	189,470	130,221
Income from continuing operations	41,089	63,145	136,128	94,804
Income (loss) from discontinued operations, net of tax	(163)	(1,320)	1,509	261
Net income	40,926	61,825	137,637	95,065
Earnings per share - basic:				
Income from continuing operations	.21	.32	.68	.47
Discontinued operations, net of tax	—	(.01)	.01	—
Earnings per share - basic	.21	.31	.69	.47
Earnings per share - diluted:				
Income from continuing operations	.21	.32	.68	.47
Discontinued operations, net of tax	—	(.01)	.01	—
Earnings per share - diluted	.21	.31	.69	.47
Weighted average common shares outstanding:				
Basic	196,401	198,270	199,343	200,383
Diluted	196,414	198,287	199,383	200,478

Certain operations of the Company are highly seasonal and revenues from and certain expenses for such operations may fluctuate significantly among quarterly periods. Accordingly, quarterly financial information may not be indicative of results for a full year.

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Definitions

The following abbreviations and acronyms used in Notes to Consolidated Financial Statements are defined below:

Abbreviation or Acronym

AFUDC	Allowance for funds used during construction
ASC	FASB Accounting Standards Codification
ASU	FASB Accounting Standards Update
Big Stone Station	475-MW coal-fired electric generating facility near Big Stone City, South Dakota (22.7 percent ownership)
Brazilian Transmission Lines	Company's former investment in companies owning three electric transmission lines in Brazil
BSSE	345-kilovolt transmission line from Ellendale, North Dakota, to Big Stone City, South Dakota (50 percent ownership)
Btu	British thermal unit
Cascade	Cascade Natural Gas Corporation, an indirect wholly owned subsidiary of MDU Energy Capital
Centennial	Centennial Energy Holdings, Inc., a direct wholly owned subsidiary of the Company
Centennial Capital	Centennial Holdings Capital LLC, a direct wholly owned subsidiary of Centennial
Centennial's Consolidated EBITDA	Centennial's consolidated net income from continuing operations plus the related interest expense, taxes, depreciation, depletion, amortization of intangibles and any non-cash charge relating to asset impairment for the preceding 12-month period
Centennial Resources Company	Centennial Energy Resources LLC, a direct wholly owned subsidiary of Centennial MDU Resources Group, Inc. (formerly known as MDUR Newco), which, as the context requires, refers to the previous MDU Resources Group, Inc. prior to January 1, 2019, and the new holding company of the same name after January 1, 2019
COVID-19	Coronavirus disease 2019
Coyote Creek	Coyote Creek Mining Company, LLC, a subsidiary of The North American Coal Corporation
Coyote Station	427-MW coal-fired electric generating facility near Beulah, North Dakota (25 percent ownership)
Dakota Prairie Refining	Dakota Prairie Refining, LLC, a limited liability company previously owned by WBI Energy and Calumet Specialty Products Partners, L.P. (previously included in the Company's refining segment)
EBITDA	Earnings before interest, taxes, depreciation, depletion and amortization
EIN	Employer Identification Number
EPA	United States Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Fidelity	Fidelity Exploration & Production Company, a direct wholly owned subsidiary of WBI Holdings (previously referred to as the Company's exploration and production segment)
FIP	Funding improvement plan
GAAP	Accounting principles generally accepted in the United States of America
Great Plains	Great Plains Natural Gas Co., a public utility division of the Company prior to the closing of the Holding Company Reorganization and a public utility division of Montana-Dakota as of January 1, 2019
Holding Company Reorganization	The internal holding company reorganization completed on January 1, 2019, pursuant to the agreement and plan of merger, dated as of December 31, 2018, by and among Montana-Dakota, the Company and MDUR Newco Sub, which resulted in the Company becoming a holding company and owning all of the outstanding capital stock of Montana-Dakota.
IBEW	International Brotherhood of Electrical Workers
Intermountain	Intermountain Gas Company, an indirect wholly owned subsidiary of MDU Energy Capital
Knife River	Knife River Corporation, a direct wholly owned subsidiary of Centennial
Knife River - Northwest	Knife River Corporation - Northwest, an indirect wholly owned subsidiary of Knife River
K-Plan	Company's 401(k) Retirement Plan
LIBOR	London Inter-bank Offered Rate
LWG	Lower Willamette Group
MDU Construction Services	MDU Construction Services Group, Inc., a direct wholly owned subsidiary of Centennial
MDU Energy Capital	MDU Energy Capital, LLC, a direct wholly owned subsidiary of the Company
MDUR Newco	MDUR Newco, Inc., a public holding company created by implementing the Holding Company Reorganization, now known as the Company
MDUR Newco Sub	MDUR Newco Sub, Inc., a direct, wholly owned subsidiary of MDUR Newco, which was merged with and into Montana-Dakota in the Holding Company Reorganization

MEPP	Multiemployer pension plan
MISO	Midcontinent Independent System Operator, Inc.
MMBtu	Million Btu
MNPUC	Minnesota Public Utilities Commission
Montana-Dakota	Montana-Dakota Utilities Co. (formerly known as MDU Resources Group, Inc.), a public utility division of the Company prior to the closing of the Holding Company Reorganization and a direct wholly owned subsidiary of MDU Energy Capital as of January 1, 2019
MTPSC	Montana Public Service Commission
MW	Megawatt
NDPSC	North Dakota Public Service Commission
OPUC	Oregon Public Utility Commission
PRP	Potentially Responsible Party
ROD	Record of Decision
RP	Rehabilitation plan
SDPUC	South Dakota Public Utilities Commission
SEC	United States Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
SOFR	Secured Overnight Financing Rate
TCJA	Tax Cuts and Jobs Act
VIE	Variable interest entity
Washington DOE	Washington State Department of Ecology
WBI Energy Transmission	WBI Energy Transmission, Inc., an indirect wholly owned subsidiary of WBI Holdings
WBI Holdings	WBI Holdings, Inc., a direct wholly owned subsidiary of Centennial
WUTC	Washington Utilities and Transportation Commission
Wygen III	100-MW coal-fired electric generating facility near Gillette, Wyoming (25 percent ownership)
WYPSC	Wyoming Public Service Commission

Part II

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

The following information includes the evaluation of disclosure controls and procedures by the Company's chief executive officer and the chief financial officer, along with any significant changes in internal controls of the Company.

Evaluation of Disclosure Controls and Procedures

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. The Company's disclosure controls and other procedures are designed to provide reasonable assurance that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The Company's disclosure controls and other procedures are designed to provide reasonable assurance that information required to be disclosed is accumulated and communicated to management, including the Company's chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure. The Company's management, with the participation of the Company's chief executive officer and chief financial officer, has evaluated the effectiveness of the Company's disclosure controls and other procedures as of the end of the period covered by this report. Based upon that evaluation, the chief executive officer and the chief financial officer have concluded that, as of the end of the period covered by this report, such controls and procedures were effective at a reasonable assurance level.

Changes in Internal Controls

No change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the three months ended December 31, 2020, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting

The information required by this item is included in this Form 10-K at Item 8 - Management's Report on Internal Control Over Financial Reporting.

Attestation Report of the Registered Public Accounting Firm

The information required by this item is included in this Form 10-K at Item 8 - Report of Independent Registered Public Accounting Firm.

Item 9B. Other Information

None.

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this item will be included in the Company's Proxy Statement, which is incorporated herein by reference.

Item 11. Executive Compensation

Information required by this item will be included in the Company's Proxy Statement, which is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Equity Compensation Plan Information

The following table includes information as of December 31, 2020, with respect to the Company's equity compensation plans:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by stockholders (1)	613,174 (2)	\$ — (3)	3,555,471 (4)(5)
Equity compensation plans not approved by stockholders	N/A	N/A	N/A
Total	613,174	\$ —	3,555,471

(1) Consists of the Non-Employee Director Long-Term Incentive Compensation Plan and the Long-Term Performance-Based Incentive Plan.

(2) Consists of performance share awards.

(3) No weighted average exercise price is shown for the performance share awards because such awards have no exercise price.

(4) This amount includes 3,328,721 shares available for future issuance under the Long-Term Performance-Based Incentive Plan in connection with grants of restricted stock, performance units, performance shares or other equity-based awards.

(5) This amount includes 226,750 shares available for future issuance under the Non-Employee Director Long-Term Incentive Compensation Plan.

The remaining information required by this item will be included in the Company's Proxy Statement, which is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required by this item will be included in the Company's Proxy Statement, which is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Information required by this item will be included in the Company's Proxy Statement, which is incorporated herein by reference.

Part IV

Item 15. Exhibits, Financial Statement Schedules

(a) Financial Statements, Financial Statement Schedules and Exhibits

Index to Financial Statements and Financial Statement Schedules

1. Financial Statements

The following consolidated financial statements required under this item are included under Item 8 - Financial Statements and Supplementary Data.

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Consolidated Statements of Comprehensive Income for each of the three years in the period ended December 31, 2020	61
Consolidated Balance Sheets at December 31, 2020 and 2019	62
Consolidated Statements of Equity for each of the three years in the period ended December 31, 2020	63
Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2020	64
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2. Financial Statement Schedules

The following financial statement schedules are included in Part IV of this report.

Schedule I - Condensed Financial Information of Registrant (Unconsolidated)

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All other schedules have been omitted because they are not applicable or the required information is included elsewhere in the financial statements or related notes.

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MDU RESOURCES GROUP, INC.

Schedule I - Condensed Financial Information of Registrant (Unconsolidated)
Condensed Statements of Income and Comprehensive Income

Years ended December 31,	2020	2019	2018
	(In thousands)		
Operating revenues	\$ —	\$ —	\$ 628,331
Operating expenses	—	—	540,125
Operating income	—	—	88,206
Other income	—	—	1,504
Interest expense	—	—	32,761
Income before income taxes	—	—	56,949
Income taxes	—	—	(4,259)
Equity in earnings of subsidiaries from continuing operations	390,527	335,166	208,177
Income from continuing operations	390,527	335,166	269,385
Equity in earnings (loss) of subsidiaries from discontinued operations	(322)	287	2,933
Net income	\$ 390,205	\$ 335,453	\$ 272,318
Comprehensive income	\$ 384,229	\$ 331,693	\$ 279,269

The accompanying notes are an integral part of these condensed financial statements.

Part IV

MDU RESOURCES GROUP, INC. Schedule I - Condensed Financial Information of Registrant (Unconsolidated) Condensed Balance Sheets

December 31,	2020	2019
(In thousands, except shares and per share amounts)		
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,781	\$ 12,326
Receivables, net	4,865	4,727
Accounts receivable from subsidiaries	50,539	49,943
Prepayments and other current assets	1,612	501
Total current assets	65,797	67,497
Noncurrent assets		
Investments	52,000	46,294
Investment in subsidiaries	3,069,956	2,842,068
Deferred income taxes	9,691	7,269
Operating lease right-of-use assets	56	153
Other	28,866	27,098
Total noncurrent assets	3,160,569	2,922,882
Total assets	\$ 3,226,366	\$ 2,990,379
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,135	\$ 2,981
Accounts payable to subsidiaries	5,412	4,752
Taxes payable	4,056	1,253
Dividends payable	42,611	41,580
Accrued compensation	7,825	8,812
Operating lease liabilities due within one year	40	96
Other accrued liabilities	6,881	7,690
Total current liabilities	68,960	67,164
Noncurrent liabilities:		
Operating lease liabilities	16	56
Other	78,285	75,913
Total noncurrent liabilities	78,301	75,969
Commitments and contingencies		
Stockholders' equity:		
Common stock Authorized - 500,000,000 shares, \$1.00 par value Shares issued - 201,061,198 at December 31, 2020 and 200,922,790 at December 31, 2019	201,061	200,923
Other paid-in capital	1,371,385	1,355,404
Retained earnings	1,558,363	1,336,647
Accumulated other comprehensive loss	(48,078)	(42,102)
Treasury stock at cost - 538,921 shares	(3,626)	(3,626)
Total stockholders' equity	3,079,105	2,847,246
Total liabilities and stockholders' equity	\$ 3,226,366	\$ 2,990,379

The accompanying notes are an integral part of these condensed financial statements.

MDU RESOURCES GROUP, INC.
Schedule I - Condensed Financial Information of Registrant (Unconsolidated)
Condensed Statements of Cash Flows

Years ended December 31,	2020	2019	2018
	(In thousands)		
Net cash provided by operating activities	\$ 226,642	\$ 168,520	\$ 294,379
Investing activities:			
Capital expenditures	—	—	(242,692)
Net proceeds from sale or disposition of property and other	—	—	5,032
Investments in and advances to subsidiaries	(67,000)	(120,000)	(40,000)
Advances from subsidiaries	—	17,000	70,000
Investments	(4)	(236)	(528)
Net cash used in investing activities	(67,004)	(103,236)	(208,188)
Financing activities:			
Issuance of long-term debt	—	—	199,422
Repayment of long-term debt	—	—	(125,961)
Payments of stock issuance costs	—	—	(10)
Proceeds from issuance of common stock	3,385	106,848	—
Dividends paid	(166,405)	(160,256)	(154,573)
Repurchase of common stock	—	—	(1,920)
Tax withholding on stock-based compensation	(163)	(1,821)	(1,721)
Net cash used in financing activities	(163,183)	(55,229)	(84,763)
Increase (decrease) in cash and cash equivalents	(3,545)	10,055	1,428
Cash and cash equivalents - beginning of year	12,326	2,271	843
Cash and cash equivalents - end of year	\$ 8,781	\$ 12,326	\$ 2,271

The accompanying notes are an integral part of these condensed financial statements.

Notes to Condensed Financial Statements

Note 1 - Summary of Significant Accounting Policies

Basis of presentation The condensed financial information reported in Schedule I is being presented to comply with Rule 12-04 of Regulation S-X. The information is unconsolidated and is presented for the parent company only, MDU Resources Group, Inc. (the Company) as of and for the years ended December 31, 2020 and 2019. Prior to the Holding Company Reorganization, the Company included Montana-Dakota and Great Plains, public utility divisions of the Company as of December 31, 2018. On January 2, 2019, the Company announced the completion of the Holding Company Reorganization, which resulted in Montana-Dakota and Great Plains becoming a subsidiary of the Company. Immediately after consummation, the Company had, on a consolidated basis, the same assets, businesses and operations as it had immediately prior to the reorganization. For more information on the reorganization, see Item 8 - Note 1. The prior periods have not been restated and reflect the condensed financial information of Montana-Dakota and Great Plains as of and for the year ended December 31, 2018. Due to the completion of the Holding Company Reorganization, the presentation of the year ended December 31, 2018, will vary from that of and for the years ended December 31, 2020 and 2019. In Schedule I, investments in subsidiaries are presented under the equity method of accounting where the assets and liabilities of the subsidiaries are not consolidated. The investments in net assets of the subsidiaries are recorded on the Condensed Balance Sheets. The income from subsidiaries is reported as equity in earnings of subsidiaries on the Condensed Statements of Income. The material cash inflows on the Condensed Statements of Cash Flows are primarily from the dividends and other payments received from its subsidiaries and the proceeds raised from the issuance of equity securities. The consolidated financial statements of MDU Resources Group, Inc. reflect certain businesses as discontinued operations. These statements should be read in conjunction with the consolidated financial statements and notes thereto of MDU Resources Group, Inc.

Earnings per common share Please refer to the Consolidated Statements of Income of the registrant for earnings per common share. In addition, see Item 8 - Note 2 for information on the computation of earnings per common share.

Note 2 - Debt At December 31, 2020, the Company had no long-term debt maturities. For more information on debt, see Item 8 - Note 9.

Note 3 - Dividends The Company depends on earnings and dividends from its subsidiaries to pay dividends on common stock. Cash dividends paid to the Company by subsidiaries were \$228.4 million, \$177.1 million and \$115.9 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Part IV

Exhibits

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ended	Exhibit	Filing Date File Number
2(a)	Agreement and Plan of Merger, dated December 31, 2018, by and among MDU Resources Group, Inc., MDUR Newco, Inc. MDU Newco Sub, Inc.		8-K		2(a)	1/2/19 1-03480
3(a)	Amended and Restated Certificate of Incorporation of MDU Resources Group, Inc.		8-K		3.2	5/8/19 1-03480
3(b)	Amended and Restated Bylaws of MDU Resources Group, Inc.		8-K		3.1	2/15/19 1-03480
4(a)	Indenture, dated as of December 15, 2003, between MDU Resources Group, Inc. and The Bank of New York, as trustee		S-8		4(f)	1/21/04 333-112035
4(b)	First Supplemental Indenture, dated as of November 17, 2009, between MDU Resources Group, Inc. and the Bank of New York Mellon, as trustee		10-K	12/31/09	4(c)	2/17/10 1-03480
*4(c)	Fifth Amended and Restated Credit Agreement, dated as of December 19, 2019, among Centennial Energy Holdings, Inc., U.S. Bank National Association, as Administrative Agent, and The Several Financial Institutions party thereto		10-K	12/31/19	4(c)	2/21/20 1-03480
*4(d)	Montana-Dakota Utilities Co. Amended and Restated Credit Agreement, dated December 19, 2019, among Montana-Dakota Utilities Co., Various Lenders, and Wells Fargo Bank, National Association, as Administrative Agent		10-K	12/31/19	4(d)	2/21/20 1-03480
4(e)	Centennial Energy Holdings, Inc. Note Purchase Agreement, dated December 20, 2012, among Centennial Energy Holdings, Inc. and various purchasers of the notes		10-Q	6/30/19	4(a)	8/2/19 1-03480
4(f)	Montana-Dakota Utilities Co. Note Purchase Agreement, dated July 24, 2019, among Montana-Dakota Utilities Co. and various purchasers of the notes		10-Q	9/30/19	4(a)	11/1/19 1-03480
4(g)	MDU Resources Group, Inc. Description of Securities Registered Pursuant to Section 12 of the Securities and Exchange Act of 1934		10-K	12/31/19	4(g)	2/21/20 1-03480
*4(h)	WBI Energy Transmission, Inc. Amended and Restated Note Purchase and Private Shelf Agreement, effective as of September 12, 2013, among Prudential Investment Management, Inc. and certain investors described therein	X				
4(i)	Amendment No. 1 to WBI Energy Transmission, Inc. Amended and Restated Note Purchase and Private Shelf Agreement, dated May 17, 2016, among Prudential Investment Management, Inc. and certain investors described therein	X				
4(j)	Amendment No. 2 to WBI Energy Transmission, Inc. Amended and Restated Note Purchase and Private Shelf Agreement, dated July 26, 2019 and effective May 16, 2019, among Prudential Investment Management, Inc. and certain investors described therein	X				
+10(a)	MDU Resources Group, Inc. Supplemental Income Security Plan, as amended and restated May 10, 2017		10-Q	6/30/17	10(d)	8/4/17 1-03480
+10(b)	MDU Resource Group, Inc. Director Compensation Policy, as amended May 8, 2019		10-Q	6/30/19	10(a)	8/2/19 1-03480
+10(c)	Deferred Compensation Plan for Directors, as amended May 15, 2008		10-Q	6/30/08	10(a)	8/7/08 1-03480
+10(d)	Non-Employee Director Stock Compensation Plan, as amended May 12, 2011		10-Q	6/30/11	10(a)	8/5/11 1-03480
+10(e)	MDU Resources Group, Inc. Non-Employee Director Long-Term Incentive Compensation Plan, as amended May 17, 2012		10-Q	6/30/12	10(a)	8/7/12 1-03480
+10(f)	MDU Resources Group, Inc. Long-Term Performance-Based Incentive Plan, as amended February 11, 2016		10-K	12/31/15	10(f)	2/19/16 1-03480

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference				
			Form	Period Ended	Exhibit	Filing Date	File Number
+10(g)	MDU Resources Group, Inc. Executive Incentive Compensation Plan, as amended November 13, 2019, and Rules and Regulations, as amended November 13, 2019		10-K	12/31/19	10(g)	2/21/20	1-03480
+10(h)	MDU Resources Group, Inc. Executive Incentive Compensation Plan, as amended November 12, 2020, and Rules and Regulations, as amended November 12, 2020	X					
+10(i)	Form of Performance Share Award Agreement under the Long-Term Performance-Based Incentive Plan, as amended February 15, 2018		8-K		10.1	2/21/18	1-03480
+10(j)	Form of Performance Share Award Agreement under the Long-Term Performance-Based Incentive Plan, as amended February 14, 2019		10-K	12/31/18	10(k)	2/22/19	1-03480
+10(k)	Form of Performance Share Award Agreement under the Long-Term Performance-Based Incentive Plan, as amended February 13, 2020		10-K	12/31/19	10(k)	2/21/20	1-03480
+10(l)	Form of Performance Share Award Agreement under the Long-Term Performance-Based Incentive Plan, as amended February 11, 2021	X					
+10(m)	Restricted Stock Unit Award Agreement under the Long-Term Performance-Based Incentive Plan, as amended February 15, 2018		8-K		10.3	2/21/18	1-03480
+10(n)	Restricted Stock Unit Award Agreement under the Long-Term Performance-Based Incentive Plan, as amended February 11, 2021	X					
+10(o)	Form of MDU Resources Group, Inc. Indemnification Agreement for Section 16 Officers and Directors, dated May 15, 2014		8-K		10.1	5/15/14	1-03480
+10(p)	Form of Amendment No. 1 to Indemnification Agreement, dated May 15, 2014		8-K		10.2	5/15/14	1-03480
+10(q)	MDU Resources Group, Inc. Section 16 Officers and Directors with Indemnification Agreements Chart, as of February 6, 2021	X					
+10(r)	MDU Resources Group, Inc. Nonqualified Defined Contribution Plan, as amended and restated November 12, 2020	X					
+10(s)	MDU Resources Group, Inc. Deferred Compensation Plan Adoption Agreement, dated November 12, 2020		8-K		10.1	11/12/20	1-03480
+10(t)	MDU Resources Group, Inc. Deferred Compensation Plan Document, dated November 12, 2020		8-K		10.2	11/12/20	1-03480
+10(u)	Instrument of Amendment to the MDU Resources Group, Inc. 401(k) Retirement Plan, dated December 17, 2020	X					
+10(v)	MDU Resources Group, Inc. 401(k) Retirement Plan, as restated April 1, 2020		10-Q	3/31/20	10(a)	5/8/20	1-03480
+10(w)	Employment Letter for Jeffrey S. Thiede, dated May 16, 2013		10-K	12/31/13	10(ab)	2/21/14	1-03480
+10(x)	Jason L. Vollmer Offer Letter, dated September 20, 2017		8-K		10.1	9/21/17	1-03480
21	Subsidiaries of MDU Resources Group, Inc.	X					
23	Consent of Independent Registered Public Accounting Firm	X					
31(a)	Certification of Chief Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X					
31(b)	Certification of Chief Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X					
32	Certification of Chief Executive Officer and Chief Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X					
95	Mine Safety Disclosures	X					

Part IV

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference				
			Form	Period Ended	Exhibit	Filing Date	File Number
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document						
101.SCH	XBRL Taxonomy Extension Schema Document						
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document						
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document						
101.LAB	XBRL Taxonomy Extension Label Linkbase Document						
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document						

* Schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished as a supplement to the SEC upon request.

+ Management contract, compensatory plan or arrangement.

MDU Resources Group, Inc. agrees to furnish to the SEC upon request any instrument with respect to long-term debt that MDU Resources Group, Inc. has not filed as an exhibit pursuant to the exemption provided by Item 601(b)(4)(iii)(A) of Regulation S-K.

Item 16. Form 10-K Summary

None.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MDU Resources Group, Inc.

Date: February 19, 2021 By: /s/ David L. Goodin
David L. Goodin
(President and Chief Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the date indicated.

Signature	Title	Date
<u>/s/ David L. Goodin</u> David L. Goodin (President and Chief Executive Officer)	Chief Executive Officer and Director	February 19, 2021
<u>/s/ Jason L. Vollmer</u> Jason L. Vollmer (Vice President and Chief Financial Officer)	Chief Financial Officer	February 19, 2021
<u>/s/ Stephanie A. Barth</u> Stephanie A. Barth (Vice President, Chief Accounting Officer and Controller)	Chief Accounting Officer	February 19, 2021
<u>/s/ Dennis W. Johnson</u> Dennis W. Johnson (Chair of the Board)	Director	February 19, 2021
<u>/s/ Thomas Everist</u> Thomas Everist	Director	February 19, 2021
<u>/s/ Karen B. Fagg</u> Karen B. Fagg	Director	February 19, 2021
<u>/s/ Mark A. Hellerstein</u> Mark A. Hellerstein	Director	February 19, 2021
<u>/s/ Patricia L. Moss</u> Patricia L. Moss	Director	February 19, 2021
<u>/s/ Edward A. Ryan</u> Edward A. Ryan	Director	February 19, 2021
<u>/s/ David M. Sparby</u> David M. Sparby	Director	February 19, 2021
<u>/s/ Chenxi Wang</u> Chenxi Wang	Director	February 19, 2021
<u>/s/ John K. Wilson</u> John K. Wilson	Director	February 19, 2021

WBI ENERGY TRANSMISSION, INC.

