

# Section 1: 10-Q (MDU RESOURCES FORM 10-Q 9-30-2019)

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

## FORM 10-Q

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

For the quarterly period ended September 30, 2019

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 30-1133956  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

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

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No .

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of October 25, 2019: 200,383,869 shares.

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## Definitions

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

### Abbreviation or Acronym

2018 Annual Report	Company's Annual Report on Form 10-K for the year ended December 31, 2018
AFUDC	Allowance for funds used during construction
ASC	FASB Accounting Standards Codification
ASU	FASB Accounting Standards Update
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
Calumet	Calumet Specialty Products Partners, L.P.
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 Resources	Centennial Energy Resources LLC, a direct wholly owned subsidiary of Centennial
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
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 Refinery	20,000-barrel-per-day diesel topping plant built by Dakota Prairie Refining in southwestern North Dakota
Dakota Prairie Refining	Dakota Prairie Refining, LLC, a limited liability company previously owned by WBI Energy and Calumet (previously included in the Company's refining segment)
dk	Decatherm
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EPA	United States Environmental Protection Agency
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)
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
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
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
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
MDU Construction Services	MDU Construction Services Group, Inc., a direct wholly owned subsidiary of Centennial

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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
MISO	Midcontinent Independent System Operator, Inc.
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
MTPSC	Montana Public Service Commission
MW	Megawatt
NDPSC	North Dakota Public Service Commission
Non-GAAP	Not in accordance with GAAP
OPUC	Oregon Public Utility Commission
PRP	Potentially Responsible Party
SEC	United States Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
TCJA	Tax Cuts and Jobs Act
Tesoro	Tesoro Refining & Marketing Company LLC
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
WYPSC	Wyoming Public Service Commission

## **Forward-Looking Statements**

This Form 10-Q 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 not 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 Part I, Item 2 - 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, 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 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 reported in Part I, Item 1A - Risk Factors in the 2018 Annual Report and subsequent filings with the SEC.

## **Introduction**

The Company is a regulated energy delivery and construction materials and services business. Montana-Dakota was incorporated under the laws of the state of Delaware in 1924. The Company was incorporated under the laws of the state of Delaware in 2018. Its principal executive offices are at 1200 West Century Avenue, P.O. Box 5650, Bismarck, North Dakota 58506-5650, telephone (701) 530-1000.

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 merger was conducted pursuant to Section 251(g) of the General Corporation Law of the State of Delaware, which provides for the formation of a holding company without a vote of the stockholders of the constituent corporation. Immediately after consummation of the Holding Company Reorganization, the Company had, on a consolidated basis, the same assets, businesses and operations as Montana-Dakota had immediately prior to the consummation of the Holding Company Reorganization. As a result of the Holding Company Reorganization, the Company became the successor issuer to Montana-Dakota pursuant to Rule 12g-3(a) of the Exchange Act, and as a result, the Company's common stock was deemed registered under Section 12(b) of the Exchange Act.

The Company, through its wholly owned subsidiary, MDU Energy Capital, owns Montana-Dakota, Cascade and Intermountain. Montana-Dakota, Cascade and Intermountain are the natural gas distribution segment. Montana-Dakota also comprises the electric segment.

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

For more information on the Company's business segments, see Note 17 of the Notes to Consolidated Financial Statements.