\$175,000,000 Private Shelf Facility

Including:

\$20,000,000 7.50% Senior Notes, Series A, due 2015

\$15,000,000 7.04% Senior Notes, Series B, due 2016

\$15,000,000 5.02% Senior Notes, Series C, due 2019

\$25,000,000 4.61% Senior Notes, Series D, due 2028

NOTE PURCHASE AND PRIVATE SHELF AGREEMENT

Originally Dated as of December 23, 2008

AMENDMENT AND RESTATEMENT

Effective as of September 12, 2013

Note: This Agreement contains confidentiality obligations: Section 20

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SCHEDULE A Information Schedule

SCHEDULE B Defined Terms

SCHEDULE 5.3 Memorandum

SCHEDULE 5.4 Subsidiaries of the Company and Ownership of Subsidiary Stock

SCHEDULE 5.8 Litigation

SCHEDULE 5.10 Title to Property

SCHEDULE 5.15 Existing Indebtedness; Liens

SCHEDULE 5.17 Environmental Matters

EXHIBIT 1-A Form of 7.50% Senior Note, Series A, due December 23, 2015

EXHIBIT 1-B Form of 7.04% Senior Note, Series B, due May 15, 2016

EXHIBIT 1-C Form of 5.02% Senior Note, Series C, due December 15, 2019

EXHIBIT 1-D Form of 4.61% Senior Note, Series D, due September 12, 2028

EXHIBIT 1-E Form of Shelf Note

EXHIBIT 2.5 Form of Request for Purchase

EXHIBIT 2.7 Form of Confirmation of Acceptance

EXHIBIT 4.4(a) Form of Opinion of Counsel to the Company

EXHIBIT 4.4(b) Form of Opinion of General Counsel of the Company

WBI ENERGY TRANSMISSION, INC.
1250 West Century Avenue
Bismarck, North Dakota 58503

As of September 12, 2013

To Each of the Purchasers of Series A Notes Listed in
Schedule A Hereto (each a “**Series
A Purchaser**”)

To Each of the Purchasers of Series B Notes Listed in

Schedule A Hereto (each a “**Series B Purchaser**”)

To Each of the Purchasers of Series C Notes Listed in

Schedule A Hereto (each a “**Series C Purchaser**”)

To Each of the Purchasers of Series D Notes Listed in

Schedule A Hereto (each a “**Series D Purchaser**”)

To Prudential Investment Management, Inc. (“**Prudential**”)

To each other Prudential Affiliate which becomes
bound by this Agreement as hereinafter
provided (together with the Series A Purchasers,
the Series B Purchasers, the Series C Purchasers,
and the Series D Purchasers, each,
a “**Purchaser**” and collectively, the “**Purchasers**”):

Ladies and Gentlemen:

WBI Energy Transmission, Inc. (formerly known as Williston Basin Interstate Pipeline Company), a Delaware corporation (the “**Company**”), agrees with each of you as follows:

1. AMENDMENT AND RESTATEMENT; EXISTING NOTES; AUTHORIZATION OF NOTES.

1.1. Amendment and Restatement of Existing Agreement; Existing Notes.

The Company and Prudential entered into a Note Purchase and Private Shelf Agreement dated as of December 23, 2008 (the “**Existing Agreement**”). Pursuant to the Existing Agreement, the Company issued and sold (a) \$20,000,000 aggregate principal amount of its 7.50% Senior Notes, Series A, due 2015 (the “**Series A Notes**”), (b) \$15,000,000 aggregate principal amount of its 7.04% Senior Notes, Series B, due 2016 (the “**Series B Notes**”) and (c) \$15,000,000 aggregate principal amount of its 5.02% Senior

Notes, Series C, due 2019 (the “**Series C Notes**” and, together with the Series A Notes and the Series B Notes, the “**Existing Notes**”). As of the date hereof, the Existing Notes remain outstanding in an aggregate principal amount of \$50,000,000. Such Series A Notes, Series B Notes and Series C Notes are, or in the case of Series A Notes, Series B Notes or Series C Notes delivered in substitution or exchange for any other Series A Notes, Series B Notes or Series C Notes, shall be in the respective forms set out in Exhibit 1-A, Exhibit 1-B and Exhibit 1-C attached hereto. The Company, Prudential and each holder of Existing Notes desire to, among other things, amend certain provisions of the Existing Agreement including, without limitation, to increase the size of the Facility to \$175,000,000 and extend the period during which Notes may be issued. Accordingly, the Company, Prudential and each holder of Existing Notes agree that the Existing Agreement is amended and restated in its entirety to read as provided in this Agreement. *Certain capitalized and other terms used in this Agreement are defined in Schedule B; and references to a “Schedule” or an “Exhibit” are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.*

1.2. Authorization of Issue of Series D Notes.

The Company will authorize the issue and sale of \$25,000,000 aggregate principal amount of its 4.61% Senior Notes, Series D, due September 12, 2028 (the “**Series D Notes**”, such term to include any such notes issued in substitution therefor pursuant to Section 13). The Series D Notes shall be substantially in the form set out in Exhibit 1-D.

1.3. Authorization of Issue of Shelf Notes.

The Company also will authorize the issue of its additional senior promissory notes (the “**Shelf Notes**”, such term to include any such notes issued in substitution thereof pursuant to Section 13) with the aggregate principal amount of Notes not to exceed \$175,000,000, to be dated the date of issue thereof, to mature, in the case of each Shelf Note so issued, no more than 20 years after the date of original issuance thereof, to have an average life, in the case of each Shelf Note so issued, of no more than 15 years after the date of original issuance thereof, to bear interest on the unpaid balance thereof from the date thereof at the rate per annum, and to have such other particular terms, as shall be set forth, in the case of each Shelf Note so issued, in the Confirmation of Acceptance with respect to such Shelf Note delivered pursuant to Section 2.7, and to be substantially in the form of Exhibit 1-E attached hereto. The term “**Notes**” as used herein shall include each Existing Note, each Series D Note and each Shelf Note delivered pursuant to any provision of this Agreement and each Note delivered in substitution or exchange for any such Note pursuant to any such provision. Notes which have (i) the same final maturity, (ii) the same installment payment dates, (iii) the same installment payment amounts (as a percentage of the original principal amount of each Note), (iv) the same interest rate, (v) the same interest payment periods and (vi) the same original date of issuance, are herein called a “**Series**” of Notes.

2. SALE AND PURCHASE OF NOTES.

2.1. Sale and Purchase of Series D Notes.

Subject to the terms and conditions of this Agreement, the Company will issue and sell to each Series D Purchaser and each Series D Purchaser will purchase from the Company, at the Series D Closing provided for in Section 3.1, Series D Notes in the principal amount specified opposite such Series D Purchaser's name in Schedule A at the purchase price of 100% of the principal amount thereof. The Purchasers' obligations hereunder are several and not joint obligations and no Purchaser shall have any liability to any Person for the performance or non-performance of any obligation by any other Purchaser hereunder.

2.2. Facility.

(a) Facility. Prudential is willing to consider, in its sole discretion and within limits which may be authorized for purchase by Prudential Affiliates from time to time, the purchase of Shelf Notes pursuant to this Agreement. The willingness of Prudential to consider such purchase of Shelf Notes is herein called the "**Facility**". At any time, subject to the limitations in Section 2.2(b), the "**Available Facility Amount**" shall be (i) \$175,000,000, minus (ii) the original principal amount of the Existing Notes, minus (iii) the original principal amount of the Series D Notes, minus (iv) the original principal amount of the Other Company Notes, minus (v) the aggregate principal amount of Shelf Notes purchased and sold pursuant to this Agreement prior to such time, minus (vi) the aggregate principal amount of Accepted Notes (as hereinafter defined) which have not yet been purchased and sold hereunder prior to such time, plus (vii) the aggregate principal amount of Other Company Notes repaid on or after the date hereof and prior to such time, plus (viii) (to the extent the Company authorizes additional Shelf Notes) the aggregate principal amount of Notes retired prior to such time; provided, that at no time may the aggregate principal amount of Notes outstanding under this Agreement exceed \$175,000,000. **NOTWITHSTANDING THE WILLINGNESS OF PRUDENTIAL TO CONSIDER PURCHASES OF SHELF NOTES BY PRUDENTIAL AFFILIATES, THIS AGREEMENT IS ENTERED INTO ON THE EXPRESS UNDERSTANDING THAT NEITHER PRUDENTIAL NOR ANY PRUDENTIAL AFFILIATE SHALL BE OBLIGATED TO MAKE OR ACCEPT OFFERS TO PURCHASE SHELF NOTES, OR TO QUOTE RATES, SPREADS OR OTHER TERMS WITH RESPECT TO SPECIFIC PURCHASES OF SHELF NOTES, AND THE FACILITY SHALL IN NO WAY BE CONSTRUED AS A COMMITMENT BY PRUDENTIAL OR ANY PRUDENTIAL AFFILIATE.**

(b) Limitation on Facility. Notwithstanding anything in Section 2.2(a), the Company may not request the issuance of Shelf Notes, and neither Prudential nor any other Prudential Financial Entity shall be required to purchase Shelf Notes, pursuant to the Facility if, after the issuance of such Shelf Notes, the aggregate amount of WBI Exposure would exceed \$140,000,000.

2.3. Issuance Period.

Shelf Notes may be issued and sold pursuant to this Agreement until the earlier of (i) September 12, 2016 (or if such date is not a Business Day, the Business Day next preceding such day) and (ii) the thirtieth day after Prudential shall have given to the Company, or the Company shall have given to Prudential, a notice stating that it elects to terminate the issuance and sale of Shelf Notes pursuant to this Agreement (or if such thirtieth day is not a Business Day, the Business Day next preceding such thirtieth day). The period during which Shelf Notes may be issued and sold pursuant to this Agreement is herein called the "**Issuance Period**".

2.4. Periodic Spread Information.

Provided no Default or Event of Default exists, not later than 9:30 A.M. (New York City local time) on a Business Day during the Issuance Period if there is an Available Facility Amount on such Business Day, the Company may request by telecopier or telephone, and Prudential will, to the extent reasonably practicable, provide to the Company on such Business Day (or, if such request is received after 9:30 A.M. (New York City local time) on such Business Day, on the following Business Day), information (by e-mail, telecopier or telephone) with respect to various spreads at which Prudential Affiliates might be interested in purchasing Shelf Notes of different average lives; provided, however, that the Company may not make such requests more frequently than once in every five Business Days or such other period as shall be mutually agreed to by the Company and Prudential. The amount and content of information so provided shall be in the sole discretion of Prudential but it is the intent of Prudential to provide information which will be of use to the Company in determining whether to initiate procedures for use of the Facility. Information so provided shall not constitute an offer to purchase Shelf Notes, and neither Prudential nor any Prudential Affiliate shall be obligated to purchase Shelf Notes at the spreads specified. Information so provided shall be representative of potential interest only for the period commencing on the day such information is provided and ending on the earlier of the fifth Business Day after such day and the first day after such day on which further spread information is provided. Prudential may suspend or terminate providing information pursuant to this Section 2.4 if, in its sole discretion, it determines that there has been an adverse change in the credit quality of the Company after the date of this Agreement.

2.5. Request for Purchase.

The Company may from time to time during the Issuance Period make requests for purchases of Shelf Notes (each such request being a "**Request for Purchase**"). Each Request for Purchase shall be made to Prudential by e-mail or telecopier and confirmed by nationwide overnight delivery service, and shall (i) specify the aggregate principal amount of Shelf Notes covered thereby, which shall not be less than \$10,000,000 and not be greater than the Available Facility Amount at the time such Request for Purchase is made, (ii) specify the principal amounts, final maturities, installment payment dates and amounts and interest payment periods (which shall be quarterly in arrears) of the Shelf Notes covered thereby, (iii) specify the use of proceeds of such Shelf Notes, (iv) specify the proposed day for the closing of the purchase and sale

of such Shelf Notes, which shall be a Business Day during the Issuance Period not less than 10 days and not more than 42 days after the making of such Request for Purchase, (v) specify the number of the account and the name and address of the depository institution to which the purchase prices of such Shelf Notes are to be transferred on the Closing Day for such purchase and sale, (vi) certify that the representations and warranties contained in Section 5 (as may have been amended by amending information contained in a Schedule or Exhibit pursuant to this Section 2.5) are true on and as of the date of such Request for Purchase except to the extent of changes caused by the transactions herein contemplated and that there exists on the date of such Request for Purchase no Event of Default or Default, and (vii) be substantially in the form of Exhibit 2.5 attached hereto. Each Request for Purchase shall be in writing signed by the Company and shall be deemed made when received by Prudential. **Any previous notification referenced in a Request for Purchase or any Request for Purchase that contains information that purports to amend the information contained in any Schedule or Exhibit hereto, shall not be effective to amend such information unless it is received by Prudential at least five Business Days prior to the Acceptance Day for Shelf Notes to which such Request for Purchase relates. If Prudential provides such interest rate quotes earlier than five Business Days after Prudential receives a Request for Purchase containing information that purports to amend the information contained in any Schedule or Exhibit hereto and Prudential states in writing that it waives the requirement in this Section 2.5 that the information shall not be effective to amend unless it is received by Prudential at least five Business Days prior to the Acceptance Day, the information contained in such Schedule or Exhibit shall be deemed effective to amend such information at the time of the issuance of the quotes.**

2.6. Rate Quotes.

Not later than six Business Days after the Company shall have given Prudential a Request for Purchase pursuant to Section 2.5, Prudential may provide (by telephone promptly thereafter confirmed by e-mail or telecopier, in each case no earlier than 9:30 A.M. and no later than 1:30 P.M. New York City local time) interest rate quotes for the several principal amounts, maturities, installment payment schedules, and interest payment periods of Shelf Notes specified in such Request for Purchase. Each quote shall represent the interest rate per annum payable on the outstanding principal balance of such Shelf Notes until such balance shall have become due and payable, at which a Prudential Affiliate would be willing to purchase such Shelf Notes at 100% of the principal amount thereof.

2.7. Acceptance.

Within 30 minutes after Prudential shall have provided any interest rate quotes pursuant to Section 2.6 or, in the event that due to conditions in the market place it shall not be feasible to hold such interest rate quotes open for 30 minutes, such shorter period as Prudential may specify to the Company (such period being the "**Acceptance Window**"), the Company may, subject to Section 2.8, elect to accept such interest rate quotes as to not less than \$10,000,000 aggregate principal amount of the Shelf Notes specified in the related Request for Purchase. Such election shall be made by an Authorized Officer of the Company notifying Prudential by e-mail, telephone or telecopier within the Acceptance Window (but not earlier than 9:30 A.M. or later than 1:30 P.M., New York City local time) that the Company elects to accept such interest rate quotes, specifying the Shelf Notes (each such Shelf Note being an "**Accepted Note**") as to which such acceptance (an "**Acceptance**") relates. The day the Company notifies an Acceptance with respect to any Accepted Notes is herein called the "**Acceptance Day**" for such Accepted Notes. Any interest rate quotes as to which Prudential does not receive an Acceptance within the Acceptance Window shall expire, and no purchase or sale of Shelf Notes hereunder shall be made based on such expired interest rate quotes. Subject to Section 2.8 and the other terms and conditions hereof, the Company agrees to sell to a Prudential Affiliate, and Prudential agrees to cause the purchase by a Prudential Affiliate of, the Accepted Notes at 100% of the principal amount of such Notes. As soon as practicable following the Acceptance Day, the Company, Prudential and each Prudential Affiliate which is to purchase any such Accepted Notes will execute a confirmation of such Acceptance substantially in the form of Exhibit 2.7 attached hereto (a "**Confirmation of Acceptance**").

2.8. Market Disruption.

Notwithstanding the provisions of Section 2.7, if Prudential shall have provided interest rate quotes pursuant to Section 2.6 and thereafter prior to the time an Acceptance with respect to such quotes shall have been notified to Prudential in accordance with Section 2.7 there shall occur a general suspension, material limitation, or significant disruption of trading in securities generally on the New York Stock Exchange

or in the market for U.S. Treasury securities and other financial instruments, then such interest rate quotes shall expire, and no purchase or sale of Shelf Notes hereunder shall be made based on such expired interest rate quotes. If the Company thereafter notifies Prudential of the Acceptance of any such interest rate quotes, such Acceptance shall be ineffective for all purposes of this Agreement, and Prudential shall promptly notify the Company that the provisions of this Section 2.8 are applicable with respect to such Acceptance.

2.9. Fees.

(a) **Facility Fee.** The Company will pay (i) to Prudential in immediately available funds a fee (the "**Structuring Fee**") at the time of the execution and delivery of this Agreement by the Company and Prudential, in an amount equal to \$25,000 and (ii) to each Purchaser of Notes on each Closing Day occurring after December 31, 2013 a fee (the "**Facility Fee**"), in an amount equal to 0.125% of the aggregate principal amount of Shelf Notes purchased by such Purchaser from the Company on such Closing Day.

(b) **Delayed Delivery Fee.** If the closing of the purchase and sale of any Accepted Note is delayed for any reason (other than in the case where all conditions in Section 4 (other than Section 4.5 and Section 4.7) have been satisfied and a Purchaser fails to purchase its Accepted Notes) beyond the original Closing Day for such Accepted Note, the Company will pay to each Purchaser of Accepted Notes on the Cancellation Date or actual closing date of such purchase and sale (if such Cancellation Date or closing date occurs on a date later than the date specified in the Confirmation of Acceptance for such Accepted Note), a fee (the "**Delayed Delivery Fee**") calculated as follows:

$$(BEY - MMY) \times DTS/360 \times PA$$

where "**BEY**" means Bond Equivalent Yield, *i.e.*, the bond equivalent yield per annum of such Accepted Note, "**MMY**" means Money Market Yield, *i.e.*, the yield per annum on an alternative investment selected by Prudential on the date Prudential receives notice of the delay in the closing for such Accepted Notes having a maturity date or dates the same as, or closest to, the Rescheduled Closing Day or Rescheduled Closing Days (a new alternative investment being selected by Prudential each time such closing is delayed); "**DTS**" means Days to Settlement, *i.e.*, the number of actual days elapsed from and including the originally scheduled Closing Day with respect to such Accepted Note (in the case of the first such payment with respect to such Accepted Note) or from and including the date of the next preceding payment (in the case of any subsequent delayed delivery fee payment with respect to such Accepted Note) to but excluding the date of such payment; and "**PA**" means Principal Amount, *i.e.*, the principal amount of the Accepted Note for which such calculation is being made. In no case shall the Delayed Delivery Fee be less than zero. Nothing contained herein shall obligate any Purchaser to purchase any Accepted Note on any day other than the Closing Day for such Accepted Note, as the same may be rescheduled from time to time in compliance with Section 3.

(c) **Cancellation Fee.** If the Company at any time notifies Prudential in writing that the Company is canceling the closing of the purchase and sale of any Accepted Note, or if Prudential notifies the Company in writing under the circumstances set forth in the last sentence of Section 3.3 that the closing of the purchase and sale of such Accepted Note is to be canceled, or if the closing of the purchase and sale of such Accepted Note is not consummated on or prior to the last day of the Issuance Period (the date of any such notification, or the last day of the Issuance Period, as the case may be, being the "**Cancellation Date**"), the Company will pay to each Purchaser of Accepted Notes in immediately available funds an amount (the "**Cancellation Fee**") calculated as follows:

$$PI \times PA$$

where "**PI**" means Price Increase, *i.e.*, the quotient (expressed in decimals) obtained by dividing (a) the excess of the ask price (as determined by Prudential) of the Hedge Treasury Note(s) on the Cancellation Date over the bid price (as determined by Prudential) of the Hedge Treasury Notes(s) on the Acceptance Day for such Accepted Note by (b) such bid price; and "**PA**" has the meaning specified in Section 2.9(b). The foregoing bid and ask prices shall be as reported by TradeWeb LLC (or, if such data for any reason ceases to be available through TradeWeb LLC, any publicly available source of similar market data). Each price shall be based on a U.S. Treasury security having a par value of \$100.00 and shall be rounded to the second decimal place. In no case shall the Cancellation Fee be less than zero.

3. CLOSING.

3.1 Series D Closing.

The sale and purchase of the Series D Notes to be purchased by each Series D Purchaser shall occur at the offices of Bryant Rabbino LLP, 1180 Avenue of the Americas, Suite 610, New York, New York 10036, at 11:30 A.M. (New York City local time), at a closing (the "**Series D Closing**") on September 12, 2013 or on such other Business Day thereafter on or prior to September 19, 2013 as may be agreed upon by the Company and the Series D Purchasers (the day of the Series D Closing being the "**Series D Closing Day**"). At the Series D Closing the Company will deliver to each Series D Purchaser the Series D Notes to be purchased by such Series D Purchaser in the form of a single Series D Note (or such greater number of Series D Notes in denominations of at least \$100,000 as such Purchaser may request) dated the date of the Series D Closing and registered in such Series D Purchaser's name (or in the name of its nominee), against delivery by such Series D Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to account number 1602-33455122 at U.S. Bank Minnesota, Minneapolis, MN, ABA number 091000022. If at the Series D Closing the Company shall fail to tender such Series D Notes to any Series D Purchaser as provided above in this Section 3.1, or any of the conditions specified in Section 4 shall

not have been fulfilled to such Series D Purchaser's satisfaction, such Series D Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Series D Purchaser may have by reason of such failure or such nonfulfillment. The Series D Closing and each Shelf Closing are referred to as a "**Closing**".

3.2 Facility Closings.

Not later than 11:30 A.M. (New York City local time) on the Closing Day for any Accepted Notes, the Company will deliver to each Purchaser listed in the Confirmation of Acceptance relating thereto at the offices of Bryant Rabbino LLP, 1180 Avenue of the Americas, Suite 610, New York, New York 10036, or at such other place pursuant to the directions of Prudential, the Accepted Notes to be purchased by such Purchaser in the form of one or more Notes in authorized denominations as such Purchaser may request for each Series of Accepted Notes to be purchased on the Closing Day, dated the Closing Day and registered in such Purchaser's name (or in the name of its nominee), against payment of the purchase price thereof by transfer of immediately available funds for credit to the Company's account specified in the Request for Purchase of such Notes.

3.3 Rescheduled Closings.

If the Company fails to tender to any Purchaser the Accepted Notes to be purchased by such Purchaser on the scheduled Closing Day for such Accepted Notes as provided above in Section 3.2, or any of the conditions specified in Section 4 shall not have been fulfilled by the time required on such scheduled Closing Day, the Company shall, prior to 1:00 P.M., New York City local time, on such scheduled Closing Day notify such Purchaser in writing whether (i) such closing is to be rescheduled (such rescheduled date to be a Business Day during the Issuance Period not less than one Business Day and not more than 30 Business Days after such scheduled Closing Day (the "**Rescheduled Closing Day**")) and certify to such Purchaser that the Company reasonably believes that it will be able to comply with the conditions set forth in Section 4 on such Rescheduled Closing Day and that the Company will pay the Delayed Delivery Fee in accordance with Section 2.9(b) or (ii) such closing is to be canceled as provided in Section 2.9(c). In the event that the Company shall fail to give such notice referred to in the preceding sentence, such Purchaser may at its election, at any time after 1:00 P.M., New York City local time, on such scheduled Closing Day, notify the Company in writing that such closing is to be canceled as provided in Section 2.9(c).

4. CONDITIONS TO CLOSING.

The obligation of any Purchaser to purchase and pay for any Accepted Notes is subject to the fulfillment to such Purchaser's satisfaction, prior to or at the Closing Day for such Accepted Notes, of the following conditions:

4.1. Representations and Warranties.

The representations and warranties of the Company in this Agreement shall be correct when made and at such Closing Day.

4.2. Performance; No Default.

The Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at such Closing Day and after giving effect to the issue and sale of such Accepted Notes (and the application of the proceeds thereof as contemplated by the Request for Purchase for such Accepted Notes) no Default or Event of Default shall have occurred and be continuing.

4.3. Compliance Certificates.

(a) Officer's Certificate. The Company shall have delivered to such Purchaser an Officer's Certificate, dated the date of such Closing Day, certifying that the conditions specified in Sections 4.1, 4.2 and 4.8 have been fulfilled.

(b) Secretary's Certificate. The Company shall have delivered to such Purchaser a certificate, dated as of such Closing Day, certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of such Accepted Notes and this Agreement.

4.4. Opinions of Counsel.

(a) Such Purchaser shall have received opinions in form and substance reasonably satisfactory to such Purchaser, dated the date of such Closing Day from Cohen Tauber Spievack & Wagner P.C., special counsel for the Company, and Paul K. Sandness, General Counsel of the Company, covering the matters set forth in Exhibits 4.4(a) and 4.4(b), respectively, and covering such other matters incident to the transactions contemplated hereby as such Purchaser or its counsel may reasonably request. The Company hereby directs each such counsel to deliver such opinion and agrees that the issuance and sale of any Accepted Notes will constitute a renewal of such direction. The Company has advised such counsel that each Purchaser receiving such an opinion will rely on such opinion, as of the date of such opinion.

(b) Such Purchaser shall have received an opinion in form and substance reasonably satisfactory to such Purchaser, dated the date of such Closing Day from Bryant Rabbino LLP, special counsel for Prudential and the Purchasers.

4.5. Purchase Permitted By Applicable Law, etc.

On such Closing Day the purchase of Notes by such Purchaser shall (i) be permitted by the laws and regulations of each jurisdiction to which it is subject, without recourse to provisions (such as Section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (ii) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (iii) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as it may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

4.6. Payment of Facility Fee.

The Company shall have paid on or before such Closing Day the Fees required by Section 2.9 for such Accepted Notes.

4.7. Private Placement Number.

A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners) shall have been obtained by the Purchasers for such Accepted Notes.

4.8. Changes in Corporate Structure.

The Company shall not be in violation of Section 9.5.

4.9. Certain Documents.

Such Purchaser shall have received the following:

(i) The Accepted Note(s) to be purchased by such Purchaser on such Closing Day.

(ii) Certified copies of the Certificate of Incorporation and By-laws of the Company as of such Closing Day, or a certificate of the Secretary or an Assistant Secretary of the Company certifying that there have been no changes to the Certificate of Incorporation and By-laws of the Company since the same were previously delivered pursuant to this Agreement.

(iii) A good standing certificate for the Company from the Secretary of State of Delaware dated of a recent date prior to such Closing Day and such other evidence of the status of the Company as such Purchaser may reasonably request.

4.10. Proceedings and Documents.

All of the Company's corporate and other proceedings required in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be reasonably satisfactory to Prudential and its counsel, and Prudential and its counsel shall have received all such counterpart originals or certified or other copies of such documents as Prudential or they may reasonably request.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each Purchaser that:

5.1. Organization; Power and Authority.

The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement and the Notes and to perform the provisions hereof and thereof.

5.2. Authorization, etc.

This Agreement and the Notes have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement constitutes, and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

5.3. Disclosure.

The Company has delivered to Prudential a copy of the Memorandum. The Memorandum fairly describes, in all material respects, the general nature of the business and principal properties of the Company and its Subsidiaries as of the date of this Agreement. This Agreement, the Memorandum (as the same may be updated pursuant to an Officer's Certificate certifying that the information contained therein is an update of information contained in the Memorandum and delivered pursuant to this Section 5.3) and the financial statements referred to in Section 5.5, taken as a whole, do

not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Except as expressly described in one of the documents or other writings constituting the Memorandum (as updated as provided in this Section 5.3 or Section 2.5), or in the financial statements referred to in Section 5.5, since December 31, 2012 (with respect to information pertaining to the general nature of the business and principal properties of the Company and its Subsidiaries contained in the Memorandum (as updated) other than financial statements) and, since the end of the most recent fiscal year for which audited financial statements have been furnished (with respect to financial statements), there has been no change in the financial condition, operations, business or properties of the Company or any Subsidiary except changes that individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that would reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Memorandum (as updated or amended from time to time pursuant to Section 2.5) or in the financial statements referred to in Section 5.5.

5.4. Organization and Ownership of Shares of Subsidiaries; Affiliates.

(a) Schedule 5.4, as it may be amended from time to time, contains (except as noted therein) complete and correct lists (i) of the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary, (ii) of the Company's Affiliates, other than Subsidiaries, and (iii) of the Company's directors and senior officers.

(b) All of the outstanding shares of capital stock of each Subsidiary shown in Schedule 5.4, as it may be amended from time to time, as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except as otherwise disclosed in Schedule 5.4 as amended pursuant to Section 2.5).

(c) Each Subsidiary identified in Schedule 5.4, as it may be amended from time to time, is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Subsidiary is a party to, or otherwise subject to any legal restriction or any agreement (other than the agreements listed on Schedule 5.4, as it may

be amended from time to time, and customary limitations imposed by corporate law statutes) restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Subsidiary.

5.5. Financial Statements.

The Company has delivered to each Purchaser of Series D Notes and any Accepted Notes copies of the following financial statements (i) a consolidated balance sheet of the Company and its Subsidiaries as at December 31 in each of the two fiscal years of the Company most recently completed prior to the date as of which this representation is made or repeated to such Purchaser (other than fiscal years completed within 120 days prior to such date for which audited financial statements have not been released) and consolidated statements of income, stockholders' equity and cash flows of the Company and its Subsidiaries for each such year, all reported on by the Company's independent auditors (which shall be a nationally recognized independent accounting firm); and (ii) an unaudited consolidated balance sheet of the Company and its Subsidiaries as at the end of the quarterly period (if any) most recently completed prior to such date and after the end of those two fiscal years most recently ended (other than quarterly periods completed within 60 days prior to such date for which financial statements have not been released) and the comparable quarterly period in the preceding fiscal year and consolidated statements of income, stockholders' equity and cash flows for the periods from the beginning of the fiscal years in which such quarterly periods are included to the end of such quarterly periods, prepared by the Company. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such financial statements and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments).

5.6. Compliance with Laws, Other Instruments, etc.

The execution, delivery and performance by the Company of this Agreement and the Notes will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary.

5.7. Governmental Authorizations, etc.

No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of this Agreement or the Notes.

5.8. Litigation; Observance of Agreements, Statutes and Orders.

(a) Except as disclosed in Schedule 5.8, as it may be amended from time to time pursuant to Section 2.5, there are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or is in violation of any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws) of any Governmental Authority, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

5.9. Taxes.

The Company and its Subsidiaries have filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which is not individually or in the aggregate Material or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. As of the date of this Agreement, (x) the Company knows of no basis for any other tax or assessment that could reasonably be expected to have a Material Adverse Effect; (y) the charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of Federal, state or other taxes for all fiscal periods are adequate; and (z) the Federal income tax liabilities of the Company and its Subsidiaries have been determined by the Internal Revenue Service and accrued for all fiscal years up to and including the fiscal year ended December 31, 2006.

5.10. Title to Property; Leases.

The Company and its Subsidiaries have good and sufficient title to their respective properties that individually or in the aggregate are Material, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business or listed on Schedule 5.10, as it may be amended from time to time pursuant to Section 2.5), in each case free and clear of Liens prohibited by this Agreement. All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

5.11. Licenses, Permits, etc.

The Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are Material to the operation of the business of the Company and its Subsidiaries, taken as a whole, without known conflict with the rights of others.

5.12. Compliance with ERISA.

(a) Each of the Company and its ERISA Affiliates is in compliance in all material respects with the applicable provisions of ERISA, the Code and other applicable federal and state law and published interpretations thereunder, except for any such failure that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect.

(b) The execution and delivery of this Agreement and the issuance and sale of the Notes hereunder will not involve any transaction which is subject to the prohibitions of Section 406 of ERISA or in connection with which a tax could be imposed pursuant to Section 4975(c)(1)(A)-(D) of the Code. The representation by the Company to the Purchasers in the first sentence of this Section 5.12(b) is made in reliance upon and subject to the accuracy of the representation of each Purchaser in Section 6.2 as to the sources of the funds to be used to pay the purchase price of the Notes to be purchased by such Purchaser.

5.13. Private Offering by the Company.

Neither the Company nor anyone acting on its behalf has offered the Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any person other than the Purchasers and other Institutional Investors, each of which has been offered the Notes at

a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of Section 5 of the Securities Act.

5.14. Use of Proceeds; Margin Regulations.

The Company will apply the proceeds of the sale of the Series D Notes to refinance existing debt and for general corporate purposes and will apply the proceeds of the sale of the Shelf Notes as set forth in the Request for Purchase for such Notes. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 2% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 5% of the value of such assets. As used in this Section, the terms "**margin stock**" and "**purpose of buying or carrying**" shall have the meanings assigned to them in said Regulation U.

5.15. Existing Indebtedness; Future Liens.

(a) Schedule 5.15 sets forth a complete and correct list of all outstanding Indebtedness of the Company and its Subsidiaries as of September 12, 2013. Neither the Company nor any of its Subsidiaries has any outstanding Indebtedness except as permitted by Section 10.3 and 10.4. Neither the Company nor any Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Company or such Subsidiary and no event or condition exists with respect to any Indebtedness of the Company or any Subsidiary that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(b) As of the date of this Agreement, neither the Company nor any Subsidiary has any Indebtedness secured by a Lien on any of their respective property. Neither the Company nor any Subsidiary has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien securing Indebtedness, in violation of Section 10.2.

5.16. Status under Certain Statutes.

Neither the Company nor any Subsidiary or Affiliate is subject to regulation under the Investment Company Act of 1940, as amended. The Company is not subject to regulation under the Public Utility Holding Company Act of 2005, as amended,

the ICC Termination Act of 1995, as amended, the Federal Power Act, as amended, any state public utilities code or statute, or any other Federal or state statute or regulation limiting its ability to incur indebtedness.

5.17. Environmental Matters.

Except as described in Schedule 5.17, as it may be amended from time to time pursuant to Section 2.5, the Company and its Subsidiaries and all of their respective properties and facilities have complied at all times and in all respects with all Federal, state, local and regional statutes, laws, ordinances and judicial or administrative orders, judgments, rulings and regulations relating to protection of the environment except, in any such case, where failure to comply would not result in a Material Adverse Effect.

5.18. Hostile Tender Offers.

None of the proceeds of the sale of any Notes will be used to finance a Hostile Tender Offer.

5.19. Foreign Assets Control Regulations, etc. (a) Neither the Company nor any Controlled Entity is (i) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by the Office of Foreign Assets Control, United States Department of the Treasury (“**OFAC**”) (an “**OFAC Listed Person**”) (ii) an agent, department, or instrumentality of, or is otherwise beneficially owned by, controlled by or acting on behalf of, directly or indirectly, (x) any OFAC Listed Person or (y) any Person, entity, organization, foreign country or regime that is subject to any OFAC Sanctions Program, or (iii) otherwise blocked, subject to sanctions under or engaged in any activity in violation of other United States economic sanctions, including but not limited to, the Trading with the Enemy Act, the International Emergency Economic Powers Act, the Comprehensive Iran Sanctions, Accountability and Divestment Act (“**CISADA**”) or any similar law or regulation with respect to Iran or any other country, the Sudan Accountability and Divestment Act, any OFAC Sanctions Program, or any economic sanctions regulations administered and enforced by the United States or any enabling legislation or executive order relating to any of the foregoing (collectively, “**U.S. Economic Sanctions**”) (each OFAC Listed Person and each other Person, entity, organization and government of a country described in clause (i), clause (ii) or clause (iii), a “**Blocked Person**”). Neither the Company nor any Controlled Entity has been notified that its name appears or may in the future appear on a state list of Persons that engage in investment or other commercial activities in Iran or any other country that is subject to U.S. Economic Sanctions.

(b) No part of the proceeds from the sale of the Notes hereunder constitutes or will constitute funds obtained on behalf of any Blocked Person or will otherwise be used by the Company or any Controlled Entity, directly or indirectly, (i) in connection with any investment in, or any transactions or dealings with, any Blocked Person, or (ii) otherwise in violation of U.S. Economic Sanctions.

(c) Neither the Company nor any Controlled Entity (i) has been found in violation of, charged with, or convicted of, money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes under the Currency and Foreign Transactions Reporting Act of 1970 (otherwise known as the Bank Secrecy Act), the USA PATRIOT Act or any other United States law or regulation governing such activities (collectively, “**Anti-Money Laundering Laws**”) or any U.S. Economic Sanctions violations, (ii) to the Company’s actual knowledge after making due inquiry, is under investigation by any Governmental Authority for possible violation of Anti-Money Laundering Laws or any U.S. Economic Sanctions violations, (iii) has been assessed civil penalties under any Anti-Money Laundering Laws or any U.S. Economic Sanctions, or (iv) has had any of its funds seized or forfeited in an action under any Anti-Money Laundering Laws. The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in compliance with all applicable current and future Anti-Money Laundering Laws and U.S. Economic Sanctions.

(d) (1) Neither the Company nor any Controlled Entity (i) has been charged with, or convicted of bribery or any other anti-corruption related activity under any applicable law or regulation in a U.S. or any non-U.S. country or jurisdiction, including but not limited to, the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010 (collectively, “**Anti-Corruption Laws**”), (ii) to the Company’s actual knowledge after making due inquiry, is under investigation by any U.S. or non-U.S. Governmental Authority for possible violation of Anti-Corruption Laws, (iii) has been assessed civil or criminal penalties under any Anti-Corruption Laws or (iv) has been or is the target of sanctions imposed by the United Nations or the European Union;

(2) To the Company’s actual knowledge after making due inquiry, neither the Company nor any Controlled Entity has, within the last five years, directly or indirectly offered, promised, given, paid or authorized the offer, promise, giving or payment of anything of value to a Governmental Official or a commercial counterparty for the purposes of: (i) influencing any act, decision or failure to act by such Government Official in his or her official capacity or such commercial counterparty, (ii) inducing a Governmental Official to do or omit to do any act in violation of the Governmental Official’s lawful duty, or (iii) inducing a Governmental Official or a commercial counterparty to use his or her influence with a government or instrumentality to affect any act or decision of such government or entity; in each case in order to obtain, retain or direct business or to otherwise secure an improper advantage in violation of any applicable law or regulation or which would cause any holder to be in violation of any law or regulation applicable to such holder; and

(3) No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for any improper payments, including bribes, to any Governmental Official or commercial counterparty in order to obtain, retain or direct business or obtain any improper advantage. The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in compliance with all applicable current and future Anti-Corruption

Laws.

6. REPRESENTATIONS OF THE PURCHASER.

6.1. Purchase for Investment.

Each Purchaser severally represents that it is purchasing the Notes for its own account or for one or more separate accounts maintained by it or for the account of one or more pension or trust funds and not with a view to the distribution thereof, provided that the disposition of its or their property shall at all times be within its or their control. Each Purchaser understands that the Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Notes.

6.2. Source of Funds.

Each Purchaser severally represents that at least one of the following statements is an accurate representation as to each source of funds (the "**Source**") to be used by such Purchaser to pay the purchase price of the Notes to be purchased by such Purchaser hereunder:

(a) the Source is an "insurance company general account" (as the term is defined in the United States Department of Labor's Prohibited Transaction Exemption ("**PTE**") 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the National Association of Insurance Commissioners (the "**NAIC Annual Statement**")) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Purchaser's state of domicile; or

(b) the Source is a separate account that is maintained solely in connection with such Purchaser's fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(c) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 and, except as disclosed by such Purchaser to the Company in writing pursuant to this clause (c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(d) the Source constitutes assets of an “investment fund” (within the meaning of Part VI of PTE 84-14 (the “**QPAM Exemption**”)) managed by a “qualified professional asset manager” or “QPAM” (within the meaning of Part VI of the QPAM Exemption), no employee benefit plan’s assets that are managed by the QPAM in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, represent more than 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM maintains an ownership interest in the Company that would cause the QPAM and the Company to be “related” within the meaning of Part VI(h) of the QPAM Exemption and (i) the identity of such QPAM and (ii) the names of any employee benefit plans whose assets in the investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization, represent 10% or more of the assets of such investment fund, have been disclosed to the Company in writing pursuant to this clause (d); or

(e) the Source constitutes assets of a “plan(s)” (within the meaning of Part IV(h) of PTE 96-23 (the “**INHAM Exemption**”)) managed by an “in-house asset manager” or “INHAM” (within the meaning of Part IV(a) of the INHAM Exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a person controlling or controlled by the INHAM (applying the definition of “control” in Part IV(d)(3) of the INHAM Exemption) owns a 10% or more interest in the Company and (i) the identity of such INHAM and (ii) the name(s) of the employee benefit plan(s) whose assets constitute the Source have been disclosed to the Company in writing pursuant to this clause (e); or

(f) the Source is a governmental plan; or

(g) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this clause (g); or

(h) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 6.2, the terms "**employee benefit plan**," "**governmental plan**," and "**separate account**" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

7. INFORMATION AS TO COMPANY.

7.1. Financial and Business Information.

The Company shall deliver to each holder of Notes that is an Institutional Investor:

(a) Quarterly Statements -- as soon as practicable and in any event within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of,

(i) an unaudited consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter, and

(ii) unaudited consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments, provided that, at such times as the Company is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, delivery within the time period specified above of copies of the Company's Quarterly Report on Form 10-Q prepared in compliance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this Section 7.1(a);

(b) Annual Statements -- as soon as practicable and in any event within 120 days after the end of each fiscal year of the Company, duplicate copies of,

(i) a consolidated balance sheet of the Company and its Subsidiaries, as at the end of such year, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries, for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied

(A) by an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, and

(B) a certificate of such accountants stating that, in making the audit necessary for their report on such financial statements, they have obtained no knowledge of any Default or any Event of Default, or, if they have obtained knowledge of any Default or Event of Default, specifying the nature and period of the existence thereof (it being understood that such accountants shall not be liable, directly or indirectly, for any failure to obtain knowledge of any Default or Event of Default unless such accountants should have obtained knowledge thereof in making an audit in accordance with generally accepted auditing standards or did not make such an audit);

provided that, at such times as the Company is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the delivery within the time period specified above of the Company's Annual Report on Form 10-K for such fiscal year (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the Securities and Exchange Commission, together with the accountant's certificate described in clause (B) above, shall be deemed to satisfy the requirements of this Section 7.1(b);

(c) SEC and Other Reports -- promptly upon transmission thereof, copies of all financial statements and regular, periodical or special reports (including Forms 10-K, 10-Q and 8-K) that the Company may make to, or file with, the Securities and Exchange Commission, provided, that such information need not be provided by the Company if it is available on the Securities and Exchange Commission's EDGAR system and the Company sends to such holder

an e-mail notification at the time such information becomes available on such system;

(d) Reports of Accountants -- promptly upon receipt thereof, a copy of each other material (in the reasonable judgment of the Company) report submitted to the Company or any Subsidiary by independent public accountants in connection with any annual, interim or special audit made by them of the books and records of the Company or any Subsidiary;

(e) Notice of Default or Event of Default -- promptly, and in any event within five days after a Senior Financial Officer becomes aware of the existence of any Default or Event of Default, a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(f) ERISA Matters -- promptly, and in any event within five days after a Senior Financial Officer becomes aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in sections 4043(c) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, would reasonably be expected to have a Material Adverse Effect;

(g) Notices from Governmental Authority -- promptly, and in any event within 30 days of receipt thereof, copies of any notice to the Company or any Subsidiary from any Federal or state Governmental Authority relating to any

order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect; and

(h) Requested Information -- with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under the Notes, in any case as from time to time may be reasonably requested by any such holder of Notes.

7.2. Officer's Certificate.

Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1(a) or Section 7.1(b) hereof shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) Covenant Compliance -- the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of Section 10.2 through Section 10.7 hereof, inclusive, during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence) and a description, in reasonable detail, of Excluded Indebtedness (and of Excluded Assets securing such Excluded Indebtedness) outstanding during the quarterly or annual period covered by the statements then being furnished; and

(b) Event of Default -- a statement that such officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

7.3. Inspection.

The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) No Default -- if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit

the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) Default -- if a Default or Event of Default then exists, at the expense of the Company to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all the respective books of account, records, reports and other papers of the Company and any Subsidiary, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries, so long as a representative of the Company is offered, on at least two Business Days' notice, the opportunity to be present), all at such times and as often as may be requested.

8. PAYMENT AND PREPAYMENT OF THE NOTES.

8.1. Required Prepayments.

(a) Series D Notes. As provided therein, the entire unpaid principal balance of the Series D Notes shall be due and payable on the stated maturity date thereof.

(b) Shelf Notes. Each Series of Shelf Notes shall be subject to required prepayments, if any, set forth in the Notes of such Series, provided that upon any partial prepayment of the Shelf Notes of any Series pursuant to Section 8.3, the principal amount of each required prepayment of the Shelf Notes of such Series becoming due under this Section 8.1(b) on and after the date of such prepayment shall be reduced in the same proportion as the aggregate unpaid principal amount of the Shelf Notes of such Series is reduced as a result of such prepayment.

8.2. Mandatory Offer to Make Prepayments without Make-Whole Amount in the Event of Certain Partial Takings.

If there is a bona fide Taking by a Governmental Authority (i) of less than a substantial portion of the Pipeline, or (ii) which does not result in substantial impairment of the value or use of the Pipeline, the Company will make an offer to the holders of the Notes of each Series to apply an amount equal to the net proceeds received by it and its Subsidiaries in connection with such Taking to the prepayment of the Notes of each Series at par and without payment of the Make-Whole Amount or any premium not later than 10 Business Days after receipt of such proceeds. If any holder of the Notes accepts such offer of prepayment, the Company will give each holder of Notes written notice of each prepayment to each accepting holder under this Section 8.2 not less than

three Business Days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify such date, the aggregate principal amount of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid, if any (determined by allocating among all of the Notes outstanding for which the holders thereof have accepted the offer of prepayment in proportion, as nearly as practicable, to the respective outstanding principal amounts), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid. Any partial prepayment of Notes pursuant to this Section 8.2 shall be applied in satisfaction of required payments of principal of such Notes in inverse order of their scheduled due dates.

8.3. Optional Prepayments with Make-Whole Amount.

The Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Notes of each Series, in an amount not less than \$1,000,000 of the aggregate principal amount of the Notes of such Series then outstanding in the case of a partial prepayment, at 100% of the principal amount so prepaid, plus the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Company will give each holder of Notes of each Series written notice of each optional prepayment under this Section 8.3 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify such date, the aggregate principal amount of the Notes of each Series to be prepaid on such date, the principal amount of each Note of such Series held by such holder to be prepaid (determined in accordance with Section 8.4), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Notes a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date. Any partial prepayment of a Series of Notes pursuant to this Section 8.3 shall be applied in satisfaction of required payments of principal of the Notes in such Series in inverse order of their scheduled due dates.

8.4. Allocation of Partial Prepayments.

In the case of each partial prepayment of the Notes of any Series pursuant to Section 8.1 or 8.3, the principal amount of the Notes to be prepaid shall be allocated among all of the Notes of such Series at the time outstanding in proportion, as nearly as practicable, to the respective unpaid outstanding principal amounts thereof.

8.5. Maturity; Surrender, etc.

In the case of each prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on

the date fixed for such prepayment, together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and canceled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

8.6. Purchase of Notes.

The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes of any Series except upon the payment or prepayment of the Notes of such Series in accordance with the terms of this Agreement and the Notes of such Series. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to any provision of this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

8.7. Make-Whole Amount.

The term "**Make-Whole Amount**" means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal, provided that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"**Called Principal**" means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 8.3 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

"**Discounted Value**" means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"**Reinvestment Yield**" means, with respect to the Called Principal of any Note, 0.50% over the yield to maturity implied by (i) the yields reported, as of 10:00 A.M. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page PX1" (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on the run U.S. Treasury securities having a maturity equal to the Remaining Average Life of

such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield will be determined, if necessary, by (x) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (y) interpolating linearly between (1) the actively traded U.S. Treasury security with the maturity closest to and greater than the Remaining Average Life and (2) the actively traded U.S. Treasury security with the maturity closest to and less than the Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Note.

"Remaining Average Life" means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"Remaining Scheduled Payments" means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.3 or 12.1.

"Settlement Date" means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.3 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

9. AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

9.1. Compliance with Law.

The Company will and will cause each of its Subsidiaries to comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.2. Insurance.

The Company will and will cause each of its Subsidiaries to maintain, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities engaged in the same or a similar business and similarly situated.

9.3. Maintenance of Properties.

The Company will and will cause each of its Subsidiaries to maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear) so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section shall not prevent the Company or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.4. Payment of Taxes.

The Company will and will cause each of its Subsidiaries to file all income tax or similar tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies payable by any of them, to the extent such taxes and assessments have become due and payable and before they have become delinquent, provided that neither the Company nor any Subsidiary need pay any such tax or assessment if (i) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (ii) the

nonpayment of all such taxes and assessments in the aggregate could not reasonably be expected to have a Material Adverse Effect.

9.5. Corporate Existence, etc.

Subject to Section 10.7, the Company will at all times preserve and keep in full force and effect its corporate existence. Subject to Section 10.7, the Company will at all times preserve and keep in full force and effect the corporate existence of each of its Subsidiaries (unless merged into the Company or a Subsidiary) and all rights and franchises of the Company and its Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

9.6. Information Required by Rule 144A.

The Company will, upon the request of the holder of any Note, provide such holder, and any qualified institutional buyer designated by such holder, such financial and other information as such holder and the Company may reasonably determine to be necessary in order to permit compliance with the information requirements of Rule 144A under the Securities Act in connection with the resale of Notes, except at such times as the Company is subject to the reporting requirements of section 13 or 15(d) of the Exchange Act. For the purpose of this Section, the term "qualified institutional buyer" shall have the meaning specified in Rule 144A under the Securities Act.

9.7. Covenant to Secure Notes Equally.

If the Company or any Subsidiary shall create or assume any Lien upon any of its property or assets, whether now owned or hereafter acquired, other than Liens permitted by Section 10.2 (unless prior written consent to the creation or assumption thereof shall have been obtained pursuant to this Agreement), the Company will make or cause to be made effective provisions whereby the Notes will be secured by such Lien equally and ratably with any and all other Indebtedness so long as such Indebtedness shall be so secured.