**Part I -- Financial Information****Item 1. Financial Statements**

**MDU Resources Group, Inc.**  
**Consolidated Statements of Income**  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
(In thousands, except per share amounts)				
<b>Operating revenues:</b>				
Electric, natural gas distribution and regulated pipeline and midstream	\$ 209,444	\$ 200,617	\$ 885,309	\$ 851,761
Nonregulated pipeline and midstream, construction materials and contracting, construction services and other	1,354,355	1,080,170	3,073,254	2,469,917
<b>Total operating revenues</b>	<b>1,563,799</b>	<b>1,280,787</b>	<b>3,958,563</b>	<b>3,321,678</b>
<b>Operating expenses:</b>				
Operation and maintenance:				
Electric, natural gas distribution and regulated pipeline and midstream	86,249	82,920	262,434	252,961
Nonregulated pipeline and midstream, construction materials and contracting, construction services and other	1,126,371	913,671	2,674,130	2,166,570
Total operation and maintenance	1,212,620	996,591	2,936,564	2,419,531
Purchased natural gas sold	31,843	32,123	270,539	270,319
Depreciation, depletion and amortization	65,021	55,016	187,937	161,298
Taxes, other than income	46,128	38,647	148,110	128,257
Electric fuel and purchased power	18,717	18,406	64,413	58,901
<b>Total operating expenses</b>	<b>1,374,329</b>	<b>1,140,783</b>	<b>3,607,563</b>	<b>3,038,306</b>
<b>Operating income</b>	<b>189,470</b>	<b>140,004</b>	<b>351,000</b>	<b>283,372</b>
<b>Other income</b>	<b>3,014</b>	<b>2,683</b>	<b>12,222</b>	<b>4,864</b>
<b>Interest expense</b>	<b>25,258</b>	<b>20,955</b>	<b>74,094</b>	<b>62,202</b>
<b>Income before income taxes</b>	<b>167,226</b>	<b>121,732</b>	<b>289,128</b>	<b>226,034</b>
<b>Income taxes</b>	<b>31,098</b>	<b>14,363</b>	<b>48,766</b>	<b>32,629</b>
<b>Income from continuing operations</b>	<b>136,128</b>	<b>107,369</b>	<b>240,362</b>	<b>193,405</b>
<b>Income (loss) from discontinued operations, net of tax (Note 10)</b>	<b>1,509</b>	<b>(118)</b>	<b>26</b>	<b>85</b>
<b>Net income</b>	<b>\$ 137,637</b>	<b>\$ 107,251</b>	<b>\$ 240,388</b>	<b>\$ 193,490</b>
<b>Earnings per share - basic:</b>				
Income from continuing operations	\$ .68	\$ .55	\$ 1.21	\$ .99
Discontinued operations, net of tax	.01	—	—	—
<b>Earnings per share - basic</b>	<b>\$ .69</b>	<b>\$ .55</b>	<b>\$ 1.21</b>	<b>\$ .99</b>
<b>Earnings per share - diluted:</b>				
Income from continuing operations	\$ .68	\$ .55	\$ 1.21	\$ .99
Discontinued operations, net of tax	.01	—	—	—
<b>Earnings per share - diluted</b>	<b>\$ .69</b>	<b>\$ .55</b>	<b>\$ 1.21</b>	<b>\$ .99</b>
<b>Weighted average common shares outstanding - basic</b>	<b>199,343</b>	<b>196,018</b>	<b>198,016</b>	<b>195,618</b>
<b>Weighted average common shares outstanding - diluted</b>	<b>199,383</b>	<b>196,265</b>	<b>198,033</b>	<b>196,104</b>

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

**MDU Resources Group, Inc.**  
**Consolidated Statements of Comprehensive Income**  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
	(In thousands)			
<b>Net income</b>	\$ 137,637	\$ 107,251	\$ 240,388	\$ 193,490
<b>Other comprehensive income:</b>				
Reclassification adjustment for loss on derivative instruments included in net income, net of tax of \$36 and \$55 for the three months ended and \$(177) and \$164 for the nine months ended in 2019 and 2018, respectively	112	92	620	279
Amortization of postretirement liability losses included in net periodic benefit cost, net of tax of \$95 and \$142 for the three months ended and \$284 and \$442 for the nine months ended in 2019 and 2018, respectively	292	442	878	1,309
Foreign currency translation adjustment:				
Foreign currency translation adjustment recognized during the period, net of tax of \$0 and \$0 for the three months ended and \$0 and \$(14) for the nine months ended in 2019 and 2018, respectively	—	—	—	(61)
Reclassification adjustment for foreign currency translation adjustment included in net income, net of tax of \$0 and \$0 for the three months ended and \$0 and \$75 for the nine months ended in 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 \$3 and \$(13) for the three months ended and \$35 and \$(52) for the nine months ended in 2019 and 2018, respectively	12	(51)	130	(199)
Reclassification adjustment for (gain) loss on available-for-sale investments included in net income, net of tax of \$(1) and \$9 for the three months ended and \$10 and \$26 for the nine months ended in 2019 and 2018, respectively	(4)	33	36	97
Net unrealized gain (loss) on available-for-sale investments	8	(18)	166	(102)
Other comprehensive income	412	516	1,664	1,674
<b>Comprehensive income attributable to common stockholders</b>	<b>\$ 138,049</b>	<b>\$ 107,767</b>	<b>\$ 242,052</b>	<b>\$ 195,164</b>