9.8. Notice of Taking.

The Company shall promptly, and in any event within 10 days after receipt thereof, provide to each holder of Notes a copy of each notice the Company or any of its Subsidiaries receives in connection with any proposed Taking.

10. NEGATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

10.1. Transactions with Affiliates.

The Company will not and will not permit any Subsidiary to enter into directly or indirectly any Material transaction or agreement or Material group of related transactions or agreements (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service or any agreement with respect thereto) with any Affiliate other than another subsidiary of the Company that is a Wholly-Owned Subsidiary, except

(i) in the ordinary course and pursuant to the reasonable requirements of the Company's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Subsidiary than would be obtainable in a comparable arm's-length transaction or agreement with a Person not an Affiliate or

(ii) (A) in the ordinary course and pursuant to the reasonable requirements of the Company's or such Subsidiary's business as may be approved by FERC or other appropriate Governmental Authorities having jurisdiction over the Company, or (B) pursuant to that certain Asset Purchase Agreement, dated August 6, 1982, as amended by Amendment to the Asset Purchase Agreement, dated January 21, 1985, by and between Montana-Dakota Utilities Co. ("Montana-Dakota") and the Company entered into in furtherance of the Revised Stipulation and Agreement of Settlement in FERC Docket No. CP82-487-000 et al. (the "Settlement Agreement"), to the extent that Article Ten thereof requires the Company, if and when it implements a pricing mechanism for Company-owned production which results in prices higher than cost-of-service pricing for such production, to make a payment to Montana-Dakota which is equal in amount to the adjustment made by Montana-Dakota pursuant to Section 10.1 of said Settlement Agreement; provided, that all such transactions and agreements permitted by this clause (ii), do not, individually or in the aggregate, result in a Material Adverse Effect.

10.2. Limitation on Liens.

The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly create, incur, assume or permit to exist any Lien on or with respect to any property or asset of the Company or any such Subsidiary, whether now owned or hereafter acquired, or any income or profits therefrom, or assign or otherwise convey any right to receive income or profits, except:

(a) Permitted Liens;

(b) Liens in respect of property (including, without limitation, Excluded Pipeline Additions) acquired by the Company or any Subsidiary in the ordinary course of business and created at the time of acquisition or within 180 days thereafter to secure Indebtedness incurred to finance all or part of the

purchase price of such property or existing at the time of acquisition thereof (and not incurred in anticipation thereof), or created at the time of the making of physical improvements to or alterations (including, as improvements or alterations, Excluded Pipeline Additions) of property of the Company or any Subsidiary or within 180 days after the completion of such improvements or alterations to secure Indebtedness incurred to finance such improvements or alterations, provided that

(i) no such Lien shall extend to or cover any of the Pipeline or any Service Agreement related to the Pipeline,

(ii) no such Lien shall extend to or cover any other property of the Company or any of its Subsidiaries other than the property being acquired or improved or altered, as the case may be, and any Service Agreement solely in respect of such property (other than Service Agreements referred to in clause (i) above),

(iii) the aggregate principal amount of Indebtedness secured by all such Liens in respect of any such property shall not exceed the purchase price or cost of such improvement or alteration, as the case may be, of such property, and

(iv) immediately after giving effect thereto, (x) the aggregate principal amount of Indebtedness secured by all such Liens in respect of all such property (and any renewals or extensions permitted by clause (c)) minus Excluded Indebtedness shall not exceed (y) 35% of Adjusted Net Worth, provided, however, that the foregoing limitation may be exceeded if, at least 91 days (or at least 367 days, in the event that the Lien described in clause (b)(iv)(A) below is granted to or for the benefit of a Person who may be an "insider" (as determined by special counsel for the holders of the Notes), as such term is defined in Section 101 of the United States Bankruptcy Code (11 U.S.C. § 101 et seq.)) prior to the creation of such Lien which results in such limitation being exceeded, (A) the Company, at its sole expense (including the expense of special counsel for the holders of the Notes and of special counsel for the collateral trustee), grants to a collateral trustee selected by the Required Holders of the Notes of each Series a first priority Lien, for the benefit of the holders of the Notes and as security for the principal of, interest and Make-Whole Amount in respect of the Notes, pursuant to documentation containing commercially reasonable market terms, in the reasonable good faith judgment of the Company and the Required Holders (which documentation shall also include a provision to the effect that the Required Holders will instruct the collateral trustee to release such Lien at such time as (1) the limitation provided above is no longer exceeded and no Default or Event of Default exists, both immediately prior to and immediately after giving effect to such release, and (2) the Company

delivers to the holders of the Notes an Officer's Certificate to both such effects) and involving collateral acceptable to the Required Holders, (B) the Company demonstrates to the reasonable satisfaction of the Required Holders that (x) the Company is solvent, as determined under applicable state and Federal law, both immediately prior to and after giving effect to the creation of such Lien in favor of the collateral trustee, and (y) the provisions of 11 U.S.C. § 548(a)(2)(B)(ii) and (iii) (and similar provisions of applicable state law) do not apply to the Company at each such time, (C) special counsel for the holders of the Notes delivers to the holders of the Notes an opinion reasonably acceptable to the Required Holders addressing such matters as the Required Holders may reasonably request, including, without limitation, the validity and enforceability of the documents creating the Lien in the favor of the collateral trustee, the priority of such Lien, and that the creation of such Lien does not constitute a preference, a fraudulent transfer or fraudulent conveyance or another arrangement that is avoidable under the United States Bankruptcy Code or applicable state law, and (D) the holders of the Notes receive such other documents and instruments (including, without limitation, environmental reports) as the Required Holders reasonably request, and all corporate and other proceedings in connection with the granting of such Lien are reasonably satisfactory to the Required Holders; provided further that, notwithstanding the foregoing provisions of this clause (b), such Lien in favor of the collateral trustee may be granted at the same time as the limitation above is exceeded if (xx) the demonstrations required by subclause (B) above can be made, both immediately prior to and after giving effect to the Lien in favor of the collateral trustee and the Lien which causes such limitation to be exceeded, and (yy) the provisions of subclauses (A), (C) and (D) above are complied with;

(c) extensions or renewals of any Lien permitted by clause (b) above, provided that the outstanding principal amount of the Indebtedness secured thereby at the time of renewal is not increased and such Lien as so extended or renewed does not extend to or cover any property other than the property covered thereby immediately prior to such extension or renewal and immediately after giving effect to any such renewal or extension the aggregate principal amount of Indebtedness secured by all such renewals and extensions together with the aggregate principal amount of Indebtedness secured by Liens permitted by clause (b) minus Excluded Indebtedness shall not (except as permitted by clause (b)(iv)) exceed 35% of Adjusted Net Worth; and

(d) other Liens not otherwise permitted by clause (a), (b) or (c) above securing Indebtedness of the Company or any Subsidiary, provided that

(i) such other Liens shall not extend to or cover any of the Pipeline or any Service Agreement related to the Pipeline, and

(ii) the aggregate outstanding principal amount of Priority Debt minus Excluded Indebtedness shall not at any time exceed 10% of Adjusted Net Worth.

10.3. Limitation on Consolidated Indebtedness.

The Company will not at any time permit (i) Consolidated Indebtedness minus Excluded Indebtedness to exceed 55% of (ii) Consolidated Total Capitalization minus Excluded Assets.

10.4. Limitation on Priority Debt.

The Company will not at any time permit the aggregate outstanding principal amount of Priority Debt minus Excluded Indebtedness to exceed 10% of Adjusted Net Worth.

10.5. Limitation on Investments.

The Company will not, and will not permit any Subsidiary to, retain or make any Investments other than:

- (a) Permitted Investments;
- (b) Investments made in property or assets to be used in the ordinary course of business of the Company or any Subsidiary;
- (c) Investments in a Subsidiary or in a Person which, concurrently with such Investment, becomes a Subsidiary; and
- (d) other Investments, provided that the Aggregate Amount of outstanding Investments permitted by this clause (d) shall not at any time exceed 12.5% of Consolidated Tangible Net Worth.

10.6. Limitation on Sale of Assets.

The Company will not, and will not permit any Subsidiary to, make any Asset Sale; provided, that so long as no Default or Event of Default exists both immediately prior to and after giving effect to any Asset Sale, the Company or any Subsidiary may make any Asset Sale if (a) the Gross Proceeds Amount from such Asset Sale plus the Gross Proceeds Amounts from all other Asset Sales during the then current fiscal year do not exceed 10% of Consolidated Total Assets as at the end of the prior fiscal year and (b) the operating income attributable to such property or assets plus the operating income attributable to all other properties and assets subject to Asset Sales during the then current fiscal year does not exceed 10% of Consolidated Operating Income in any of the three preceding fiscal years; provided, further, that Asset Sales in excess of the foregoing limits may be made if the Excess Proceeds Amount (i) is applied

to a Property Reinvestment Application within six months (or twelve months if the Excess Proceeds Amount is invested, not later than the end of the sixth month, in United States Governmental Securities maturing within 365 days after the closing date of any such Asset Sale) after any such Asset Sale and (ii) is held, free from any Liens, prior to such Property Reinvestment Application in a segregated bank account with a bank that is not a creditor of the Company or any Subsidiary or, in the case of United States Governmental Securities, in a segregated account with an Acceptable Broker-Dealer which is not a creditor of the Company or any Subsidiary; provided, further, that in no event may the Company or any Subsidiary convey, transfer, lease or otherwise dispose of all or any portion of the Pipeline or any Service Agreement related thereto (except for (1) damaged, worn-out, obsolete or unnecessary equipment that, in the Company's reasonable judgment, is either no longer used or useful in the business of the Company or its Subsidiaries and (x) in the case of worn-out or damaged equipment, is replaced, or (y) in the case of obsolete or unnecessary equipment, the disposition thereof, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, a Material deterioration in the consolidated cash flow of the Company and its Subsidiaries attributable to the Pipeline or a deterioration in the overall quality or condition of the Pipeline, (2) any Service Agreement related to any such obsolete or unnecessary equipment, but only to the extent so related) and (3) equipment (including portions of the Pipeline and related property) which, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, a Material deterioration in the consolidated cash flow of the Company and its Subsidiaries attributable to the Pipeline or a deterioration in the overall quality or condition of the Pipeline.

10.7. Merger, Consolidation, Etc.

The Company will not, and will not permit any of its Subsidiaries to, consolidate with or merge with any other corporation or convey, transfer or lease substantially all of its assets in a single transaction or series of transactions to any Person (except that a Subsidiary of the Company may (x) consolidate with or merge with, or convey, transfer or lease substantially all of its assets in a single transaction or series of transactions to, another Subsidiary of the Company or the Company and (y) convey, transfer or lease all of its assets in compliance with the provisions of Section 10.6), provided that the foregoing restriction shall not apply to the consolidation or merger of the Company with, or the conveyance, transfer or lease of substantially all of the assets of the Company in a single transaction or series of transactions to, any Person so long as:

- (a) the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer or lease substantially all of the assets of the Company as an entirety, as the case may be (the "**Successor Corporation**"), shall be a solvent corporation organized and existing under the laws of the United States of America, any State thereof or the District of Columbia;

(b) if the Company is not the Successor Corporation, such corporation (i) shall have executed and delivered to each holder of Notes its assumption of the due and punctual performance and observance of each covenant and condition of this Agreement and the Notes and (ii) shall have caused to be delivered to each holder of any Notes an opinion of independent counsel, or of counsel to the Successor Corporation, which counsel and opinion must be reasonably satisfactory to the Required Holders, to the effect that all agreements or instruments effecting such assumption are enforceable in accordance with their terms and comply with the terms hereof; and

(c) immediately after giving effect to such transaction no Default or Event of Default shall exist.

No such conveyance, transfer or lease of substantially all of the assets of the Company shall have the effect of releasing the Company or any Successor Corporation from its liability under this Agreement or the Notes.

10.8. Terrorism Sanctions Regulations.

The Company will not and will not permit any Controlled Entity (a) to become (including by virtue of being owned or controlled by a Blocked Person), own or control a Blocked Person or any Person that is the target of sanctions imposed by the United Nations or by the European Union, or (b) directly or indirectly to have any investment in or engage in any dealing or transaction (including, without limitation, any investment, dealing or transaction involving the proceeds of the Notes) with any Person if such investment, dealing or transaction (i) would cause any holder to be in violation of any law or regulation applicable to such holder, or (ii) is prohibited by or subject to sanctions under any U.S. Economic Sanctions, or (c) to engage, nor shall any Affiliate of either engage, in any activity that could subject such Person or any holder to sanctions under CISADA or any similar law or regulation with respect to Iran or any other country that is subject to U.S. Economic Sanctions.

11. EVENTS OF DEFAULT.

An "Event of Default" shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal, Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for more than ten days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained in the first sentence of Section 9.5 and Sections 10.1 through 10.8, inclusive; or

(d) the Company defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this Section 11) and such default is not remedied within 30 days after the earlier of (i) a Senior Financial Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a "notice of default" and to refer specifically to this paragraph (d) of Section 11); or

(e) any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company in this Agreement or in any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) the Company or any Significant Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness that is outstanding in an aggregate principal amount of at least \$15,000,000 beyond any period of grace provided with respect thereto, or (ii) the Company or any Subsidiary is in default in the performance of or compliance with any term of any evidence of any Indebtedness in an aggregate outstanding principal amount of at least \$5,000,000 or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Indebtedness has become, or has been declared, due and payable before its stated maturity or before its regularly scheduled dates of payment; or

(g) the Company or any Significant Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or Governmental Authority of competent jurisdiction enters an order appointing, without consent by the Company or any of its Significant Subsidiaries, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or

constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any of its Significant Subsidiaries, or any such petition shall be filed against the Company or any of its Significant Subsidiaries and such petition shall not be dismissed within 60 days; or

(i) a final judgment or judgments for the payment of money aggregating in excess of \$15,000,000 are rendered against one or more of the Company and its Subsidiaries and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; or

(j) (i) an ERISA Event or ERISA Termination Event shall occur with respect to a Pension Plan or Multiemployer Plan which has resulted or would reasonably be expected to result in liability of the Company under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of 10% of Consolidated Net Worth; (ii) the commencement or increase of contributions to, or the adoption of or the amendment of, a Pension Plan by the Company or an ERISA Affiliate which has resulted or could reasonably be expected to result in an increase in Unfunded Pension Liability among all Pension Plans in an aggregate amount in excess of 10% of Consolidated Net Worth; or (iii) the Company or an ERISA Affiliate shall fail to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan which has resulted or could reasonably be expected to result in a Material Adverse Effect.

12. REMEDIES ON DEFAULT, ETC.

12.1. Acceleration.

(a) If an Event of Default with respect to the Company described in paragraph (g) or (h) of Section 11 (other than an Event of Default described in clause (i) of paragraph (g) or described in clause (vi) of paragraph (g) by virtue of the fact that such clause encompasses clause (i) of paragraph (g)) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, the Required Holders at the time outstanding may at any time at its or their option, by notice or notices to the Company, declare all the Notes of such Series then outstanding to be immediately due and payable.

(c) If any Event of Default described in paragraph (a) or (b) of Section 11 has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (x) all accrued and unpaid interest thereon and (y) the Make-Whole Amount determined in respect of such principal amount (to the full extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for) and that the provision for payment of a Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

12.2. Other Remedies.

If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

12.3. Rescission.

At any time after any Notes have been declared due and payable pursuant to clause (b) or (c) of Section 12.1, the Required Holders, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the Default Rate, (b) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 17, and (c) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

12.4. No Waivers or Election of Remedies, Expenses, etc.

No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 15, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

13.1. Registration of Notes.

The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

13.2. Transfer and Exchange of Notes.

Upon surrender of any Note at the principal executive office of the Company for registration of transfer or exchange (and in the case of a surrender for registration of transfer, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of such Note or his attorney duly authorized in writing and accompanied by the address for notices of each transferee of such Note or part thereof), the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of Exhibit 1-A, Exhibit 1-B, Exhibit 1-C or Exhibit 1-D, as applicable, in the case of a Series A, Series B, Series C or Series D Note, or in the form of Exhibit 1-E in the case of a Shelf Note. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than \$1,000,000, provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than \$1,000,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representation set forth in Section 6.2.

13.3. Replacement of Notes.

Upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is a Prudential Affiliate, or a nominee of a Prudential Affiliate, or another holder of a Note with a minimum net worth of at least \$50,000,000, a Prudential Affiliate's or such other holder's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof, the Company at its own expense shall execute and deliver, in lieu thereof, a new Note, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

14. PAYMENTS ON NOTES.

14.1. Place of Payment.

Subject to Section 14.2, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in New York, New York, at the principal office of JP Morgan Chase Bank, National Association in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

14.2. Home Office Payment.

So long as any Purchaser shall be the holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, and interest by the method and at the address specified for such purpose below such Purchaser's name in Schedule A (in the case of Existing Notes and Series D Notes) or as specified in such Purchaser's Confirmation of Acceptance (in the case of a Shelf Note), or by such other method or at such other address as a holder of Notes shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, such Purchaser shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. Prior to any sale or other disposition of any Note held by a Purchaser, such Purchaser will, at its election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes pursuant to Section 13.2. The Company will afford the benefits of this Section 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by any Purchaser under this Agreement and that has made the same agreement relating to such Note as the Purchasers have made in this Section 14.2.

15. EXPENSES, ETC.

15.1. Transaction Expenses.

Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required, local or other counsel) incurred by a Purchaser or each other holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement or the Notes (whether or not such amendment, waiver or consent becomes

effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the Notes, or by reason of being a holder of any Note, and (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes. The Company will pay, and will save any Purchaser and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses if any, of brokers and finders (other than those retained by such Purchaser).

15.2. Survival.

The obligations of the Company under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement or the Notes, and the termination of this Agreement.

16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by any Purchaser of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of any Purchaser or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement and the Notes embody the entire agreement and understanding between the Purchasers and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

17. AMENDMENT AND WAIVER.

17.1. Requirements.

This Agreement and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (a) with the written consent of the holders of all Notes of a particular Series, and if an Event of Default shall have occurred and be continuing, of the holders of all Notes of all Series, at the time outstanding (and not without such written consents), the Notes of such Series may be amended, or the provisions thereof waived, to change the maturity thereof, to change or affect the principal thereof, or to change or affect the rate or time of payment of interest on or any Make-Whole Amount payable with respect to the

Notes of such Series, (b) without the written consent of the holder or holders of all Notes at the time outstanding, no amendment to, or waiver of, the provisions of this Agreement shall change or affect the provisions of Sections 8, 11(a), 11(b), 12, 17, or 20 insofar as such provisions relate to proportions of the principal amount of the Notes of any Series, or the rights of any individual holder of Notes, required with respect to any declaration of Notes to be due and payable or with respect to any consent, amendment, waiver or declaration, (c) with the written consent of Prudential (and not without the written consent of Prudential) the provisions of Section 2 may be amended or waived (except insofar as any such amendment or waiver would affect any rights or obligations with respect to the purchase and sale of Notes which shall have become Accepted Notes prior to such amendment or waiver), and (d) with the written consent of all of the Purchasers which shall have become obligated to purchase Accepted Notes of any Series (and not without the written consent of all such Purchasers), any of the provisions of Sections 2, 3 and 4 may be amended or waived insofar as such amendment or waiver would affect only rights or obligations with respect to the purchase and sale of the Accepted Notes of such Series or the terms and provisions of such Accepted Notes.

17.2. Solicitation of Holders of Notes.

(a) Solicitation. The Company will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 17 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) Payment. The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes or any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms, ratably to each holder of Notes then outstanding even if such holder did not consent to such waiver or amendment.

17.3. Binding Effect, etc.

Any amendment or waiver consented to as provided in this Section 17 applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Note nor any delay in exercising any

rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein, the term "**this Agreement**" and references thereto shall mean this Agreement as it may from time to time be further amended or supplemented.

17.4. Notes held by Company, etc.

Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

18. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid), or (d) by e-mail to any Purchaser for whom an e-mail address is included in Schedule A or in its Confirmation of Acceptance, as applicable, specifically for such purpose. Any such notice must be sent:

(i) if to a Purchaser or its nominee, to it at the address, telecopy number or e-mail address, as applicable, specified for such communications in Schedule A (in the case of the Existing Notes or the Series D Notes) or as specified by such Purchaser in its Confirmation of Acceptance (in the case of Shelf Notes), or at such other address or e-mail address as such Purchaser or it shall have specified to the Company in writing,

(ii) if to any other holder of any Note, to such holder at such address, telecopy number or e-mail address, as applicable, as such other holder shall have specified to the Company in writing, or

(iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of Chief Financial Officer, or to the telecopy number indicated in Schedule A, or to TreasuryServices@MDUResources.com, or at such other address, telecopy number or e-mail address as the Company shall have specified to the holder of each Note in writing.

Notices under this Section 18 will be deemed given only when actually received.

19. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by a Purchaser on any Closing Day (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to any Purchaser, may be reproduced by such Purchaser by any photographic, photostatic, microfilm, microcard, miniature photographic, electronic, digital, or other similar process and such Purchaser may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by a Purchaser in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

20. CONFIDENTIAL INFORMATION.

For the purposes of this Section 20, "**Confidential Information**" means (1) the Memorandum to the extent that it contains information that is proprietary in nature, (2) other information delivered to Prudential prior to the date of this Agreement that was clearly marked or labeled or otherwise adequately identified as being confidential information when delivered, to the extent that it contains information that is proprietary in nature, and (3) information delivered on and after the date of this Agreement to Prudential or any holder of Notes by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by Prudential or any holder of Notes as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to Prudential or any holder of Notes prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by Prudential or any holder of Notes or any person acting on its behalf, (c) otherwise becomes known to Prudential or any holder of Notes other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to Prudential or any holder of Notes under Section 7.1 that are otherwise publicly available. Prudential and any holder of Notes will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by Prudential or such holder of Notes, respectively, in good faith to protect confidential information of third parties delivered to Prudential or such holder of Notes, provided that Prudential or any holder of Notes may deliver or disclose Confidential Information to (i) its directors, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by its Notes), (ii) its financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 20, (iii) any other holder of any Note, (iv) any

Institutional Investor to which it sells or offer to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (v) any Person from which it offers to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (vi) any federal or state regulatory authority having jurisdiction over it, (vii) the National Association of Insurance Commissioners or any similar organization, or any nationally recognized rating agency that requires access to information about its investment portfolio or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to it, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which it is a party or (z) if an Event of Default has occurred and is continuing, to the extent it may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under its Notes and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 20 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this Section 20.

21. SUBSTITUTION OF PURCHASER.

Each Purchaser shall have the right to substitute any one of its Affiliates as the purchaser of the Notes that such Purchaser has agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both such Purchaser and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, wherever the word "Purchaser" (or a pronoun referring to a Purchaser) is used in this Agreement (other than in this Section 21), such word shall be deemed to refer to such Affiliate in lieu of such Purchaser. In the event that such Affiliate is so substituted as a purchaser hereunder and such Affiliate thereafter transfers to such Purchaser all of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer, wherever the word "Purchaser" (or a pronoun referring to a Purchaser) is used in this Agreement (other than in this Section 21), such word shall no longer be deemed to refer to such Affiliate, but shall refer to such Purchaser, and such Purchaser shall have all the rights of an original holder of the Notes under this Agreement.

22. MISCELLANEOUS.

22.1. Successors and Assigns.

All covenants and other agreements contained in this Agreement by or on behalf of either of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

22.2. Payments Due on Non-Business Days.

Anything in this Agreement or the Notes to the contrary notwithstanding, any payment of principal of or Make-Whole Amount or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; provided that if the maturity date of any series of the Notes is a date other than a Business Day, then and in such event payment shall be made on the next succeeding Business Day, but shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

22.3. Accounting Terms.

All accounting terms used herein which are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP. Except as otherwise specifically provided herein, (i) all computations made pursuant to this Agreement shall be made in accordance with GAAP, and (ii) all financial statements shall be prepared in accordance with GAAP. For purposes of determining compliance with this Agreement (including, without limitation, Section 9, Section 10 and the definition of “Indebtedness”), any election by the Company to measure any financial liability using fair value (as permitted by Financial Accounting Standards Board Accounting Standards Codification Topic No. 825-10-25 – *Fair Value Option*, International Accounting Standard 39 – *Financial Instruments: Recognition and Measurement* or any similar accounting standard) shall be disregarded and such determination shall be made as if such election had not been made.

22.4. Severability.

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

22.5. Construction.

Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is

prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

22.6. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of two copies hereof, each signed by either, but together signed by both, of the parties hereto.

22.7. Governing Law.

This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding, to the extent permitted by the law of such State, choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

22.8. Transaction References.

The Company agrees that Prudential may (i) refer to its role in establishing the Facility, as well as the identity of the Company and the maximum aggregate principal amount of the Shelf Notes and the date on which the Facility was established, on its internet site or in marketing materials, press releases, published "tombstone" announcements or any other print or electronic medium and (ii) display the Company's corporate logo in conjunction with any such reference.

* * * * *

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

WBI ENERGY TRANSMISSION, INC.

By: /s/ Timothy W. Michelsen
Timothy W. Michelsen
Vice President – Administration,
Treasurer and Chief Accounting
Officer

The foregoing is hereby
agreed to as of the
date thereof.

**PRUDENTIAL INVESTMENT
MANAGEMENT, INC.**

By: /s/ Brian N. Thomas
Vice President

**THE PRUDENTIAL INSURANCE COMPANY
OF AMERICA**

By: /s/ Brian N. Thomas
Vice President

**PRUCO LIFE INSURANCE COMPANY OF
NEW JERSEY**

By: /s/ Brian N. Thomas
Assistant Vice President

FORETHOUGHT LIFE INSURANCE COMPANY

By: Prudential Private Placement Investors,
L.P. (as Investment Advisor)

By: Prudential Private Placement Investors, Inc.
(as its General Partner)

By: /s/ Brian N. Thomas
Vice President

THE GIBRALTAR LIFE INSURANCE CO., LTD.

By: Prudential Investment Management Japan Co., Ltd.,
(as Investment Manager)

By: Prudential Investment Management, Inc.
(as Sub-Adviser)

By: /s/ Brian N. Thomas
Vice President

UNITED OF OMAHA LIFE INSURANCE COMPANY

By: Prudential Private Placement Investors,
L.P. (as Investment Advisor)

By: Prudential Private Placement Investors, Inc.
(as its General Partner)

By: /s/ Brian N. Thomas
Vice President

**THE PRUDENTIAL LIFE INSURANCE
COMPANY, LTD.**

By: Prudential Investment Management (Japan),
Inc., as Investment Manager

By: Prudential Investment Management, Inc.,
as Sub-Adviser

By: /s/ Brian N. Thomas
Vice President

**PRUDENTIAL ARIZONA REINSURANCE
UNIVERSAL COMPANY**

By: Prudential Investment Management, Inc.,
as investment manager

By: /s/ Brian N. Thomas
Vice President

**FARMERS NEW WORLD LIFE INSURANCE
COMPANY**

By: Prudential Private Placement Investors,
L.P. (as Investment Advisor)

By: Prudential Private Placement Investors, Inc.
(as its General Partner)

By: /s/ Brian N. Thomas
Vice President

**AMENDMENT NO. 1
TO
NOTE PURCHASE AND PRIVATE SHELF AGREEMENT**

May 17, 2016

PGIM, Inc.
The Prudential Insurance Company of America
The Prudential Life Insurance Company, Ltd.
The Gibraltar Life Insurance Co., Ltd.
United of Omaha Life Insurance Company
Prudential Arizona Reinsurance Universal Company
Farmers New World Life Insurance Company
PAR U Hartford Life & Annuity Comfort Trust
Zurich American Life Insurance Company
Zurich American Insurance Company

c/o Prudential Capital Group
2200 Ross Avenue, Suite 4300
Dallas, Texas 75201

Ladies and Gentlemen:

We refer to the Note Purchase and Private Shelf Agreement, originally dated as of December 23, 2008, as amended and restated as of September 12, 2013 (the “**Agreement**”) among WBI Energy Transmission, Inc. (the “**Company**”), PGIM, Inc. (f.k.a. Prudential Investment Management, Inc.) (“**Prudential**”), The Prudential Insurance Company of America (“**PICA**”), The Prudential Life Insurance Company, Ltd. (“**Prudential Life**”), The Gibraltar Life Insurance Co., Ltd. (“**Gibraltar**”), United of Omaha Life Insurance Company (“**Omaha**”), Prudential Arizona Reinsurance Universal Company (“**PARUC**”), Farmers New World Life Insurance Company (“**Farmers**”), PAR U Hartford Life & Annuity Comfort Trust (“**PAR U**”), Zurich American Life Insurance Company (“**Zurich Life**”) and Zurich American Insurance Company (“**Zurich American**”; and together with PICA, Prudential Life, Pruco Life, Forethought Life, Gibraltar, Omaha, PARUC, Farmers, PAR U, Zurich Life and Zurich American, the “**Existing Purchasers**”) pursuant to which the Company has issued and certain of the Existing Purchasers have purchased (i) 5.02% Senior Notes, Series C, due 2019, of the Company in the aggregate principal amount of \$15,000,000; (ii) 4.61% Senior Notes, Series D, due 2028, of the Company in the aggregate principal amount of \$25,000,000; (iii) 4.48% Senior Notes, Series E, due 2025, of the Company in the aggregate principal amount of \$20,000,000; and (iv) 4.91% Senior Notes, Series F, due 2031, of the Company in the aggregate principal amount of \$40,000,000. The “**Existing Purchasers**” together with each other Prudential Affiliate which becomes bound to the Agreement as provided in the Agreement, each a “**Purchaser**” and collectively, the “**Purchasers**”. Unless otherwise defined herein, the terms defined in the Agreement shall be

used herein as therein defined.

The Issuance Period of the Facility provided for in the Agreement will expire by its terms on September 12, 2016. The Company desires to (i) extend the Issuance Period under the Agreement to May 16, 2019, (ii) increase the amount of the Notes available to be issued under the Agreement to an aggregate principal amount of \$200,000,000 (creating an Available Facility Amount of \$100,000,000 as of the date hereof), and (iii) increase the maximum amount of WBI Exposure to \$150,000,000.

Therefore, Prudential, the Purchasers and the Company, in consideration of the mutual promises and agreements set forth herein and in the Agreement, agree as follows:

- (a) **Section 1.3.** Section 1.3 of the Agreement is amended in full to read as follows:
“**1.3. Authorization of Issue of Shelf Notes.**

The Company has authorized the issue, from time to time, of its additional senior promissory notes (the ‘**Shelf Notes**’, such term to include any notes issued in substitution thereof pursuant to Section 13 of this Agreement) with the aggregate principal amount of Notes outstanding at any time not to exceed \$200,000,000, to be dated the date of issue thereof, to mature, in the case of each Shelf Note so issued, no more than 20 years after the date of original issuance thereof, to have an average life, in the case of each Shelf Note so issued, of no more than 15 years after the date of original issuance thereof, to bear interest on the unpaid balance thereof from the date thereof at the rate per annum, and to have such other particular terms, as shall be set forth, in the case of each Shelf Note so issued, in the Confirmation of Acceptance with respect to such Shelf Note delivered pursuant to Section 2.7, and to be substantially in the form of Exhibit 1-E attached hereto. The term ‘**Notes**’ as used herein shall include each Existing Note, each Series D Note and each Shelf Note delivered pursuant to any provision of this Agreement and each Note delivered in substitution or exchange for any such Note pursuant to any such provision. Notes which have (i) the same final maturity, (ii) the same installment payment dates, (iii) the same installment payment amounts (as a percentage of the original principal amount of each Note), (iv) the same interest rate, (v) the same interest payment periods and (vi) the same original date of issuance, are herein called a ‘**Series**’ of Notes.”

- (b) **Section 2.2.** Section 2.2 of the Agreement is amended in full to read as follows:
“**2.2. Facility.**

(a) Facility. Prudential is willing to consider, in its sole discretion and within limits which may be authorized for purchase by Prudential Affiliates from time to time, the purchase of Shelf Notes pursuant to this Agreement. The willingness of Prudential to consider such purchase of Shelf Notes is herein called the ‘**Facility**’. At any time, subject to the limitations in Section 2.2(b), the ‘**Available Facility Amount**’ shall be (i) \$200,000,000, minus (ii) the original principal amount of the Existing Notes,

minus (iii) the original principal amount of the Series D Notes, minus (iv) the aggregate principal amount of Shelf Notes purchased and sold pursuant to this Agreement prior to such time, minus (v) the aggregate principal amount of Accepted Notes (as hereinafter defined) which have not yet been purchased and sold hereunder prior to such time, plus (vi) the aggregate principal amount of Notes retired prior to such time; provided, that at no time may the aggregate principal amount of Notes outstanding under this Agreement exceed \$200,000,000. **NOTWITHSTANDING THE WILLINGNESS OF PRUDENTIAL TO CONSIDER PURCHASES OF SHELF NOTES BY PRUDENTIAL AFFILIATES, THIS AGREEMENT IS ENTERED INTO ON THE EXPRESS UNDERSTANDING THAT NEITHER PRUDENTIAL NOR ANY PRUDENTIAL AFFILIATE SHALL BE OBLIGATED TO MAKE OR ACCEPT OFFERS TO PURCHASE SHELF NOTES, OR TO QUOTE RATES, SPREADS OR OTHER TERMS WITH RESPECT TO SPECIFIC PURCHASES OF SHELF NOTES, AND THE FACILITY SHALL IN NO WAY BE CONSTRUED AS A COMMITMENT BY PRUDENTIAL OR ANY PRUDENTIAL AFFILIATE.**

(b) Limitation on Facility. Notwithstanding anything in Section 2.2(a), the Company may not request the issuance of Shelf Notes, and neither Prudential nor any other Prudential Financial Entity shall be required to purchase Shelf Notes, pursuant to the Facility if, after the issuance of such Shelf Notes, the aggregate amount of WBI Exposure would exceed \$150,000,000.”

(c) **Section 2.3.** Section 2.3 of the Agreement is amended in full to read as follows:

“2.3 Issuance Period.

Shelf Notes may be issued and sold pursuant to this Agreement until the earlier of (i) May 16, 2019 (or if such date is not a Business Day, the Business Day next preceding such day) and (ii) the thirtieth day after Prudential shall have given to the Company, or the Company shall have given to Prudential, a notice stating that it elects to terminate the issuance and sale of Shelf Notes pursuant to this Agreement (or if such thirtieth day is not a Business Day, the Business Day next preceding such thirtieth day). The period during which Shelf Notes may be issued and sold pursuant to this Agreement is herein called the ‘**Issuance Period**’.”

(d) **Section 4.4.** Section 4.4 of the Agreement is amended by deleting the name “Paul K. Sandness” and replacing it with the name “Daniel S. Kuntz”.

(e) **Schedule B.** Schedule B of the Agreement is amended as follows:

- (i) Deleting the defined term “**Other Company Notes**” in its entirety;
- (ii) Amending the defined term “**Prudential**” in full to read as follows:

“**Prudential**” means PGIM, Inc. (f.k.a. Prudential Investment Management, Inc.), a Delaware corporation.”;
and

(iii) Amending the defined term “**WBI Exposure**” in full to read as follows:

“**WBI Exposure**” means, at any time, the aggregate principal amount of (i) Notes outstanding at such time held by Prudential Financial Entities (other than Notes held for separate accounts), and (ii) Accepted Notes which Prudential Financial Entities have agreed to purchase but which have not been purchased at such time (other than Accepted Notes to be purchased for separate accounts).”

(f) **Exhibits 4.4(a) and 4.4(b).** Exhibits 4.4(a) and 4.4(b) attached to the Agreement are amended by deleting all references to the name “Paul K. Sandness” and replacing them with the name “Daniel S. Kuntz”.

(g) **Structuring Fee.** The Company will pay to Prudential in immediately available funds a structuring fee at the time of the execution and delivery of this Amendment by the Company, Prudential and the Existing Purchasers, in an amount equal to \$25,000.

On and after the effective date of this Amendment, each reference in the Agreement to “this Agreement”, “hereunder”, “hereof”, or words of like import referring to the Agreement, and each reference in the Notes to “the Agreement”, “thereunder”, “thereof”, or words of like import referring to the Agreement, shall mean the Agreement as amended by this Amendment. The Agreement, as amended by this Amendment, is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy under the Agreement nor constitute a waiver of any provision of the Agreement.

This Amendment may be executed in any number of counterparts and by any combination of the parties hereto in separate counterparts, each of which counterparts shall be an original and all of which taken together shall constitute one and the same amendment.

[Remainder of Page Intentionally Left Blank; Signature Pages Follow.]

If you agree to the terms and provisions hereof, please evidence your agreement by executing and returning at least a counterpart of this Amendment to the Company, 1250 West Century Avenue, Bismarck, North Dakota 58503, Attention of Stephanie A. Barth, Vice President, Treasurer and Chief Accounting Officer. This Amendment shall become effective as of the date first above written when and if counterparts of this Amendment shall have been executed by us and you.

Very truly yours,

WBI ENERGY TRANSMISSION, INC.

By: /s/ Stephanie A. Barth
Stephanie A. Barth
Vice President, Treasurer and
Chief Accounting Officer

Agreed as of the date first above written:

PGIM, INC.

By: /s/ Chris L. Halloran
Vice President

**THE PRUDENTIAL INSURANCE
COMPANY OF AMERICA**

By: /s/ Chris L. Halloran
Vice President

**THE PRUDENTIAL LIFE INSURANCE
COMPANY, LTD.**

By: Prudential Investment Management Japan,
Co., Ltd., as Investment Manager

By: PGIM, Inc.,
as Sub-Adviser

By: /s/ Chris L. Halloran
Vice President

THE GIBRALTAR LIFE INSURANCE CO., LTD.

By: Prudential Investment Management Japan Co., Ltd.,
(as Investment Manager)

By: PGIM, Inc.,
as Sub-Adviser

By: /s/ Chris L. Halloran
Vice President

UNITED OF OMAHA LIFE INSURANCE COMPANY

By: Prudential Private Placement Investors,
L.P. (as Investment Advisor)

By: Prudential Private Placement Investors, Inc.
(as its General Partner)

By: /s/ Chris L. Halloran
Vice President

**PRUDENTIAL ARIZONA REINSURANCE
UNIVERSAL COMPANY**

By: PGIM, Inc.,
as investment manager

By: /s/ Chris L. Halloran
Vice President

**FARMERS NEW WORLD LIFE INSURANCE
COMPANY**

By: Prudential Private Placement Investors,
L.P. (as Investment Advisor)

By: Prudential Private Placement Investors, Inc.
(as its General Partner)

By: /s/ Chris L. Halloran
Vice President

**PAR U HARTFORD LIFE & ANNUITY
COMFORT TRUST**

By: Prudential Arizona Reinsurance Universal
Company, as Grantor

By: PGIM, Inc., as
Investment Manager

By: /s/ Chris L. Halloran
Vice President

**ZURICH AMERICAN LIFE INSURANCE
COMPANY**

By: Prudential Private Placement Investors,
L.P. (as Investment Advisor)

By: Prudential Private Placement Investors, Inc.
(as its General Partner)

By: /s/ Chris L. Halloran
Vice President

ZURICH AMERICAN INSURANCE COMPANY

By: Prudential Private Placement Investors,
L.P. (as Investment Advisor)

By: Prudential Private Placement Investors, Inc.
(as its General Partner)

By: /s/ Chris L. Halloran
Vice President

**AMENDMENT NO. 2
TO
NOTE PURCHASE AND PRIVATE SHELF AGREEMENT**

Dated July 26, 2019, and
effective as of May 16, 2019

PGIM, Inc.
The Prudential Insurance Company of America
The Prudential Life Insurance Company, Ltd.
The Gibraltar Life Insurance Co., Ltd.
United of Omaha Life Insurance Company
Prudential Arizona Reinsurance Universal Company
Farmers New World Life Insurance Company
PAR U Hartford Life & Annuity Comfort Trust
Zurich American Life Insurance Company
Zurich American Insurance Company

c/o Prudential Capital Group
2200 Ross Avenue, Suite 4300
Dallas, Texas 75201

Ladies and Gentlemen:

We refer to the Note Purchase and Private Shelf Agreement, originally dated as of December 23, 2008, as amended and restated as of September 12, 2013, and as further amended on May 17, 2016 (the “**Agreement**”) among WBI Energy Transmission, Inc. (the “**Company**”), PGIM, Inc. (f.k.a. Prudential Investment Management, Inc., “**Prudential**”), The Prudential Insurance Company of America (“**PICA**”), The Prudential Life Insurance Company, Ltd. (“**Prudential Life**”), The Gibraltar Life Insurance Co., Ltd. (“**Gibraltar**”), United of Omaha Life Insurance Company (“**Omaha**”), Prudential Arizona Reinsurance Universal Company (“**PARUC**”), Farmers New World Life Insurance Company (“**Farmers**”), PAR U Hartford Life & Annuity Comfort Trust (“**PAR U**”), Zurich American Life Insurance Company (“**Zurich Life**”) and Zurich American Insurance Company (“**Zurich American**”; and together with PICA, Prudential Life, Pruco Life, Forethought Life, Gibraltar, Omaha, PARUC, Farmers, PAR U, Zurich Life and Zurich American, the “**Existing Purchasers**”) pursuant to which the Company has issued and certain of the Existing Purchasers have purchased (i) 5.02% Senior Notes, Series C, due 2019, of the Company in the aggregate principal amount of \$15,000,000; (ii) 4.61% Senior Notes, Series D, due 2028, of the Company in the aggregate principal amount of \$25,000,000; (iii) 4.48% Senior Notes, Series E, due 2025, of the Company in the aggregate principal amount of \$20,000,000; (iv) 4.91% Senior Notes, Series F, due 2031, of the Company in the aggregate principal amount of \$40,000,000; and (v) 4.18% Senior Notes, Series G, due 2033, of the Company in the aggregate principal amount of \$40,000,000. The “**Existing Purchasers**” together with each other Prudential Affiliate which becomes bound to the Agreement as provided in the

Agreement, each a “**Purchaser**” and collectively, the “**Purchasers**”. Unless otherwise defined herein, the terms defined in the Agreement shall be used herein as therein defined.

The Issuance Period of the Facility provided for in the Agreement expired by its terms on May 16, 2019. The Company desires to amend the Agreement to (i) extend the Issuance Period under the Agreement to May 16, 2022, (ii) increase the amount of the Notes available to be issued under the Agreement to an aggregate principal amount of \$300,000,000 (creating an Available Facility Amount of \$160,000,000 as of May 16, 2019), and (iii) increase the maximum amount of WBI Exposure to \$200,000,000.

Pursuant to the Agreement, as amended hereby, and a Request for Purchase and a Confirmation of Acceptance, each executed and delivered concurrently herewith and effective as of July 3, 2019, the Company has agreed to sell to certain Prudential Affiliates, and, subject to the terms and conditions of the Agreement, such Prudential Affiliates have agreed to purchase, 4.17% Senior Notes, Series H, due 2034, of the Company in the aggregate principal amount of \$45,000,000 (resulting in an Available Facility Amount of \$115,000,000 as of the date hereof).

Therefore, Prudential, the Purchasers and the Company, in consideration of the mutual promises and agreements set forth herein and in the Agreement, agree as follows:

- (a) **Section 1.3.** Section 1.3 of the Agreement is amended in full to read as follows:
“**1.3. Authorization of Issue of Shelf Notes.**

The Company has authorized the issue, from time to time, of its additional senior promissory notes (the ‘**Shelf Notes**’, such term to include any notes issued in substitution thereof pursuant to Section 13 of this Agreement) with the aggregate principal amount of Notes outstanding at any time not to exceed \$300,000,000, to be dated the date of issue thereof, to mature, in the case of each Shelf Note so issued, no more than 20 years after the date of original issuance thereof, to have an average life, in the case of each Shelf Note so issued, of no more than 15 years after the date of original issuance thereof, to bear interest on the unpaid balance thereof from the date thereof at the rate per annum, and to have such other particular terms, as shall be set forth, in the case of each Shelf Note so issued, in the Confirmation of Acceptance with respect to such Shelf Note delivered pursuant to Section 2.7, and to be substantially in the form of Exhibit 1-E attached hereto. The term ‘**Notes**’ as used herein shall include each Existing Note, each Series D Note and each Shelf Note delivered pursuant to any provision of this Agreement and each Note delivered in substitution or exchange for any such Note pursuant to any such provision. Notes which have (i) the same final maturity, (ii) the same installment payment dates, (iii) the same installment payment amounts (as a percentage of the original principal amount of each Note), (iv) the same interest rate, (v) the same interest payment periods and (vi) the same original date of issuance, are herein called a ‘**Series**’ of Notes.”

- (b) **Section 2.2.** Section 2.2 of the Agreement is amended in full to read

as follows:

“2.2. Facility.

(a) *Facility*. Prudential is willing to consider, in its sole discretion and within limits which may be authorized for purchase by Prudential Affiliates from time to time, the purchase of Shelf Notes pursuant to this Agreement. The willingness of Prudential to consider such purchase of Shelf Notes is herein called the ‘**Facility**’. At any time, subject to the limitations in Section 2.2(b), the ‘**Available Facility Amount**’ shall be (i) \$300,000,000, minus (ii) the original principal amount of the Existing Notes, minus (iii) the original principal amount of the Series D Notes, minus (iv) the aggregate principal amount of Shelf Notes purchased and sold pursuant to this Agreement prior to such time, minus (v) the aggregate principal amount of Accepted Notes (as hereinafter defined) which have not yet been purchased and sold hereunder prior to such time, plus (vi) the aggregate principal amount of Notes retired prior to such time; provided, that at no time may the aggregate principal amount of Notes outstanding under this Agreement exceed \$300,000,000. **NOTWITHSTANDING THE WILLINGNESS OF PRUDENTIAL TO CONSIDER PURCHASES OF SHELF NOTES BY PRUDENTIAL AFFILIATES, THIS AGREEMENT IS ENTERED INTO ON THE EXPRESS UNDERSTANDING THAT NEITHER PRUDENTIAL NOR ANY PRUDENTIAL AFFILIATE SHALL BE OBLIGATED TO MAKE OR ACCEPT OFFERS TO PURCHASE SHELF NOTES, OR TO QUOTE RATES, SPREADS OR OTHER TERMS WITH RESPECT TO SPECIFIC PURCHASES OF SHELF NOTES, AND THE FACILITY SHALL IN NO WAY BE CONSTRUED AS A COMMITMENT BY PRUDENTIAL OR ANY PRUDENTIAL AFFILIATE.**

(b) *Limitation on Facility*. Notwithstanding anything in Section 2.2(a), the Company may not request the issuance of Shelf Notes, and neither Prudential nor any other Prudential Financial Entity shall be required to purchase Shelf Notes, pursuant to the Facility if, after the issuance of such Shelf Notes, the aggregate amount of WBI Exposure would exceed \$200,000,000.”

(c) **Section 2.3.** Section 2.3 of the Agreement is amended in full to read as follows:

“2.3 Issuance Period.

Shelf Notes may be issued and sold pursuant to this Agreement until the earlier of (i) May 16, 2022 (or if such date is not a Business Day, the Business Day next preceding such day) and (ii) the thirtieth day after Prudential shall have given to the Company, or the Company shall have given to Prudential, a notice stating that it elects to terminate the issuance and sale of Shelf Notes pursuant to this Agreement (or if such thirtieth day is not a Business Day, the Business Day next preceding such thirtieth day). The period during which Shelf Notes may be issued and sold pursuant to this Agreement is herein called the ‘**Issuance Period**’.”

(d) **Structuring Fee.** The Company will pay to Prudential in immediately

available funds a structuring fee at the time of the execution and delivery of this Amendment by the Company, Prudential and the Existing Purchasers, in an amount equal to \$25,000.

(e) **Facility Fee.** The Facility Fee shall be waived with respect to each sale of Shelf Notes by the Company for which the Closing Day occurs on or before December 16, 2019.

On and after the effective date of this Amendment, each reference in the Agreement to “this Agreement”, “hereunder”, “hereof”, or words of like import referring to the Agreement, and each reference in the Notes to “the Agreement”, “thereunder”, “thereof”, or words of like import referring to the Agreement, shall mean the Agreement as amended by this Amendment. The Agreement, as amended by this Amendment, is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy under the Agreement nor constitute a waiver of any provision of the Agreement.

This Amendment may be executed in any number of counterparts and by any combination of the parties hereto in separate counterparts, each of which counterparts shall be an original and all of which taken together shall constitute one and the same amendment.

[Remainder of Page Intentionally Left Blank; Signature Pages Follow.]

If you agree to the terms and provisions hereof, please evidence your agreement by executing and returning at least a counterpart of this Amendment to the Company, 1250 West Century Avenue, Bismarck, North Dakota 58503, Attention of Stephanie A. Barth, Vice President, Treasurer and Chief Accounting Officer. This Amendment shall become effective as of the date first above written when and if counterparts of this Amendment shall have been executed by us and you.

Very truly yours,

WBI ENERGY TRANSMISSION, INC.

By: /s/ Julie A. Gerving
Julie A. Gerving
Controller

Agreed as of the date first above written:

PGIM, INC.

By: /s/ Brian N. Thomas
Vice President

**THE PRUDENTIAL INSURANCE
COMPANY OF AMERICA**

By: /s/ Brian N. Thomas
Vice President

**THE PRUDENTIAL LIFE INSURANCE
COMPANY, LTD.**

By: Prudential Investment Management Japan,
Co., Ltd., as Investment Manager

By: PGIM, Inc.,
as Sub-Adviser

By: /s/ Brian N. Thomas
Vice President

THE GIBRALTAR LIFE INSURANCE CO., LTD.