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

**MDU Resources Group, Inc.**  
**Consolidated Balance Sheets**  
(Unaudited)

September 30,    September 30,    December 31,  
2019                    2018                    2018

(In thousands, except shares and per share amounts)

**Assets****Current assets:**

Cash and cash equivalents	\$ 67,000	\$ 67,077	\$ 53,948
Receivables, net	968,279	787,344	722,945
Inventories	286,057	270,293	287,309
Prepayments and other current assets	140,053	88,760	119,500
Current assets held for sale	426	571	430

<b>Total current assets</b>	<b>1,461,815</b>	<b>1,214,045</b>	<b>1,184,132</b>
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<b>Investments</b>	<b>144,417</b>	<b>143,303</b>	<b>138,620</b>
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<b>Property, plant and equipment</b>	<b>7,746,754</b>	<b>7,102,960</b>	<b>7,397,321</b>
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Less accumulated depreciation, depletion and amortization	2,944,928	2,796,649	2,818,644
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<b>Net property, plant and equipment</b>	<b>4,801,826</b>	<b>4,306,311</b>	<b>4,578,677</b>
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**Deferred charges and other assets:**

Goodwill	681,349	640,203	664,922
Other intangible assets, net	15,511	4,318	10,815
Operating lease right-of-use assets (Note 11)	118,764	—	—
Other	504,842	408,178	408,857
Noncurrent assets held for sale	2,087	1,835	2,087

<b>Total deferred charges and other assets</b>	<b>1,322,553</b>	<b>1,054,534</b>	<b>1,086,681</b>
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<b>Total assets</b>	<b>\$ 7,730,611</b>	<b>\$ 6,718,193</b>	<b>\$ 6,988,110</b>
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**Liabilities and Stockholders' Equity****Current liabilities:**

Short-term borrowings	\$ 139,988	\$ —	\$ —
Long-term debt due within one year	65,810	3,915	251,854
Accounts payable	378,370	339,713	358,505
Taxes payable	53,505	50,461	41,929
Dividends payable	40,460	38,714	39,695
Accrued compensation	93,642	62,836	69,007
Current operating lease liabilities (Note 11)	32,584	—	—
Other accrued liabilities	225,925	221,620	221,059
Current liabilities held for sale	3,393	7,959	4,001

<b>Total current liabilities</b>	<b>1,033,677</b>	<b>725,218</b>	<b>986,050</b>
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<b>Long-term debt</b>	<b>2,180,946</b>	<b>1,911,555</b>	<b>1,856,841</b>
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**Deferred credits and other liabilities:**

Deferred income taxes	487,194	405,761	430,085
Noncurrent operating lease liabilities (Note 11)	86,166	—	—
Other	1,147,022	1,154,366	1,148,359

<b>Total deferred credits and other liabilities</b>	<b>1,720,382</b>	<b>1,560,127</b>	<b>1,578,444</b>
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**Commitments and contingencies****Stockholders' equity:**

Common stock			
Authorized - 500,000,000 shares, \$1.00 par value			
Shares issued - 200,876,334 at September 30, 2019, 196,557,245 at September 30, 2018 and 196,564,907 at December 31, 2018	200,876	196,557	196,565
Other paid-in capital	1,351,990	1,247,151	1,248,576
Retained earnings	1,283,044	1,124,830	1,163,602
Accumulated other comprehensive loss	(36,678)	(43,619)	(38,342)
Treasury stock at cost - 538,921 shares	(3,626)	(3,626)	(3,626)

<b>Total stockholders' equity</b>	<b>2,795,606</b>	<b>2,521,293</b>	<b>2,566,775</b>
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<b>Total liabilities and stockholders' equity</b>	<b>\$ 7,730,611</b>	<b>\$ 6,718,193</b>	<b>\$ 6,988,110</b>
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The accompanying notes are an integral part of these consolidated financial statements.

**MDU Resources Group, Inc.**  
**Consolidated Statements of Equity**  
(Unaudited)

Nine Months Ended September 30, 2019

	Common Stock		Other Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
(In thousands, except shares)								
<b>At December 31, 2018</b>	196,564,907	\$ 196,565	\$ 1,248,576	\$ 1,163,602	\$ (38,342)	(538,921)	\$ (3,626)	\$ 2,566,775
Net income	—	—	—	40,926	—	—	—	40,926
Other comprehensive income	—	—	—	—	774	—	—	774
Dividends declared on common stock	—	—	—	(40,019)	—	—	—	(40,019)
Stock-based compensation	—	—	1,617	—	—	—	—	1,617
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	1,505,687	1,506	37,128	—	—	—	—	38,634
<b>At March 31, 2019</b>	198,316,808	\$ 198,317	\$ 1,284,060	\$ 1,164,509	\$ (37,568)	(538,921)	\$ (3,626)	\$ 2,605,692
Net income	—	—	—	61,825	—	—	—	61,825
Other comprehensive income	—	—	—	—	478	—	—	478
Dividends declared on common stock	—	—	—	(40,367)	—	—	—	(40,367)
Stock-based compensation	—	—	1,742	—	—	—	—	1,742
Issuance of common stock	1,222,302	1,222	29,709	—	—	—	—	30,931
<b>At June 30, 2019</b>	199,539,110	\$ 199,539	\$ 1,315,511	\$ 1,185,967	\$ (37,090)	(538,921)	\$ (3,626)	\$ 2,660,301
Net income	—	—	—	137,637	—	—	—	137,637
Other comprehensive income	—	—	—	—	412	—	—	412
Dividends declared on common stock	—	—	—	(40,560)	—	—	—	(40,560)
Stock-based compensation	—	—	1,742	—	—	—	—	1,742
Issuance of common stock	1,337,224	1,337	34,737	—	—	—	—	36,074
<b>At September 30, 2019</b>	200,876,334	\$ 200,876	\$ 1,351,990	\$ 1,283,044	\$ (36,678)	(538,921)	\$ (3,626)	\$ 2,795,606

**MDU Resources Group, Inc.**  
**Consolidated Statements of Equity**  
(Unaudited)

Nine Months Ended September 30, 2018

	Common Stock		Other Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
	(In thousands, except shares)							
<b>At December 31, 2017</b>	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 ASU 2014-09	—	—	—	(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	—	—	—	42,437	—	—	—	42,437
Other comprehensive income	—	—	—	—	433	—	—	433
Reclassification of certain prior period tax effects from accumulated other comprehensive loss	—	—	—	7,959	(7,959)	—	—	—
Dividends declared on common stock	—	—	—	(38,705)	—	—	—	(38,705)
Stock-based compensation	—	—	1,223	—	—	—	—	1,223
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)
<b>At March 31, 2018</b>	195,843,297	\$ 195,843	\$ 1,227,285	\$ 1,051,469	\$ (44,860)	(538,921)	\$ (3,626)	\$ 2,426,111
Net income	—	—	—	43,802	—	—	—	43,802
Other comprehensive income	—	—	—	—	725	—	—	725
Dividends declared on common stock	—	—	—	(38,847)	—	—	—	(38,847)
Stock-based compensation	—	—	1,294	—	—	—	—	1,294
Issuance of common stock	713,948	714	17,279	—	—	—	—	17,993
<b>At June 30, 2018</b>	196,557,245	\$ 196,557	\$ 1,245,858	\$ 1,056,424	\$ (44,135)	(538,921)	\$ (3,626)	\$ 2,451,078
Net income	—	—	—	107,251	—	—	—	107,251
Other comprehensive income	—	—	—	—	516	—	—	516
Dividends declared on common stock	—	—	—	(38,845)	—	—	—	(38,845)
Stock-based compensation	—	—	1,293	—	—	—	—	1,293
<b>At September 30, 2018</b>	196,557,245	\$ 196,557	\$ 1,247,151	\$ 1,124,830	\$ (43,619)	(538,921)	\$ (3,626)	\$ 2,521,293