By: Prudential Investment Management Japan Co., Ltd.,
(as Investment Manager)

By: PGIM, Inc.,
as Sub-Adviser

By: /s/ Brian N. Thomas
Vice President

UNITED OF OMAHA LIFE INSURANCE COMPANY

By: Prudential Private Placement Investors,
L.P. (as Investment Advisor)

By: Prudential Private Placement Investors, Inc.
(as its General Partner)

By: /s/ Brian N. Thomas
Vice President

**PRUDENTIAL ARIZONA REINSURANCE
UNIVERSAL COMPANY**

By: PGIM, Inc.,
as investment manager

By: /s/ Brian N. Thomas
Vice President

**FARMERS NEW WORLD LIFE INSURANCE
COMPANY**

By: Prudential Private Placement Investors,
L.P. (as Investment Advisor)

By: Prudential Private Placement Investors, Inc.
(as its General Partner)

By: /s/ Brian N. Thomas
Vice President

**PAR U HARTFORD LIFE & ANNUITY
COMFORT TRUST**

By: Prudential Arizona Reinsurance Universal
Company, as Grantor

By: PGIM, Inc., as
Investment Manager

By: /s/ Brian N. Thomas
Vice President

**ZURICH AMERICAN LIFE INSURANCE
COMPANY**

By: Prudential Private Placement Investors,
L.P. (as Investment Advisor)

By: Prudential Private Placement Investors, Inc.
(as its General Partner)

By: /s/ Brian N. Thomas
Vice President

ZURICH AMERICAN INSURANCE COMPANY

By: Prudential Private Placement Investors,
L.P. (as Investment Advisor)

By: Prudential Private Placement Investors, Inc.
(as its General Partner)

By: /s/ Brian N. Thomas
Vice President

MDU RESOURCES GROUP, INC.

EXECUTIVE INCENTIVE COMPENSATION PLAN

I. ESTABLISHMENT AND PURPOSE

The Executive Incentive Compensation Plan (the “Plan”) was adopted by the Board of Directors of MDU Resources Group, Inc. (“MDUR”) on November 4, 1982 and subsequently amended. Effective January 1, 2012, the Plan was further amended, and the Montana-Dakota Utilities Co. Executive Incentive Compensation Plan, the MDU Construction Services Group, Inc. Executive Incentive Compensation Plan, the Knife River Corporation Executive Incentive Compensation Plan and the WBI Holdings, Inc. Executive Incentive Compensation Plan (collectively, the “Business Unit Plans”) were merged into the Plan. All awards with respect to services performed in 2011 and earlier that were earned and deferred pursuant to any of the Business Unit Plans shall be subject to the terms of the applicable Business Unit Plans in effect at the time the awards were granted. Deferral elections for awards relating to services to be performed during 2012 made pursuant to any of the Business Unit Plans shall be deemed to have been made pursuant to the Plan.

The purpose of the Plan is to provide an incentive for key executives of MDUR, its business segments, and subsidiaries to focus their efforts on the achievement of performance objectives. The Plan is designed to reward successful performance as measured against specified performance measures. When performance reaches or exceeds the target performance measures, incentive compensation awards, in conjunction with salaries, provide a level of compensation which recognizes the skills and efforts of the key executives.

II. DEFINITIONS

Capitalized terms not otherwise defined herein shall have the meanings given them in the Rules and Regulations.

III. BASIC PLAN CONCEPT

The Plan provides an opportunity to earn annual incentive compensation based on the achievement of specified annual performance measures. A target incentive award for each Participant within the Plan is established based on the approved salary grade structure. The target incentive award represents the amount to be paid, subject to the achievement of the performance measures established each year. Larger incentive awards than target may be authorized when performance exceeds targets; lesser or no amounts may be paid when performance is below target.

It is recognized that during a Plan Year major unforeseen changes in economic and environmental conditions or other significant factors beyond the control of management may substantially affect the ability of the Participants to achieve the specified performance measures. Therefore, in its review of performance the Administrator may modify the performance measure targets. However, it is contemplated that such modifications to the performance measure target will be necessary only in years of unusually adverse or favorable external conditions or other unforeseen significant factors beyond the control of management.

IV. ADMINISTRATION

The Plan shall be administered by the Compensation Committee of the Board of Directors of MDUR (the “Administrator”). The Compensation Committee of the Board of Directors of MDUR shall adopt Rules and Regulations for the administration of the Plan. With respect to employees who are not subject to Section 16 of the Securities Exchange Act of 1934, as amended, the Chief Executive Officer of MDUR, with respect to MDUR employees, and the chief executive officer of each business segment, in conjunction with the Chief Executive Officer of MDUR, with respect to the business segment’s employees, shall be the Administrator.

The Administrator shall approve the list of eligible Participants and the target incentive award level for each Participant within the Plan. It is contemplated that the Plan’s performance measure targets for the year shall be approved by the Administrator no later than 90 days after the beginning of that Plan Year. The Administrator shall have final discretion to determine

actual award payment levels, method of payment, and whether or not payments shall be made for any Plan Year.

The Board of Directors of MDUR may, at any time and from time to time, alter, amend, supersede or terminate the Plan in whole or in part, provided that no termination, amendment or modification of the Plan shall adversely affect in any material way an award that has met all requirements for payment without the written consent of the Participant holding such award, unless such termination, modification or amendment is required by applicable law.

V. ELIGIBILITY

Executives who are determined by the Administrator to have a key role in both the establishment and achievement of their company's objectives shall be eligible to participate in the Plan.

Nothing in the Plan shall interfere with or limit in any way the right of an employer to terminate any Participant's employment at any time, for any reason or no reason in its sole discretion, or confer upon any Participant any right to remain employed by the employer. No executive shall have the right to be selected to receive an award under the Plan, or, having been so selected, to be selected to receive a future award.

VI. PLAN PERFORMANCE MEASURES

Performance measures shall be established that consider stakeholder interests and shall be evaluated annually based on achievement of specified objectives.

The performance measures will be determined by the Administrator. These measures may be applied at the MDUR level, the business segment level and/or subsidiary level. The Administrator may assign different performance measures and/or different weights to performance measures for each Participant.

The Administrator may establish threshold, target and maximum or other award levels annually for some or all of the performance measures. The Administrator will retain the right to make all interpretations as to the actual attainment of the desired performance measure

and will determine whether any circumstances beyond the control of management need to be considered.

VII. TARGET INCENTIVE AWARDS

Target incentive awards are expressed as a percentage of each Participant's Salary. These percentages may vary by position and reflect larger reward opportunity for positions having greater effect on the establishment and accomplishment of the performance objectives. A schedule showing the target awards as a percentage of Salary for eligible positions will be prepared for each Plan Year.

VIII. INCENTIVE FUND DETERMINATION

The target incentive fund is the sum of the individual target incentive awards for all eligible Participants. Once the incentive targets have been determined by the Administrator, a target incentive fund shall be established and accrued ratably by MDUR and each of its business segments and/or subsidiaries, as applicable. The incentive fund and accruals may be adjusted during the year.

At the close of each Plan Year, the Chief Executive Officer of MDUR will cause an analysis to be prepared showing the actual performance results in relation to each of the target performance measures. This will be provided to the Administrator for review and comparison to threshold, target and maximum or other performance levels, if applicable. In addition, any recommendations of the Chief Executive Officer of MDUR or the Administrator will be presented at this time. The Administrator will then determine the amount of each Participant's incentive award and the total target incentive fund earned.

IX. INDIVIDUAL AWARD DETERMINATION

Each Participant's award will be based upon the level of actual performance achieved relative to the established performance measures, as determined by a percentage from 0 percent to a maximum of 250 percent, as determined by the Administrator.

X. PAYMENT OF AWARDS

Except as provided below or as otherwise determined by the Administrator, in order to receive an award payment under the Plan, the Participant must remain in the employment of MDUR or one of its subsidiaries for the entire Service Year. If a Participant terminates employment after the Participant's 65th birthday and if the employment termination occurs during the Service Year, determination of whether the performance measures have been met will be made at the end of the Service Year, and to the extent met, payment of the award will be made to the Participant, prorated. Proration of awards shall be based upon the number of full months elapsed from and including January to and including the month in which the employment termination occurs. The prorated award shall be paid as soon as practicable in the year following the Service Year, but in all events between January 1 and March 10.

A Participant who transfers between MDUR and one of its subsidiaries during the plan year may receive a prorated award at the discretion of the Administrator.

Payments made under the Plan will not be considered part of compensation for pension or 401k Plan employer matching purposes. Payments will be made in cash as soon as practicable in the year following the Service Year, but in all events between January 1 and March 10.

To the extent approved by the Administrator of the Plan with respect to executives of MDUR or its subsidiaries, as applicable, incentive awards may be deferred. Deferred amounts for Service Years prior to 2021 shall comply with and be subject to the terms of the Plan and the Rules and Regulations and, to the extent not inconsistent therewith, the deferral election forms pursuant to which the amounts were deferred. Deferred amounts for Service Years after 2020 shall comply with and be subject to the terms of the MDU Resources Group, Inc. Deferred Compensation Plan.

XI. ACCOUNTING RESTATEMENTS

This Section XI shall apply to incentive awards granted to all Participants in the Plan. Notwithstanding anything in the Plan or the Rules and Regulations to the contrary, if MDUR is required to prepare an accounting restatement due to material noncompliance with any

financial reporting requirements under the securities laws, MDUR or the Administrator may, or shall if required, take action to recover incentive-based compensation from specific executive officers in accordance with its *Guidelines for Repayment of Incentives Due to Accounting Restatements*, as they may be amended or substituted from time to time, and in accordance with applicable law and applicable rules of the Securities and Exchange Commission and the New York Stock Exchange.

MDU RESOURCES GROUP, INC.
LONG-TERM PERFORMANCE-BASED INCENTIVE PLAN
PERFORMANCE SHARE AWARD AGREEMENT

February 11, 2021

{Participant Name}

In accordance with the terms of the MDU Resources Group, Inc. Long-Term Performance-Based Incentive Plan (the "Plan"), pursuant to action of the Compensation Committee of the Board of Directors of MDU Resources Group, Inc. (the "Committee"), MDU Resources Group, Inc. (the "Company") hereby grants to you (the "Participant") Performance Shares (the "Award"), subject to the terms and conditions set forth in this Award Agreement (including Annexes A and B hereto and all documents incorporated herein by reference), as set forth below:

Target Award: {No. of Shares} Performance Shares (the "Target Award")

Performance Period: January 1, 2021 through
December 31, 2023 (the "Performance Period")

Date of Grant: February 11, 2021

Dividend Equivalents: Yes

THESE PERFORMANCE SHARES ARE SUBJECT TO FORFEITURE AS PROVIDED HEREIN. THIS AWARD AND AMOUNTS RECEIVED IN CONNECTION WITH THIS AWARD ARE ALSO SUBJECT TO FORFEITURE, RECAPTURE OR OTHER ACTION IN THE EVENT OF AN ACCOUNTING RESTATEMENT, AS PROVIDED IN THE PLAN.

Further terms and conditions of the Award are set forth in Annexes A and B hereto, which are integral parts of this Award Agreement. Subject to the terms of the Plan, decisions and interpretations of the Committee are binding, conclusive and final upon any questions arising under the Award Agreement or the Plan.

You must accept this Award Notice by logging onto your account with Fidelity Investments and accepting this grant agreement. If you fail to do so, the award will be null and void. By accepting this Award, you agree to be bound by all of the provisions set forth in this Award Notice, the Agreement, and the Plan.

Attachments:

Annex A: Performance Share Award Agreement

Annex B

ANNEX A

TO

MDU RESOURCES GROUP, INC. LONG-TERM PERFORMANCE-BASED INCENTIVE PLAN PERFORMANCE SHARE AWARD AGREEMENT

It is understood and agreed that the Award of Performance Shares evidenced by the Award Agreement to which this is annexed is subject to the following additional terms and conditions.

1. Nature of Award. The Target Award represents the opportunity to receive shares of Company common stock, \$1.00 par value ("Shares") and Dividend Equivalents on such Shares. The number of Shares that may be earned under this Award shall be determined pursuant to Section 4 hereof. The amount of Dividend Equivalents that may be earned under this Award shall be determined pursuant to Section 6 hereof. Except for Dividend Equivalents, which are paid in cash, Awards will be paid in Shares.
2. Performance Measures. The following performance measures will be used to determine the Payout Percentage.
 - Fifty percent (50%) of the Award is based on the Company's total shareholder return ("TSR") relative to that of the Peer Group listed on Annex B (the "Percentile Rank") for the Performance Period.
 - Fifty percent (50%) of the Award is based on the Company's Earnings Growth which is defined as the compound annual growth rate in income from continuing operations for the Performance Period.

- (a) The achievement of the relative TSR performance measure will be determined in accordance with the following table:

Percentile Rank	Payout Percentage (% of Target Award)
[]th or []	[]
[]th	[]
[]th	[]
less than []th	[]

Payout percentages for results achieved between the stated percentile ranks will be determined by linear interpolation. The Percentile Rank of a given company's TSR is defined as the percentage of the Peer Group companies' returns falling at or below the given company's TSR. The formula for calculating the Percentile Rank follows:

$$\text{Percentile Rank} = (n - r + 1)/n \times 100$$

Where:

n = total number of companies in the Peer Group at the end of the Performance Period, including the Company

r = the numeric rank of the Company's TSR relative to the Peer Group at the end of the Performance Period, where the highest return in the group is ranked number 1

To illustrate, if the Company's TSR is the third highest in the Peer Group comprised of 50 companies, its Percentile Rank would be 96. The calculation is: $(50 - 3 + 1)/50 \times 100 = 96$.

The Percentile Rank shall be rounded to the nearest whole percentage.

If a Peer Group company is removed from the Standard & Poors MidCap 400 Index during the Performance Period, the company will be deleted from the Peer Group except companies that become bankrupt during the Performance Period will be moved to the bottom of the performance array. Percentile Rank will be calculated without regard to the return of the deleted company.

If the Company or a company in the Peer Group spins off a segment of its business, the shares of the spun-off entity will be treated as a cash dividend that is reinvested in the Company or the company in the Peer Group.

Total shareholder return is the percentage change in the value of an investment in the common stock of a company based on the average closing prices for the last twenty trading days in the calendar year preceding the beginning of the Performance Period through the average closing prices for the last twenty trading days in the final year of the Performance Period. It is assumed that dividends are reinvested in additional shares of common stock at the frequency paid.

(b) The achievement of the Earnings Growth performance measure will be determined in accordance with the following table:

Earnings Growth	Payout Percentage (% of Target Award)
Less than []%	[]%
[]%	[]%
[]%	[]%
[]%	[]%

Payout percentages for results achieved between the stated performance levels will be determined by linear interpolation.

For purposes of calculating Earnings Growth, income from continuing operations will be the amount reported in the Company's financial statements at the beginning and end of the Performance Period. Income from continuing operations for the year ended December 31, 2023 will be adjusted, as such adjustments are approved by the Compensation Committee, to remove:

- The effect on earnings from losses/impairments on asset sales/dispositions/retirements
- The effect on earnings from withdrawal liabilities relating to multiemployer pension plans

- The effect on earnings from costs incurred for acquisitions or mergers
- The effect on earnings from any unanticipated tax law changes.

For calculation of the 2021-2023 Performance Period, the beginning Performance Period income from continuing operations used in the denominator (base year) will be the 2020 income from continuing operations of \$[] million. The Compensation Committee reserves the right to equitably adjust the target Earnings Growth rate and the beginning and end of period income from continuing operations to reflect the effect of business segment changes during the Performance Period and prevent dilution or enlargement of rights.

The Earnings Growth rate for the Performance Period will be determined by the following formula:

$$\text{Earnings Growth} = (EV / BV)^{1/n} - 1$$

Where:

EV = Income from continuing operations for the year ended December 31, 2023, as adjusted (end of the Performance Period.)

BV = Income from continuing operations for the year ended December 31, 2020 (beginning of the Performance Period.)

N = number of years in the Performance Period (i.e. 3)

To illustrate, if the Company's income from continuing operations for the year ended December 31, 2020 was \$250 million and the Company's income from continuing operations for the year ended December 31, 2023 was \$300 million, the compound annual growth rate at the end of the 3 year period would be 6.3%. The calculation is:

$$6.3\% = (300 / 250)^{1/3} - 1$$

3. Total Percentage Payout. The Total Percentage Payout is the sum of the payout percentages for each of the performance measures multiplied by the weighting percentage for such performance measure.

i.e.

Total Percentage Payout = (50% x relative TSR payout) + (50% x Earnings Growth payout)

4. Determination of Number of Shares Earned. The number of Shares earned, if any, for the Performance Period shall be determined in accordance with the following formula:

$$\text{\# of Shares} = \text{Total Payout Percentage} \times \text{Target Award}$$

All Performance Shares that are not earned for the Performance Period shall be forfeited

5. Issuance of Shares and Mandatory Holding Period. Subject to any restrictions on distributions of Shares under the Plan, and subject to Section 6 of this Annex A, the Shares earned under the Award, if any, shall be issued to the Participant as soon as practicable (but no later than the next March 10) following the close of the Performance Period. The Participant shall retain 50% of the net after-tax Shares that are earned under this Award until the earlier of (i) the end of the two-year period commencing on the date any Shares earned under this Award are issued and (ii) the Participant's termination of employment. Executives are required to own Shares at designated

multiples of their base salary. If a Participant has not achieved an applicable stock ownership requirement, the Participant shall hold additional net after-tax Shares received under this award until the requirement is met.

6. Dividend Equivalents. Dividend Equivalents shall be earned with respect to any Shares issued to the Participant pursuant to this Award. The amount of Dividend Equivalents earned shall be equal to the total dividends declared on a Share for stockholders of record between the Date of Grant of this Award and the last day of the Performance Period, multiplied by the number of Shares issued to the Participant pursuant to the Award Agreement. Any Dividend Equivalents earned shall be paid in cash to the Participant when the Shares to which they relate are issued or as soon as practicable thereafter, but no later than the next March 10 following the close of the Performance Period. If the Award is forfeited or if no Shares are issued, no Dividend Equivalents shall be paid.

7. Termination of Employment.

(a) If the Participant's employment with the Company is terminated during the Performance Period (i) for "Cause" (as defined below) at any time or (ii) for any reason other than "Cause" before the Participant, as of the effective date of termination, has reached age 55 and completed 10 "Years of Service" (as defined below), all Performance Shares (and related Dividend Equivalents) shall be forfeited.

(b) If the Participant's employment with the Company is terminated for any reason other than "Cause" after the Participant, as of the effective date of termination, has reached age 55 and completed 10 "Years of Service" (i) during the first year of the Performance Period, all Performance Shares (and related Dividend Equivalents) shall be forfeited; (ii) during the second year of the Performance Period, determination of the Company's Payout Percentage for the Performance Period will be made by the Committee at the end of the Performance Period, and Shares (and related Dividend Equivalents) earned, if any, will be paid based on the Payout Percentage, prorated for the number of full months elapsed from and including the month in which the Performance Period began to and including the month in which the termination of employment occurs; and (iii) during the third year of the Performance Period, determination of the Company's Payout Percentage for the Performance Period will be made by the Committee at the end of the Performance Period, and Shares (and related Dividend Equivalents) earned, if any, will be paid based on the Payout Percentage without prorating.

(c) For purposes of the Award Agreement, the term "Cause" shall mean the Participant's fraud or dishonesty that has resulted or is likely to result in material economic damage to the Company or a Subsidiary, or the Participant's willful nonfeasance if such nonfeasance is not cured within ten days of written notice from the Company or a Subsidiary, as determined in good faith by a vote of at least two-thirds of the non-employee directors of the Company at a meeting of the Board at which the Participant is provided an opportunity to be heard. For purposes of the Award Agreement, the term "Years of Service" shall mean the years a Participant is employed by the Company and/or a Subsidiary.

8. Tax Withholding. Pursuant to Article 14 of the Plan, the Committee has the power and the right to deduct or withhold, or require the Participant to remit to the Company, an amount sufficient to satisfy any federal, state and local taxes (including the Participant's FICA obligations) required by law to be withheld with respect to the Award and Dividend Equivalents. The Committee may condition the delivery of Shares upon the Participant's satisfaction of such withholding obligations.

The withholding requirement for Shares will be satisfied by the Company withholding Shares having a Fair Market Value equal to federal income tax withholding obligations using an IRS accepted methodology plus additional amounts for state and local tax purposes, as applicable, including payroll taxes, that are applicable to such supplemental taxable income but with rates not to exceed the maximum effective statutory rates, unless the Participant elects, in a manner satisfactory to the Committee, to remit an amount to satisfy the withholding requirement subject to such restrictions or limitations that the Committee, in its sole discretion, deems appropriate. Such election must be made before, and is irrevocable after, December 15 of the last year of the Performance Period, and cannot be made or revoked while the Participant possesses information that will be material nonpublic information at the time the Shares are issued such that the Participant would be prohibited from trading on the Company's stock under its Insider Trading Policy.

9. Ratification of Actions. By accepting the Award or other benefit under the Plan, the Participant and each person claiming under or through him or her shall be conclusively deemed to have indicated the Participant's acceptance and ratification of, and consent to, any action taken under the Plan or the Award by the Company, its Board of Directors, or the Committee.

10. Notices. Any notice hereunder to the Company shall be addressed to its office, 1200 West Century Avenue, P.O. Box 5650, Bismarck, North Dakota 58506; Attention: Corporate Secretary, and any notice hereunder to the Participant shall be addressed to him or her at the address specified on the Award Agreement, subject to the right of either party to designate at any time hereafter in writing some other address.

11. Definitions. Capitalized terms not otherwise defined herein or in the Award Agreement shall have the meanings given them in the Plan.

12. Governing Law and Severability. To the extent not preempted by federal law, the Award Agreement will be governed by and construed in accordance with the laws of the State of Delaware, without regard to conflicts of law provisions. In the event any provision of the Award Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Award Agreement, and the Award Agreement shall be construed and enforced as if the illegal or invalid provision had not been included.

13. No Rights to Continued Employment. The Award Agreement is not a contract of employment. Nothing in the Plan or in the Award Agreement shall interfere with or limit in any way the right of the Company or any Subsidiary to terminate the Participant's employment at any time, for any reason or no reason, or confer upon the Participant the right to continue in the employ of the Company or a Subsidiary.

ANNEX B

TO

**MDU RESOURCES GROUP, INC.
LONG-TERM PERFORMANCE-BASED INCENTIVE PLAN**

PERFORMANCE SHARE AWARD AGREEMENT

PEER GROUP COMPANIES

AECOM	New Jersey Resources Corporation
Allegheny Technologies Corporation	NewMarket Corporation
Allete, Inc	NorthWestern Corporation
AptarGroup, Inc.	OGE Energy Corp.
Ashland Global Holdings Inc.	O-I Glass, Inc.
Black Hills Corporation	Olin Corporation
Cabot Corporation	ONE Gas, Inc.
Carpenter Technology Corporation	PNM Resources, Inc.
Commercial Metals Company	PolyOne Corporation
Compass Minerals International, Inc.	Reliance Steel & Aluminum Co.
Domtar Corporation	Royal Gold, Inc.
Dycom Industries, Inc.	RPM International Inc.
Eagle Materials Inc.	Sensient Technologies Corporation
EMCOR Group, Inc.	Silgan Holdings Inc.
Essential Utilities, Inc.	Sonoco Products Company
Fluor Corporation	Southwest Gas Holdings, Inc.
Greif, Inc.	Spire Inc.
Hawaiian Electric Industries, Inc.	Steel Dynamics, Inc.
IDACORP, Inc.	The Chemours Company
Ingevity Corporation	The Scotts Miracle-Gro Company
Louisiana-Pacific Corporation	UGI Corporation
MasTec, Inc.	United States Steel Corporation
Minerals Technologies Inc.	Valmont Industries, Inc.
National Fuel Gas Company	Valvoline Inc.
	Worthington Industries, Inc.

MDU RESOURCES GROUP, INC.
RESTRICTED STOCK UNIT AWARD NOTICE

This Award Notice evidences the award of restricted stock units (each, an “**RSU**” or collectively, the “**RSUs**”) that have been granted to, (_____), by MDU Resources Group, Inc., a Delaware corporation (the “**Company**”), subject to your acceptance of the terms of this Award Notice, the Restricted Stock Unit Award Agreement, which is attached hereto (the “**Agreement**”) and the MDU Resources Group, Inc. Long-Term Performance-Based Incentive Plan (the “**Plan**”). When vested, each RSU entitles you to receive one share of common stock of the Company (the “**Shares**”). The RSUs are granted pursuant to the terms of the Plan.

This Award Notice constitutes part of, and is subject to the terms and provisions of, the Agreement and the Plan, which are incorporated by reference herein. Capitalized terms used but not defined in this Award Notice shall have the meanings set forth in the Agreement or in the Plan.

Grant Date: February 11, 2021

Number of RSUs: xxxxxx, subject to adjustment as provided under Section 4.2 of the Plan.

Vesting Schedule: Subject to the provisions of the Agreement and the Plan and provided that you remain continuously employed by the Company and/or an Affiliate through the respective vesting dates set forth below, the RSUs shall vest on December 31, 2023.