**MDU Resources Group, Inc.**  
**Consolidated Statements of Cash Flows**  
(Unaudited)

	Nine Months Ended	
	September 30,	
	2019	2018
	(In thousands)	
<b>Operating activities:</b>		
Net income	\$ 240,388	\$ 193,490
Income from discontinued operations, net of tax	26	85
Income from continuing operations	240,362	193,405
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	187,937	161,298
Deferred income taxes	49,222	42,428
Changes in current assets and liabilities, net of acquisitions:		
Receivables	(238,373)	(55,749)
Inventories	2,480	(38,785)
Other current assets	(69,105)	(3,452)
Accounts payable	13,062	16,155
Other current liabilities	53,458	31,971
Other noncurrent changes	(35,361)	(27,170)
Net cash provided by continuing operations	203,682	320,101
Net cash used in discontinued operations	(579)	(2,720)
<b>Net cash provided by operating activities</b>	<b>203,103</b>	<b>317,381</b>
<b>Investing activities:</b>		
Capital expenditures	(423,036)	(345,599)
Acquisitions, net of cash acquired	(53,263)	(27,858)
Net proceeds from sale or disposition of property and other	28,391	12,451
Investments	(717)	(1,560)
Net cash used in continuing operations	(448,625)	(362,566)
Net cash provided by discontinued operations	—	1,236
<b>Net cash used in investing activities</b>	<b>(448,625)</b>	<b>(361,330)</b>
<b>Financing activities:</b>		
Issuance of short-term borrowings	169,977	—
Repayment of short-term borrowings	(30,000)	—
Issuance of long-term debt	302,724	356,952
Repayment of long-term debt	(166,956)	(157,315)
Proceeds from issuance of common stock	105,639	—
Dividends paid	(119,795)	(115,859)
Repurchase of common stock	—	(5,020)
Tax withholding on stock-based compensation	(3,015)	(2,330)
<b>Net cash provided by financing activities</b>	<b>258,574</b>	<b>76,428</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>—</b>	<b>(1)</b>
<b>Increase in cash and cash equivalents</b>	<b>13,052</b>	<b>32,478</b>
Cash and cash equivalents -- beginning of year	53,948	34,599
Cash and cash equivalents -- end of period	\$ 67,000	\$ 67,077

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

**MDU Resources Group, Inc.**  
**Notes to Consolidated**  
**Financial Statements**

**September 30, 2019 and 2018**  
**(Unaudited)**

**Note 1 - Basis of presentation**

The accompanying consolidated interim financial statements were prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Interim financial statements do not include all disclosures provided in annual financial statements and, accordingly, these financial statements should be read in conjunction with those appearing in the 2018 Annual Report. The information is unaudited but includes all adjustments that are, in the opinion of management, necessary for a fair presentation of the accompanying consolidated interim financial statements and are of a normal recurring nature. Depreciation, depletion and amortization expense is reported separately on the Consolidated Statements of Income and therefore is excluded from the other line items within operating expenses.

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.

Effective January 1, 2019, the Company adopted the requirements of the ASU on leases, as further discussed in Notes 6 and 11. As such, results for reporting periods beginning January 1, 2019, are presented under the new guidance, while prior period amounts are not adjusted and continue to be reported in accordance with the historic accounting for leases.

The assets and liabilities for the Company's discontinued operations have been classified as held for sale and the results of operations are shown in income (loss) from discontinued operations, other than certain general and administrative costs and interest expense which do not meet the criteria for income (loss) from discontinued operations. At the time the assets were classified as held for sale, depreciation, depletion and amortization expense was no longer recorded. Unless otherwise indicated, the amounts presented in the accompanying notes to the consolidated financial statements relate to the Company's continuing operations. For more information on the Company's discontinued operations, see Note 10.

Management has also evaluated the impact of events occurring after September 30, 2019, up to the date of issuance of these consolidated interim financial statements.

**Note 2 - Seasonality of operations**

Some of the Company's operations are highly seasonal and revenues from, and certain expenses for, such operations may fluctuate significantly among quarterly periods. Accordingly, the interim results for particular businesses, and for the Company as a whole, may not be indicative of results for the full fiscal year.

**Note 3 - Accounts receivable and allowance for doubtful accounts**

Accounts receivable consists primarily of trade receivables from the sale of goods and services which are recorded at the invoiced amount net of allowance for doubtful accounts, and costs and estimated earnings in excess of billings on uncompleted contracts. The total balance of receivables past due 90 days or more was \$56.0 million, \$29.2 million and \$30.0 million at September 30, 2019 and 2018, and December 31, 2018, respectively.

The allowance for doubtful accounts is determined through a review of past due balances and other specific account data. Account balances are written off when management determines the amounts to be uncollectible. The Company's allowance for doubtful accounts at September 30, 2019 and 2018, and December 31, 2018, was \$8.7 million, \$7.3 million and \$8.9 million, respectively.

**Note 4 - Inventories and natural gas in storage**

Natural gas in storage for the Company's regulated operations is generally carried at lower of cost or net realizable value, or cost using the last-in, first-out method. All other inventories are stated at the lower of cost or net realizable value. The portion of the cost of natural gas in storage expected to be used within one year was included in inventories. Inventories on the Consolidated Balance Sheets were as follows:

	September 30, 2019	September 30, 2018	December 31, 2018
	(In thousands)		
Aggregates held for resale	\$ 143,157	\$ 133,477	\$ 139,681
Asphalt oil	39,269	40,781	54,741
Materials and supplies	25,696	23,563	23,611
Merchandise for resale	23,902	15,954	22,552
Natural gas in storage (current)	32,164	29,084	22,117
Other	21,869	27,434	24,607
<b>Total</b>	<b>\$ 286,057</b>	<b>\$ 270,293</b>	<b>\$ 287,309</b>

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 deferred charges and other assets - other and was \$48.2 million, \$47.8 million and \$48.5 million at September 30, 2019 and 2018, and December 31, 2018, respectively.

**Note 5 - Earnings per share**

Basic earnings per share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the applicable period. Diluted earnings per share is computed by dividing net income by the total of the weighted average number of shares of common stock outstanding during the applicable period, 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 calculations follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In thousands, except per share amounts)			
Weighted average common shares outstanding - basic	199,343	196,018	198,016	195,618
Effect of dilutive performance share awards and restricted stock units	40	247	17	486
Weighted average common shares outstanding - diluted	199,383	196,265	198,033	196,104
Shares excluded from the calculation of diluted earnings per share	155	114	243	—
Dividends declared per common share	\$ .2025	\$ .1975	\$ .6075	\$ .5925

**Note 6 - New accounting standards****Recently adopted accounting standards**

**ASU 2016-02 - Leases** In February 2016, the FASB issued guidance regarding leases. The guidance required lessees to recognize a lease liability and a right-of-use asset on the balance sheet for operating and financing leases. The guidance remained largely the same for lessors, although some changes were made to better align lessor accounting with the new lessee accounting and to align with the revenue recognition standard. The guidance also required additional disclosures, both quantitative and qualitative, related to operating and financing leases for the lessee and sales-type, direct financing and operating leases for the lessor. The Company adopted the standard on January 1, 2019.

In July 2018, the FASB issued *ASU 2018-11 - Leases: Targeted Improvements*, an accounting standard update to ASU 2016-02. This ASU provided an entity the option to adopt the guidance using one of two modified retrospective approaches. An entity could adopt the guidance using the modified retrospective transition approach beginning in the earliest year presented in the financial statements. This method of adoption would have required the restatement of prior periods reported and the presentation of lease disclosures under the new guidance for all periods reported. The additional transition method of adoption, introduced by ASU 2018-11, allowed entities the option to apply the guidance on the date of adoption by recognizing a cumulative effect adjustment to retained earnings during the period of adoption and did not require prior comparative periods to be restated.

The Company adopted the standard on January 1, 2019, utilizing the additional transition method of adoption applied on the date of adoption and the practical expedient that allowed the Company to not reassess whether an expired or existing contract contained a lease, the classification of leases or initial direct costs. The Company did not identify any cumulative effect

adjustments. The Company also adopted a short-term leasing policy as the lessee where leases with a term of 12 months or less are not included on the Consolidated Balance Sheet.