Except for termination of employment due to retirement after the Participant has reached age 55 and completed 10 Years of Service, death or disability or a Change of Control as defined in the Plan, any unvested portion of the Award will be forfeited and/or cancelled on the date you cease to be an employee of the Company or an Affiliate.

Settlement Date: Each vested RSU will be settled in Shares as soon as practicable following vesting but in no event later than 60 days after such RSUs vest.

Acceleration on Retirement, Death or Disability: In the case of death or disability, a portion of the unvested RSUs will vest based on the ratio of the number of full months of employment completed during the period from the Grant Date of this Award to the date of your death or disability divided by the total number of months from the Grant Date until the Award would have been fully vested.

In the case of retirement where the Participant has reached age 55 and completed 10 "Years of Service" (i) during the

first year of the Performance Period, all Performance Shares (and related Dividend Equivalents) shall be forfeited; (ii) during the second year of the Performance Period, determination of the Company's Payout Percentage for the Performance Period will be made by the Committee at the end of the Performance Period, and Shares (and related Dividend Equivalents) earned, if any, will be paid based on the Payout Percentage, prorated for the number of full months elapsed from and including the month in which the Performance Period began to and including the month in which the termination of employment occurs; and (iii) during the third year of the Performance Period, determination of the Company's Payout Percentage for the Performance Period will be made by the Committee at the end of the Performance Period, and Shares (and related Dividend Equivalents) earned, if any, will be paid based on the Payout Percentage without prorating.

Dividend Equivalents:

Yes

THESE RESTRICTED STOCK UNITS ARE SUBJECT TO FORFEITURE AS PROVIDED HEREIN. THIS AWARD AND AMOUNTS RECEIVED IN CONNECTION WITH THIS AWARD ARE SUBJECT TO FORFEITURE, RECAPTURE OR OTHER ACTION IN THE EVENT OF AN ACCOUNTING RESTATEMENT, AS PROVIDED IN THE PLAN.

Further terms and conditions of the Award are set forth in Annex A hereto, which is an integral part of the Agreement.

You must accept this Award Notice by logging onto your account with Fidelity Investments and accepting this grant agreement. If you fail to do so, the RSUs will be null and void. By accepting the RSUs granted to you in this Award, you agree to be bound by all of the provisions set forth in this Award Notice, the Agreement, and the Plan.

Attachments:

Annex A: Restricted Stock Unit Award Agreement

Annex A
RESTRICTED STOCK UNIT AWARD AGREEMENT
UNDER THE MDU RESOURCES GROUP, INC.
LONG-TERM PERFORMANCE-BASED INCENTIVE PLAN

MDU Resources Group, Inc. (the “*Company*”) has granted to you an Award consisting of restricted stock units, subject to the terms and conditions set forth herein and in the Restricted Stock Unit Award Notice (the “*Award Notice*”). The Award has been granted to you pursuant to the MDU Resources Group, Inc. Long-Term Performance-Based Incentive Plan (the “*Plan*”). Subject to the terms of the Plan, decisions and interpretations of the Compensation Committee of the Company’s Board of Directors (the “Committee”) are binding, conclusive and final upon any questions arising under the Award Notice, this Restricted Stock Unit Award Agreement (the “*Agreement*”) or the Plan. Unless otherwise defined herein or in the Award Notice, capitalized terms shall have the meanings assigned to such terms in the Plan.

1. **Grant of RSUs.** On the Grant Date, you were awarded the number of RSUs set forth in the Award Notice.
 2. **Vesting of RSUs.** The RSUs shall become vested and nonforfeitable in accordance with the Vesting Schedule set forth in the Award Notice. Vesting may be accelerated only as described in the Award Notice.
 3. **Termination of employment.** Except for termination of employment due to death, disability or a Change of Control as defined in the Plan, any unvested portion of the Award will be forfeited and/or cancelled on the date you cease to be an employee of the Company or an Affiliate.
 4. **Settlement of RSU.** Each RSU, at the discretion of the Committee, will be settled in Shares as soon as practicable after the Vesting Date but in no event later than 60 days after unvested RSUs become vested RSUs. You shall retain 50% of the net after-tax Shares that are earned under this Award until the earlier of (i) the end of the two-year period commencing on the date any Shares earned under this Award are issued and (ii) your termination of employment. Executives are required to own Shares at designated multiples of their base salary. If you have not achieved an applicable stock ownership requirement, the Company may require you to hold additional net after-tax Shares received under this Award until the requirement is met.
 5. **Voting Rights.** Since RSUs do not represent actual Shares, no voting rights or other rights as a stockholder of the Company arise with respect to the RSUs until Shares have been delivered to you upon settlement of the RSUs.
 6. **Dividend Equivalents.** Dividend Equivalents will be earned with respect to any Shares issued pursuant to the Award. The amount of Dividend Equivalents earned shall be equal to the total dividends declared on a Share for stockholders of record between the Grant Date of this Award and the vesting date of the RSUs, multiplied by the number of Shares issued pursuant to the vesting of the RSUs awarded in the Award Agreement. Any Dividend Equivalents earned shall be paid in cash when the Shares to which they relate are issued or as soon thereafter as
-

practicable, but no later than 60 days after the Shares are issued. No Dividend Equivalents will be issued for unvested or forfeited RSUs.

7. **Tax Withholding.** Pursuant to Article 14 of the Plan, the Committee has the power and the right to deduct or withhold, or require the Participant to remit to the Company, an amount sufficient to satisfy any federal, state and local taxes (including the Participant's FICA obligations) required by law to be withheld with respect to the Award and Dividend Equivalents. The Committee may condition the delivery of vested Shares upon the Participant's satisfaction of such withholding obligations. The withholding requirement for Shares will be satisfied by the Company withholding Shares having a Fair Market Value equal to federal income tax withholding obligations using an IRS accepted methodology plus additional amounts for state and local tax purposes, as applicable, including payroll taxes, that are applicable to such supplemental taxable income but with rates not to exceed the maximum effective statutory rates, unless the Participant elects, in a manner satisfactory to the Committee, to remit an amount to satisfy the withholding requirement subject to such restrictions or limitations that the Committee, in its sole discretion, deems appropriate. Such election must be made before, and is irrevocable after, December 15 of the last year of the Performance Period, and cannot be made or revoked while the Participant possesses information that will be material nonpublic information at the time the Shares are issued such that the Participant would be prohibited from trading on the Company's stock under its Insider Trading Policy.

8. **Non-Guarantee of Employment Relationship or Future Awards.** Nothing in the Plan, the Award Notice or this Agreement will alter your at-will or other employment status with the Company or an Affiliate, nor be construed as a contract of employment between you and the Company or an Affiliate, or as a contractual right for you to continue in the employ of the Company or an Affiliate for any period of time, or as a limitation of the right of the Company or an Affiliate to discharge you at any time with or without cause or notice and whether or not such discharge results in the forfeiture of any of your RSUs, or as a right to any future Awards.

9. **Non-transferability of RSUs.** No RSUs granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, otherwise than by will or by the laws of descent and distribution.

10. **Personal Information.** You agree the Company and its suppliers or vendors may collect, use and disclose your personal information for the purposes of the implementation, management, administration and termination of the Plan.

11. **Amendment.** The Committee may amend, alter, modify, suspend or terminate the Award Notice or this Agreement at any time and from time to time, in whole or in part; provided, however, no amendment, alteration, modification, suspension or termination of the Award Notice or Agreement shall adversely affect in any material way the Award Notice or this Agreement, without your written consent, except to the extent such amendment, alteration, modification, suspension or termination is reasonably determined by the Committee in its sole discretion to be necessary to comply with applicable laws, rules, regulations, or is necessary for such approvals by any governmental agencies or national securities exchanges as may be required.

12. **Binding Effect.** This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon you and your heirs, beneficiaries, executors, legal representatives, successors and assigns.

13. **Integrated Agreement.** The Award Notice, this Agreement and the Plan constitute the entire understanding and agreement between you and the Company with respect to the subject matter contained herein or therein and supersedes any prior agreements, understandings, restrictions, representations, or warranties between you and the Company with respect to such subject matter other than those as set forth or provided for herein or therein.

14. **Ratification of Actions.** By accepting the Award or other benefit under the Plan, you and each person claiming under or through you shall be conclusively deemed to have indicated your acceptance and ratification of, and consent to, any action taken under the Plan or the Award by the Company, its Board of Directors, or the Committee.

15. **Notices.** Any notice hereunder to the Company shall be addressed to its office, 1200 West Century Avenue, P.O. Box 5650, Bismarck, North Dakota 58506; Attention: Corporate Secretary, and any notice hereunder to you shall be addressed to you at the address specified on the Award Agreement, subject to the right of either party to designate at any time hereafter in writing some other address.

16. **Governing Law.** To the extent not preempted by Federal law, the Award Notice and this Agreement shall be governed and construed in accordance with the laws of the State of Delaware, without regard to conflicts of law provisions. In the event any provision of the Award Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Award Agreement, and the Award Agreement shall be construed and enforced as if the illegal or invalid provision had not been included.

17. **Construction.** Captions and titles contained in this Agreement are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

18. **Conformity.** This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan. Any conflict between the terms of the Award Notice, this Agreement and the Plan shall be resolved in accordance with the terms of the Plan. In the event of any ambiguity in the Award Notice or this Agreement or any matters as to which the Award Notice and this Agreement are silent, the Plan shall govern. Any conflict between the terms of the Award Notice and the Agreement shall be resolved in accordance with the terms of the Agreement.

**MDU Resources Group, Inc. Section 16 Officers and Directors
with Indemnification Agreements Chart
As of February 6, 2021**

Section 16 Officers

Name	Title	Date of Agreement
David L. Goodin	President and Chief Executive Officer, MDU Resources Group, Inc.	August 12, 2010, as amended May 15, 2014
Nicole A. Kivisto	President and Chief Executive Officer, Montana-Dakota Utilities Co.	August 12, 2010, as amended May 15, 2014
David C. Barney	President and Chief Executive Officer, Knife River Corporation	May 16, 2013, as amended May 15, 2014
Jeffrey S. Thiede	President and Chief Executive Officer, MDU Construction Services Group, Inc.	May 16, 2013, as amended May 15, 2014
Jason L. Vollmer	Vice President and Chief Financial Officer, MDU Resources Group, Inc.	November 29, 2014
Anne M. Jones	Vice President – Human Resources, MDU Resources Group, Inc.	January 1, 2016
Margaret (Peggy) A. Link	Vice President and Chief Information Officer, MDU Resources Group, Inc.	January 1, 2017
Stephanie A. Barth	Vice President, Chief Accounting Officer and Controller, MDU Resources Group, Inc.	September 21, 2017
Trevor J. Hastings	President and Chief Executive Officer, WBI Holdings, Inc.	October 10, 2017
Karl A. Liepitz	Vice President, General Counsel and Secretary, MDU Resources Group, Inc.	November 12, 2020

Directors

Name	Title	Date of Agreement
Dennis W. Johnson	Director and Chair of the Board	August 12, 2010
David L. Goodin	Director	August 12, 2010
Thomas Everist	Director	August 12, 2010
Karen B. Fagg	Director	August 12, 2010
Patricia L. Moss	Director	August 12, 2010
John K. Wilson	Director	August 12, 2010
Mark A. Hellerstein	Director	August 1, 2013
David M. Sparby	Director	August 16, 2018
Edward A. Ryan	Director	November 15, 2018
Chenxi Wang	Director	May 7, 2019

**MDU RESOURCES GROUP, INC.
NONQUALIFIED DEFINED CONTRIBUTION PLAN**

WHEREAS, MDU Resources Group, Inc. (the “Company”) heretofore adopted the MDU Resources Group, Inc. Nonqualified Defined Contribution Plan (the “Plan”), an unfunded plan maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees, within the meaning of the United States Code of Federal Regulations Section 2520.104-23 and Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974 (“ERISA”); and

WHEREAS, the Company desires to amend the Plan;

NOW, THEREFORE, the Plan is hereby amended and restated, effective January 1, 2021, to read in its entirety as follows:

SECTION 1. PURPOSE OF PLAN

The Plan is unfunded for purposes of Title I of ERISA and is maintained for the purpose of providing deferred compensation to a select group of management or highly compensated employees of the Company (within the meaning of the United States Code of Federal Regulations Section 2520.104-23 and Sections 201(2), 301(a)(3) and 401(a)(1) of the ERISA). The Plan shall be administered in accordance with such purpose and in accordance with the provisions of Section 409A of the Code.

SECTION 2. DEFINITIONS

2.1 “**Administrator**” means the Compensation Committee of the Board.

2.2 “**Beneficiary**” means the person or entity determined to be a Participant’s beneficiary pursuant to Section 11.

2.3 “**Board**” means the Board of Directors of the Company.

2.4 “**Code**” means the Internal Revenue Code of 1986, as amended from time to time.

2.5 “**Company**” means MDU Resources Group, Inc., and any current or future corporation that (a) is in a controlled group of corporations (within the meaning of Section 414(b) of the Code) of which MDU Resources Group, Inc. is a member and (b) has been approved by the Compensation Committee of the Board upon recommendation of the Chief Executive Officer to adopt the Plan for the benefit of its eligible employees. For purposes hereof, each such participating affiliate shall be deemed to have appointed MDU Resources Group, Inc. as its agent to act on its behalf in all matters relating to administration, amendment or termination of the Plan.

2.6 “**Compensation**” means the annualized base salary paid to a Participant as of the first day of the Plan Year.

2.7 “**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended from time to time.

2.8 “**Participant**” means an employee of the Company who has been selected to participate in the Plan pursuant to Section 3.

2.9 “**Plan**” means the MDU Resources Group, Inc. Nonqualified Defined Contribution Plan, as set forth herein and as amended from time to time.

2.10 “**Plan Year**” means the calendar year.

SECTION 3. ELIGIBLE EMPLOYEES

The Administrator shall determine which management employees or highly compensated employees of the Company (within the meaning of the United States Code of Federal Regulations Section 2520.104-23 and Sections 201(2), 301(a)(3) and 401(a)(1) of the ERISA) shall be eligible to participate in the Plan, the eligibility waiting period (if any) and such other conditions as may be applicable from time to time. Subject to the provisions of the Plan, the Administrator may, from time to time, select from all eligible employees those who will be Participants. Notwithstanding anything to the contrary herein, an eligible employee may only become a Participant upon January 1 of a calendar year, or within the first ninety (90) days of employment. No employee shall be selected as an additional Participant in the Plan after December 31, 2020.

SECTION 4. ACCOUNTS

The Company shall establish and maintain on its books with respect to each Participant separate hypothetical account(s) which shall record (a) any Company contributions made on behalf of the Participant for a Plan Year pursuant to Section 5 below, and (b) the allocation of any hypothetical investment experience. In this regard, a separate account shall be established on behalf of a Participant for each year in which a contribution is made under the Plan.

SECTION 5. COMPANY CONTRIBUTIONS

For any Plan Year, the Administrator may elect to credit the account of any Participant designated by the Administrator an amount equal to a specified percentage of such Participant’s Compensation, or a flat dollar amount. Any such credit shall be made entirely at the discretion of the Administrator and the amount of any such credit may be different for different Participants.

No employee shall have the right to be selected to receive a contribution under the Plan, or, having been so selected, to be selected to receive a future contribution. No Participant will receive further Company contributions with respect to Plan Years after the Plan Year ending December 31, 2020.

SECTION 6. ADJUSTMENTS TO ACCOUNTS AND TAX WITHHOLDING

Each Participant's account(s) shall be reduced by the amount of any distribution to the Participant from the applicable account (including any portion of a distribution that is withheld to satisfy any federal, state, and/or local tax withholding and any social security or Medicare tax withholding obligations). Pursuant to procedures established by the Administrator, each Participant's account(s) shall be adjusted as of each business day the New York Stock Exchange is open to reflect the earnings or losses of any hypothetical investment media as may be designated by the Administrator and, if applicable, elected by the Participant. Any federal, state, and/or local tax withholding and any social security or Medicare tax withholding obligations may be satisfied by deducting or withholding from amounts distributed under the Plan or from other compensation payable to the Participant or by requiring the Participant to remit to the Company an amount sufficient to satisfy the federal, state, and/or local tax withholding and any social security or Medicare tax withholding obligations. Additionally, to the extent social security or Medicare tax withholding is required prior to the date of distribution of an amount under the Plan, to the extent permitted by Code Section 409A, the Company may satisfy such tax withholding obligations (and any additional tax withholding obligations resulting from the deemed distribution of the withheld amounts) and make a corresponding reduction in the Participant's applicable account(s).

SECTION 7. INVESTMENT OF ACCOUNTS

For purposes of determining the amount of earnings/appreciation and losses/depreciation to be credited to, or debited from, a Participant's account(s), each Participant's account(s) shall be deemed invested in the investment options (designated by the Administrator as available under the Plan) as the Participant may elect from time to time, or, if applicable, in any default investment option designated by the Administrator, in accordance with such rules and procedures as the Administrator may establish. However, no provision of the Plan shall require the Company or the Administrator to actually invest any amounts in any fund or in any other investment vehicle.

SECTION 8. VESTING

8.1 Vesting of Accounts Prior to 2017 Plan Year. Each account of a Participant established for amounts credited to the Plan for Plan Years prior to 2017, shall be subject to a separate four (4) year vesting period. With respect to a Participant's first account, if the Participant was selected to participate in the Plan with respect to a Plan Year after January 1 of that Plan Year, the Participant shall be one hundred percent (100%) vested in the amounts credited to that account after completing four (4) Years of Participation relating to that account, with the four (4) years of participation commencing on the date of selection as a Participant and ending at midnight on the fourth anniversary of such date of selection. With respect to a Participant's other accounts, a Participant shall be one hundred percent (100%) vested in the amounts credited to the applicable account after completing four (4) years of participation relating to the account, with the four (4) years of participation commencing on January 1 of the Plan Year in which the contribution was made to the account and ending at midnight on January 1 four (4) years thereafter. Partial or pro rata vesting shall not be permitted with respect to such Participants' accounts.

8.2 **Vesting of Accounts Beginning with 2017 Plan Year.** With respect to any account established for amounts credited to the Plan on behalf of a Participant for Plan Years on and after 2017, the Participant shall become vested in a percentage of the fair market value of such portion of the account(s) as follows:

Years of Participation	Vested Percentage
Less than 1 year	0%
1 year but less than 2	34%
2 years but less than 3	67%
3 years and thereafter	100%

For this purpose, a Participant shall be one hundred percent (100%) vested in the amounts credited to the Participant's account upon completing three (3) years of participation relating to the applicable account, with the three (3) years of participation commencing on January 1 of the Plan Year in which the contribution is made to the account and ending at midnight on January 1 three (3) years thereafter, however, contributions made to a Participant's account after March 31 of a plan year will not commence the three (3) years of participation until January 1 of the following Plan Year.

8.3 **Accelerated Vesting Upon Certain Events.** Subject to the provisions of Section 14, and notwithstanding the foregoing provisions of this Section 8, if a Participant (a) dies while employed by the Employer, (b) is an officer of the Company, and terminates employment after the Participant's 65th birthday and prior to the end of the vesting period(s) with respect to the Participant's account(s), (c) separates from service with the Company (within the meaning of Code Section 409A) after attaining age sixty (60) and completing at least ten (10) "years of continuous service" with the Company, as measured from the Participant's initial date of hire with the Company and calculated in accordance with rules and procedures established by the Company, or (d) involuntary separates from service with the Company within twelve (12) months of a "change in control" of the Company (within the meaning of Code Section 409A), then such Participant shall have a nonforfeitable (vested) right to 100% of the amounts credited to the Participant's account(s). If a Participant separates from service for any reason other than as described in the prior sentence, such Participant shall have a nonforfeitable (vested) right to the amounts credited to the Participant's account(s) only to the extent such amounts had vested as of the date of the separation from service.

SECTION 9. TIME AND MANNER OF DISTRIBUTION

9.1 **Distribution Elections.**

- (a) Any employee of the Company who is eligible to participate in the Plan as described in Section 3 shall elect the time and form of payment for his account(s) in accordance with the rules and procedures prescribed by the Administrator. Beginning with amounts credited to a Participant's account for 2017, the Participant's irrevocable distribution election will be effective only for one Plan Year and will apply to amounts credited to the Participant's account for that Plan Year (or portion of that Plan Year)
-

to which the distribution election relates, regardless of when such amounts are otherwise scheduled to be contributed.

- (b) The Administrator may establish election periods during which a Participant's irrevocable election must be received by the Administrator. However, no election may be made or accepted after the December 31 immediately preceding the Plan Year for which the election is to be effective. Notwithstanding the foregoing, in the Plan Year in which an employee of the Company first becomes eligible to participate in the Plan, the Participant may make his distribution election within 30 days after the date upon which he becomes eligible to participate. A distribution election that is not timely made with respect to a Plan Year, as determined by the Administrator, shall have no effect with respect to such Plan Year and shall be considered void.
- (c) In the event that a Participant fails to make a valid distribution election for a Plan Year, the Participant will be deemed to have elected to receive the amounts credited to his account for such Plan Year in a single lump sum payment upon the Participant's "separation from service" with the Company (within the meaning of Code Section 409A).

9.2 Form of Distribution.

- (a) Each Participant shall elect to receive the amounts credited to his account for each Plan Year in one of the following modes of distribution:
 - (i) a single lump sum payment; or
 - (ii) annual installments over a period of up to ten (10) years, the amount of each installment to equal the balance of the Participant's vested account(s) immediately prior to the installment divided by the number of installments remaining to be paid. Each subsequent installment shall be made on the first business day of the calendar month following the one (1) year anniversary of the prior payment.
- (b) With respect to any account established for amounts credited to the Plan on behalf of a Participant for Plan Years prior to 2017, distribution of such account(s) shall be made in accordance with the Participant's prior election.

9.3 Time of Distribution. Subject to the provisions in this Section 9 and the provisions of Sections 10 and 14, distribution of a Participant's vested account(s) shall be made or commence as follows:

- (a) If the Participant elected a single lump sum payment, such lump sum payment shall be made within ninety (90) days following the Participant's "separation from service" with the Company (within the meaning of Code Section 409A);
or
 - (b) If the Participant elected annual installments:
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- (i) for any account(s) established for amounts credited to the Plan on behalf of a Participant for Plan Years prior to 2017, the annual installments shall commence within ninety (90) days following the Participant's "separation from service" with the Company (within the meaning of Code Section 409A) or, if later, the date the Participant attains age sixty-five (65);
- (ii) for any account(s) established for amounts credited to the Plan on behalf of a Participant for Plan Years on and after 2017, the annual installments shall commence within ninety (90) days following the Participant's "separation from service" with the Company (within the meaning of Code Section 409A) or if later, the date the Participant attains age sixty-five (65), as elected by the Participant in accordance with rules and procedures prescribed by the Administrator.

provided, however that, in either case, if the Participant is a "specified employee" of the Company (as defined under Section 409A(a)(2)(B)(i) of the Code) on the date of separation from service, distribution shall not be made or commence prior to the first business day after the date that is six (6) months after the Participant's separation from service or, if earlier, within ninety (90) days following the date of the Participant's death. "Specified employees" shall be determined in accordance with the Company's *Specified Employee Policy Regarding Compensation*, which is attached as Annex A.

Notwithstanding the foregoing, payment may be delayed under any of the circumstances permitted under said Section 409A. Provided, further, that, if any amounts credited to a Participant's vested account(s) become subject to tax under Section 409A of the Code, the amount required to be included in income as a result of the failure to comply with the requirements of Code Section 409A and related Treasury Regulations shall be immediately distributed to the Participant.

Payment shall be treated as made upon the date specified under the Plan if payment is made on such date or a later date within the same taxable year of the Participant or, if later, by the fifteenth (15th) day of the third (3rd) calendar month following the specified payment date (or, if payment may be made during a specified period of time, the first date in such period), provided the Participant is not permitted, directly or indirectly, to designate the taxable year of the payment.

SECTION 10. DEATH BENEFIT

In the event of the death of a Participant while in the employ of the Company, vesting in the Participant's account(s) shall be one hundred percent (100%), if not otherwise one hundred percent (100%) vested under Section 8, with the value of the Participant's account(s) being distributed to the Participant's Beneficiary, in a single lump sum payment, within the period from (i) the date of the Participant's death to (ii) December 31 of the year following the year of the Participant's death.

In the event a Participant dies (a) after distribution has commenced under the Plan or (b) after separation from service, but prior to the date distribution is made or commences, the vested balance of the Participant's account(s), if any, shall be distributed to the Participant's Beneficiary, in a single lump sum payment, within the period set forth in the preceding paragraph.

Payment shall be treated as made upon the date specified under the Plan if payment is made at such date or a later date within the same taxable year of the Participant or, if later, by the fifteenth (15th) day of the third (3rd) calendar month following the specified payment date (or, if payment may be made during a specified period of time, the first date in such period), provided neither the Participant nor any Beneficiary is permitted, directly or indirectly, to designate the taxable year of the payment.