As a practical expedient, a lessee may choose not to separate nonlease components from lease components and instead account for lease and nonlease components as a single lease component. The election shall be made by asset class. The Company has elected to adopt the lease/nonlease component practical expedient for all asset classes as the lessee. The Company did not elect the practical expedient to use hindsight when assessing the lease term or impairment of right-of-use assets for the existing leases on the date of adoption.

In January 2018, the FASB issued a practical expedient for land easements under the new lease guidance. The practical expedient permits an entity to elect the option to not evaluate land easements under the new guidance if they existed or expired before the adoption of the new lease guidance and were not previously accounted for as leases under the previous lease guidance. Once an entity adopts the new guidance, the entity should apply the new guidance on a prospective basis to all new or modified land easements. The Company has adopted this practical expedient.

The Company formed a lease implementation team to review and assess existing contracts to identify and evaluate those containing leases. Additionally, the team implemented new and revised existing software to meet the reporting and disclosure requirements of the standard. The Company also assessed the impact the standard had on its processes and internal controls and identified new and updated existing internal controls and processes to ensure compliance with the new lease standard; such modifications were not deemed to be significant. During the assessment phase, the Company used various surveys, reconciliations and analytic methodologies to ensure the completeness of the lease inventory. The Company determined that most of the current operating leases were subject to the guidance and were recognized as operating lease liabilities and right-of-use assets on the Consolidated Balance Sheet upon adoption. On January 1, 2019, the Company recorded approximately \$112 million to right-of-use assets and lease liabilities as a result of the initial adoption of the guidance. In addition, the Company evaluated the impact the new guidance had on lease contracts where the Company is the lessor and determined it did not have a significant impact to the Company's financial statements.

**ASU 2018-15 - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract** In August 2018, the FASB issued guidance on the accounting for implementation costs of a hosting arrangement that is a service contract. The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract similar to the costs incurred to develop or obtain internal-use software and such capitalized costs to be expensed over the term of the hosting arrangement. Costs incurred during the preliminary and postimplementation stages should continue to be expensed as activities are performed. The capitalized costs are required to be presented on the balance sheet in the same line the prepayment for the fees associated with the hosting arrangement would be presented. In addition, the expense related to the capitalized implementation costs should be presented in the same line on the income statement as the fees associated with the hosting element of the arrangements. The Company adopted the guidance effective January 1, 2019, on a prospective basis. The adoption of the guidance did not have a material impact on its results of operations, financial position, cash flows or disclosures.

#### **Recently issued accounting standards not yet adopted**

**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 introduces a new impairment model known as the current expected credit loss model that will replace the incurred loss impairment methodology currently included under GAAP. This guidance requires 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 guidance will be effective for the Company on January 1, 2020, and must be applied on a modified retrospective basis with early adoption permitted. The Company continues to evaluate the provisions of the guidance and currently does not expect the guidance to have a material impact on its results of operations, financial position, cash flows or disclosures.

**ASU 2017-04 - Simplifying the Test for Goodwill Impairment** In January 2017, the FASB issued guidance on simplifying the test for goodwill impairment by eliminating Step 2, which required an entity to measure the amount of impairment loss by comparing the implied fair value of reporting unit goodwill with the carrying amount of such goodwill. This guidance requires entities to perform a quantitative impairment test, previously Step 1, to identify both the existence of impairment and the amount of impairment loss by comparing the fair value of a reporting unit to its carrying amount. Entities will continue to have the option of performing a qualitative assessment to determine if the quantitative impairment test is necessary. The guidance also requires additional disclosures if an entity has one or more reporting units with zero or negative carrying amounts of net assets. The guidance will be effective for the Company on January 1, 2020, and must be applied on a prospective basis with early adoption permitted. The Company has evaluated the guidance and does not expect the guidance will have a material impact on its results of operations, financial position, cash flows or disclosures upon adoption. The Company is planning to early adopt the guidance with the preparation of its 2019 goodwill impairment test in the fourth quarter of 2019.

**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 modifies, among other things, the disclosures required for Level 3 fair value measurements, including the range and weighted average of significant unobservable inputs. The guidance removes, among other things, the disclosure requirement to disclose

transfers between Levels 1 and 2. The guidance will be effective for the Company on January 1, 2020, including interim periods, with early adoption permitted. Level 3 fair value measurement disclosures should be applied prospectively while all other amendments should be applied retrospectively. The