SECTION 11. BENEFICIARY DESIGNATION

A Participant may designate the person or persons to whom the Participant's vested account(s) under the Plan shall be paid in the event of the Participant's death, in accordance with rules and procedures established by the Administrator. If no Beneficiary is designated, or no Beneficiary survives the Participant, payment shall be made to the Participant's surviving spouse, or if none, to the Participant's estate. If a Beneficiary survives the Participant, but dies before the balance payable to the Beneficiary has been distributed, any remaining balance shall be paid to the Beneficiary's estate.

SECTION 12. PLAN ADMINISTRATION

12.1 Authority of Administrator. The Administrator has the discretionary authority to interpret and construe any provision of the Plan and any agreement or instrument entered into under the Plan, to determine eligibility and benefits under the Plan, to prescribe, amend, waive and rescind rules and regulations relating to the Plan, to adopt such forms as it may deem appropriate for the administration of the Plan, to provide for conditions and assurances deemed necessary or advisable to protect the interests of the Company and to make all other determinations necessary or advisable for the administration of the Plan, but only to the extent not contrary to the express provisions of the Plan or the provisions of Section 409A of the Code and the regulations and rulings promulgated thereunder. Determinations, interpretations or other actions made or taken by the Administrator under the Plan shall be final and binding for all purposes and upon all persons.

12.2 Delegation of Authority by the Board. Notwithstanding the general authority of the Administrator to select Participants of the Plan and determine the amount of contributions to be credited to Participants' plan account(s), the Board may, by resolution, expressly delegate to one or more executive officers of the Company the authority, solely with respect to employees who are not subject to Section 16 of the Securities Exchange Act of 1934, as amended, to determine, within the parameters set forth in the Plan or established by the Board or the Administrator, the amount of any contributions to be credited to Participants' account(s) as bookkeeping entries.

12.3 **Hold Harmless.** The Company shall indemnify, hold harmless and defend the Administrator (and its delegates) and each executive officer appointed by the Board pursuant to Section 12.2 from any liability which any of them may incur in connection with the performance of its duties in connection with this Plan, so long as the Administrator (or such delegate or executive officer) was acting in good faith and within what the Administrator (or such delegate or executive officer) reasonably understood to be the scope of its duties.

12.4 **Appeal Procedure.**

- (a) Claims for benefits under the Plan made by a Participant or Beneficiary (the "claimant") must be submitted in writing to the Administrator.

If a claim is denied in whole or in part, the Administrator shall notify the claimant within ninety (90) days after receipt of the claim (or within one hundred eighty (180) days, if special circumstances require an extension of time for processing the claim, and provided written notice indicating the special circumstances and the date by which a final decision is expected to be rendered is given to the claimant within the initial ninety (90) day period). If notification is not given in such period, the claim shall be considered denied as of the last day of such period and the claimant may request a review of the claim.

The notice of the denial of the claim shall be written in a manner calculated to be understood by the claimant and shall set forth the following:

- (i) the specific reason or reasons for the denial of the claim;
 - (ii) the specific references to the Plan provisions on which the denial is based;
 - (iii) a description of any additional material or information necessary to perfect the claim, and an explanation of why such material or information is necessary; and
 - (iv) a statement that any appeal of the denial must be made by giving to the Administrator, within sixty (60) days after receipt of the denial of the claim, written notice of such appeal, such notice to include a full description of the pertinent issues and basis of the claim.
- (b) Upon denial of a claim in whole or part, the claimant (or his duly authorized representative) shall have the right to submit a written request to the Administrator for a full and fair review of the denied claim, to be permitted to review documents pertinent to the denial, and to submit issues and comments in writing. Any appeal of the denial must be given to the Administrator within the period of time prescribed under (a)(iv) above. If the claimant (or his duly authorized representative) fails to appeal the denial to the Administrator within the prescribed time, the Administrator's adverse determination shall be final, binding and conclusive.
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The Administrator may hold a hearing or otherwise ascertain such facts as it deems necessary and shall render a decision which shall be binding upon both parties. The Administrator shall advise the claimant of the results of the review within sixty (60) days after receipt of the written request for the review, unless special circumstances require an extension of time for processing, in which case a decision shall be rendered as soon as possible but not later than one hundred twenty (120) days after receipt of the request for review. If such extension of time is required, written notice of the extension shall be furnished to the claimant prior to the commencement of the extension. The decision of the review shall be written in a manner calculated to be understood by the claimant and shall include specific reasons for the decision and specific references to the pertinent Plan provisions on which the decision is based. The decision of the Administrator shall be final, binding and conclusive.

SECTION 13. FUNDING

13.1 Plan Unfunded. The Plan is unfunded for tax purposes and for purposes of Title I of ERISA. Accordingly, the obligation of the Company to make payments under the Plan constitutes solely an unsecured (but legally enforceable) promise of the Company to make such payments, and no person, including any Participant or Beneficiary shall have any lien, prior claim or other security interest in any property of the Company as a result of this Plan. Any amounts payable under the Plan shall be paid out of the general assets of the Company and each Participant and Beneficiary shall be deemed to be a general unsecured creditor of the Company.

13.2 Rabbi Trust. The Company may enter into a grantor trust to pay its obligations hereunder (e.g., a rabbi trust), the assets of which shall be, for all purposes, the assets of the Company. In the event the trustee of such trust is unable or unwilling to make payments directly to Participants and Beneficiaries and such trustee remits payments to the Company for delivery to Participants and Beneficiaries, the Company shall promptly remit such amount, less applicable income and other taxes required to be withheld, to the Participant or Beneficiary.

SECTION 14. FORFEITURE OF BENEFITS

Notwithstanding any provision of this Plan to the contrary, if any Participant is discharged from employment with the Company for cause due to willful misconduct, dishonesty, or conviction of a crime or felony, all as determined in the sole discretion of the Administrator, the rights of such Participant (or any Beneficiary of such Participant) to any present or future benefit under the Plan (whether or not vested) shall be forfeited, to the extent not otherwise prohibited by applicable law.

SECTION 15. AMENDMENT

The Board shall have the right to amend, suspend or terminate the Plan at any time subject to the provisions of Section 409A of the Code; provided, however, that no such action shall, without the Participant's consent, impair the Participant's right with respect to any existing vested account(s)

under the Plan. Subject to the provisions of Section 14, the termination of the Plan, with respect to some or all of the Participants, and any resulting distribution of the account balances of such affected Participants, shall be made in accordance with the provisions of Section 409A of the Code and shall not constitute the impairment of such Participant's rights hereunder.

SECTION 16. NO ASSIGNMENT

A Participant's right to the amount credited to his vested account(s) under the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of the Participant or the Participant's Beneficiary.

SECTION 17. COMPANY-OWNED LIFE INSURANCE ("COLI")

17.1 Company Owns All Rights. In the event that, in its discretion, the Company purchases a life insurance policy or policies insuring the life of any Participant to allow the Company to informally finance and/or recover, in whole or in part, the cost of providing the benefits hereunder, neither the Participant nor any Beneficiary shall have any rights whatsoever therein. The Company shall be the sole owner and beneficiary of any such policy or policies and shall possess and may exercise all incidents of ownership therein, except in the event of the establishment of and transfer of said policy or policies to a trust by the Company as described in Section 13.2 hereof.

17.2 Participant Cooperation. If the Company decides to purchase a life insurance policy or policies on any Participant, the Company shall so notify such Participant. Such Participant shall take whatever actions may be necessary to enable the Company to timely apply for and acquire such life insurance and to fulfill the requirements of the insurance carrier relative to the issuance thereof as a condition of eligibility to participate in the Plan. Any Participant who declines to supply information or to otherwise cooperate so that the Company may obtain life insurance on behalf of such Participant shall be denied participation in the Plan.

SECTION 18. SUCCESSORS AND ASSIGNS

The provisions of this Plan shall be binding upon and inure to the benefit of the Company, its successors and assigns, and the Participant, his Beneficiaries, heirs, legal representatives and assigns.

SECTION 19. NO CONTRACT OF EMPLOYMENT

Nothing contained herein shall be construed as a contract of employment between a Participant and the Company, or as a right of the Participant to continue in employment with the Company, or as a limitation of the right of the Company to discharge the Participant at any time, with or without cause.

SECTION 20. ENFORCEABILITY

If any term or condition of the Plan shall be invalid or unenforceable to any extent or in any application, then the remainder of the Plan, and such term or condition, except to such extent or in such application, shall not be affected thereby, and each and every term and condition of the Plan shall be valid and enforced to the fullest extent and in the broadest application permitted by law.

SECTION 21. CONSTRUCTION

Wherever appropriate, the use of the masculine gender shall be extended to include the feminine and/or neuter, and the singular form of words extended to include the plural, or vice versa.

SECTION 22. GOVERNING LAW

This Plan shall be interpreted in a manner consistent with Code Section 409A and the guidance issued thereunder by the Department of the Treasury and the Internal Revenue Service and shall also be subject to and construed in accordance with the provisions of ERISA, where applicable, and otherwise by the laws of the State of North Dakota, without regard to the conflict of law provisions of any jurisdiction.

ANNEX A

MDU RESOURCES GROUP, INC. **Specified Employee Policy Regarding Compensation**

For purposes of all plans, agreements and other arrangements of MDU Resources Group, Inc. (the “Company”) and its affiliates that are subject to Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), the determination of individuals who are “specified employees,” as that term is defined in Code Section 409A, shall be determined under this policy, as may be amended from time to time pursuant to paragraph 4 (“Policy”).

1. **Establishment of Specified Employee List.** Between January 1st and April 1st of each calendar year, the Company shall establish a “Specified Employee List.” The Specified Employee List shall become effective on April 1st of the calendar year in which the Specified Employee List is established and shall cease to be effective on March 31st of the following calendar year. Any individual who, as of his or her “separation from service” (within the meaning of Code Section 409A(a)(2)(A)(i)), is on the Specified Employee List then in effect shall be considered a “specified employee” for purposes of Section 409A.
2. **Inclusion on the Specified Employee List.** The Specified Employee List shall include all individuals who, at any time during the Determination Year, met the requirements of Code Section 416(i)(1)(A)(i), (ii) or (iii) and the related regulations (but without regard to Code Section 415(i)(5)). For this purpose, “Determination Year” shall mean the calendar year ending on the December 31st prior to the April 1st when the Specified Employee List becomes effective. For purposes of determining which individuals meet the requirements of Code Section 416(i)(1)(A)(i), (ii) or (iii) and the related regulations (but without regard to Code Section 415(i)(5)), the term gross compensation shall have the meaning set forth in the MDU Resources Group, Inc. 401(k) Retirement Plan, as may be amended from time to time (the “Retirement Plan”).
3. **Delayed Payments.** If any employee is determined to be a specified employee under this Policy, any compensation to be provided to such specified employee that is required to be delayed to comply with Code Section 409A(a)(2)(B)(i) shall not be provided before the date that is six months after the date of such separation from service (or, if earlier than the end of such six-month period, the date of death of the specified employee). This Policy shall not apply to any payment that is not treated as deferred compensation under, or is otherwise excluded from, the requirements of Code Section 409A and the regulations promulgated thereunder.
4. **Changes to Policy.** The Company may amend or modify this Policy at any time; provided, however, that any changes made to the period during which the Specified Employee List is effective or the Determination Year shall not take effect for a period of at least 12 months and any changes made to the definition of compensation (either in the Policy or in the Retirement Plan) shall not be used to identify specified employees until the next Specified Employee List is established.

**FIRST AMENDMENT
TO
MDU RESOURCES GROUP, INC.
401(k) RETIREMENT PLAN**

The MDU Resources Group, Inc. 401(k) Retirement Plan (the "Plan"), as most recently amended and restated effective April 1, 2020, is hereby amended by this First Amendment effective as of April 1, 2020, except as otherwise specified herein. All terms defined in the Plan shall have the same meanings when used herein.

1. Section 4.8(a) shall be amended to read as follows:

Funding, Number, and Amount. Loans are available pro rata from a Participant's vested Accounts. For each Participant, no more than two loans may be approved and no more than two loans may be outstanding at any time during a Plan Year, except that a third loan may be approved during the period beginning April 1, 2020 and ending September 30, 2020, and such loan may remain outstanding until it is fully repaid according to its terms and this Section 4.8. The minimum amount of each loan is \$1,000. The maximum amount of each loan, when added to the outstanding balance of all other loans made to the Participant from all qualified plans maintained by the Affiliates, shall not exceed the lesser of:

- (i) \$50,000, reduced by the excess (if any) of:

(A) the highest outstanding balance of plan loans during the one-year period ending immediately preceding the date of the loan, over

(B) the outstanding balance of plan loans on the date the loan is made; or

- (ii) one-half of the Participant's total vested Account balances under the Plan.

* * *

The Plan is amended effective as of the date specifically set forth above and executed by a duly authorized individual on the date set forth below.

MDU RESOURCES GROUP, INC.

Date: December 17, 2020 By: /s/ Jason L. Vollmer
Jason L. Vollmer
Chairman, Employee Benefits Committee

MDU RESOURCES GROUP, INC.
List of Subsidiaries
(effective December 31, 2020)

<u>Subsidiaries</u>	<u>Jurisdiction of Formation</u>
Alaska Basic Industries, Inc.	Alaska
Ames Sand & Gravel, Inc.	North Dakota
Anchorage Sand and Gravel Company, Inc.	Alaska
ARC Fabricators, L.L.C.	South Dakota
Baldwin Contracting Company, Inc.	California
Bell Electrical Contractors, Inc.	Missouri
Bombard Electric, LLC	Nevada
Bombard Mechanical, LLC	Nevada
Capital Electric Construction Company, Inc.	Kansas
Capital Electric Line Builders, Inc.	Kansas
Cascade Natural Gas Corporation	Washington
Centennial Energy Holdings, Inc.	Delaware
Centennial Energy Resources International, Inc.	Delaware
Centennial Energy Resources LLC	Delaware
Centennial Holdings Capital LLC	Delaware
Central Oregon Redi-Mix, LLC	Oregon
Concrete, Inc.	California
Connolly-Pacific Co.	California
D S S Company	California
Desert Fire Holdings, Inc.	Nevada
Desert Fire Protection, a Nevada Limited Partnership	Nevada
Desert Fire Protection, Inc.	Nevada
Desert Fire Protection, LLC	Nevada
Duro Electric Company	Colorado
E & ER Company	South Dakota
Ellis & Eastern Company	South Dakota
E.S.I., Inc.	Ohio
Fairbanks Materials, Inc.	Alaska
Fidelity Exploration & Production Company	Delaware
Frebco, Inc.	Ohio
FutureSource Capital Corp.	Delaware
Granite City Ready Mix, Inc.	Minnesota
Hawaiian Cement	Hawaii
Intermountain Gas Company	Idaho
International Line Builders, Inc.	Delaware
InterSource Insurance Company	Vermont
Jebro Incorporated	Iowa

JTL Group, Inc. (Montana corporation)	Montana
JTL Group, Inc. (Wyoming corporation)	Wyoming
Kent's Oil Service	California
Knife River Corporation	Delaware
Knife River Corporation - Mountain West	Delaware
Knife River Corporation – North Central	Minnesota
Knife River Corporation – Northwest	Oregon
Knife River Corporation – South	Texas
Knife River Dakota, Inc.	Delaware
Knife River Hawaii, Inc.	Delaware
Knife River Marine, Inc.	Delaware
Knife River Midwest, LLC	Delaware
KRC Holdings, Inc.	Delaware
Lone Mountain Excavation & Utilities, LLC	Nevada
Loy Clark Pipeline Co.	Oregon
LTM, Incorporated	Oregon
MDU Construction Services Group, Inc.	Delaware
MDU Energy Capital, LLC	Delaware
MDU Industrial Services, Inc.	Delaware
MDU United Construction Solutions, Inc.	Delaware
Montana-Dakota Utilities Co.	Delaware
Nevada Solar Solutions, LLC	Delaware
Northstar Materials, Inc.	Minnesota
OEG, Inc.	Oregon
PerLectric, Inc.	Virginia
Prairie Cascade Energy Holdings, LLC	Delaware
Prairie Intermountain Energy Holdings, LLC	Delaware
Rail to Road, Inc.	South Dakota
Rocky Mountain Contractors, Inc.	Montana
Sweetman Const. Co.	South Dakota
USI Industrial Services, Inc.	Delaware
Wagner Group, Inc., The	Delaware
Wagner-Smith Company, The	Ohio
Wagner-Smith Equipment Co.	Delaware
WBI Canadian Pipeline, Ltd.	Canada
WBI Energy Midstream, LLC	Colorado
WBI Energy Transmission, Inc.	Delaware
WBI Energy, Inc.	Delaware
WBI Holdings, Inc.	Delaware
WHC, Ltd.	Hawaii

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-246323 on Form S-3 and Registration Statement Nos. 333-27877, 333-114488, and 333-234760 on Form S-8 of our reports dated February 19, 2021, relating to the financial statements of MDU Resources Group, Inc., and the effectiveness of MDU Resources Group, Inc.'s internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2020.

/s/ Deloitte & Touche LLP

Minneapolis, Minnesota
February 19, 2021

CERTIFICATION

I, David L. Goodin, certify that:

1. I have reviewed this annual report on Form 10-K of MDU Resources Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2021

/s/ David L. Goodin

David L. Goodin

President and Chief Executive Officer

CERTIFICATION

I, Jason L. Vollmer, certify that:

1. I have reviewed this annual report on Form 10-K of MDU Resources Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2021

/s/ Jason L. Vollmer

Jason L. Vollmer

Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

Each of the undersigned, David L. Goodin, the President and Chief Executive Officer, and Jason L. Vollmer the Vice President and Chief Financial Officer of MDU Resources Group, Inc. (the "Company"), DOES HEREBY CERTIFY that:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 2020 (the "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, each of the undersigned has executed this statement this 19th day of February, 2021.

/s/ David L. Goodin

David L. Goodin

President and Chief Executive Officer

/s/ Jason L. Vollmer

Jason L. Vollmer

Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to MDU Resources Group, Inc. and will be retained by MDU Resources Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

MDU RESOURCES GROUP, INC.
MINE SAFETY INFORMATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) requires issuers to include in periodic reports filed with the SEC certain information relating to citations or orders for violations of standards under the Federal Mine Safety and Health Act of 1977 (Mine Act), as amended by the Mine Improvement and New Emergency Response Act of 2006 (Mine Safety Act). The Dodd-Frank Act requires reporting of the following types of citations or orders:

1. Citations issued under Section 104 of the Mine Safety Act for violations that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard.
2. Orders issued under Section 104(b) of the Mine Safety Act. Orders are issued under this section when citations issued under Section 104 have not been totally abated within the time period allowed by the citation or subsequent extensions.
3. Citations or orders issued under Section 104(d) of the Mine Safety Act. Citations or orders are issued under this section when it has been determined that the violation is caused by an unwarrantable failure of the mine operator to comply with the standards. An unwarrantable failure occurs when the mine operator is deemed to have engaged in aggravated conduct constituting more than ordinary negligence.
4. Citations issued under Section 110(b)(2) of the Mine Safety Act for flagrant violations. Violations are considered flagrant for repeat or reckless failures to make reasonable efforts to eliminate a known violation of a mandatory health and safety standard that substantially and proximately caused, or reasonably could have been expected to cause, death or serious bodily injury.
5. Imminent danger orders issued under Section 107(a) of the Mine Safety Act. An imminent danger is defined as the existence of any condition or practice in a coal or other mine which could reasonably be expected to cause death or serious physical harm before such condition or practice can be abated.
6. Notice received under Section 104(e) of the Mine Safety Act of a pattern of violations or the potential to have such a pattern of violations that could significantly and substantially contribute to the cause and effect of mine health and safety standards.

During the twelve months ended December 31, 2020, none of the Company's operating subsidiaries received citations or orders under the following sections of the Mine Safety Act: 104(b), 110(b)(2) or 104(e). The Company had no mining-related fatalities during this period.

MSHA Identification Number/Contractor ID	Section 104 S&S Citations (#)	Section 104(d) Citations and Orders (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed (\$)	Legal Actions Pending as of Last Day of Period (#)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
04-05140	—	—	—	123	—	—	—
10-02088	—	—	—	492	—	—	—
10-02089	2	—	1	34,631	1	2	1
10-02170	—	—	—	270	—	—	—
13-02222	—	—	—	123	—	—	—
21-02702	1	—	—	523	—	—	—
21-03112	—	—	—	123	—	—	—
21-03416	—	—	—	246	—	—	—
21-03417	1	—	—	728	—	—	—
21-03627	—	—	—	246	—	—	—
21-03642	—	—	—	246	—	—	—
21-02936	—	—	—	369	—	—	—
24-00462	—	—	—	687	—	—	—
24-01935	—	—	—	123	—	—	—
24-02095	—	—	—	492	—	—	—
24-02414	—	—	—	123	—	—	—
32-00776	—	—	—	447	—	—	—
32-00950	1	—	—	1,097	—	—	—
35-00463	—	—	—	1,116	—	1	1
35-00512	2	—	—	2,120	1	1	—
35-02906	—	—	—	492	—	—	—
35-02968	1	—	—	694	2	2	—
35-03131	—	—	—	1,182	—	—	—
35-03321	—	—	—	123	—	—	1
35-03404	—	—	—	123	—	—	—
35-03449	—	—	—	123	—	—	—
35-03478	—	—	—	123	—	—	—
35-03496	1	—	—	1,278	—	—	—
35-03527	—	—	—	631	—	—	—
35-03558	1	—	—	246	—	—	—
35-03581	—	—	—	123	—	—	—
35-03590	—	—	—	246	—	—	—
35-03594	—	—	—	—	—	—	2
35-03605	—	—	—	1,254	—	1	1
35-03639	—	—	—	369	—	—	—
35-03642	—	—	—	246	—	—	—
35-03667	—	—	—	829	—	—	—
35-03678	—	—	—	123	—	—	—
35-03751	—	—	—	492	—	—	1
35-03752	3	—	—	1,508	—	3	3
35-00503	—	—	—	492	—	—	—
35-03380	—	—	—	123	—	—	—
39-00008	2	—	—	2,617	—	—	—
39-01478	—	—	—	544	—	—	—

MSHA Identification Number/Contractor ID	Section 104 S&S Citations (#)	Section 104(d) Citations and Orders (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed (\$)	Legal Actions Pending as of Last Day of Period (#)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
41-02639	—	—	—	369	—	—	—
41-03931	1	—	—	369	—	—	—
48-00715	2	2	—	4,928	2	2	—
48-01383	—	—	—	123	—	—	—
48-01670	4	—	—	6,465	6	6	—
48-01800	1	—	—	340	—	—	—
50-00883	—	—	—	246	—	—	—
51-00036	1	—	—	10,791	—	—	—
51-00192	1	—	—	457	—	—	—
51-00195	—	—	—	123	—	—	—
51-00241	—	—	—	367	—	—	—
51-00242	—	—	—	367	—	—	—
B0402	—	—	—	123	—	—	—
B5500	2	—	—	964	—	—	—
	27	2	1	\$ 84,338	12	18	10

Legal actions pending before the Federal Mine Safety and Health Review Commission (the Commission) may involve, among other questions, challenges by operators to citations, orders and penalties they have received from the Federal Mine Safety and Health Administration (MSHA) or complaints of discrimination by miners under section 105 of the Mine Act. The following is a brief description of the types of legal actions that may be brought before the Commission.

- Contests of Citations and Orders - A contest proceeding may be filed with the Commission by operators, miners or miners' representatives to challenge the issuance of a citation or order issued by MSHA.
- Contests of Proposed Penalties (Petitions for Assessment of Penalties) - A contest of a proposed penalty is an administrative proceeding before the Commission challenging a civil penalty that MSHA has proposed for the alleged violation contained in a citation or order.
- Complaints for Compensation - A complaint for compensation may be filed with the Commission by miners entitled to compensation when a mine is closed by certain withdrawal orders issued by MSHA. The purpose of the proceeding is to determine the amount of compensation, if any, due miners idled by the orders.
- Complaints of Discharge, Discrimination or Interference - A discrimination proceeding is a case that involves a miner's allegation that he or she has suffered a wrong by the operator because he or she engaged in some type of activity protected under the Mine Act, such as making a safety complaint.
- Applications for Temporary Relief - Applications for temporary relief from any modification or termination of any order or from any order issued under section 104 of the Mine Act.
- Appeals of Judges' Decisions or Orders to the Commission - A filing with the Commission for discretionary review of a judge's decision or order by a person who has been adversely affected or aggrieved by such decision or order.

The following table reflects the types of legal actions pending before the Commission as of December 31, 2020:

MSHA Identification Number	Contests of Citations and Orders	Contests of Proposed Penalties	Complaints for Compensation	Complaints of Discharge, Discrimination or Interference	Applications for Temporary Relief	Appeals of Judges' Decisions or Orders to the Commission
10-02089	1	—	—	—	—	—
35-00512	1	—	—	—	—	—
35-02968	2	—	—	—	—	—
48-00715	2	—	—	—	—	—
48-01670	6	—	—	—	—	—
	12	—	—	—	—	—

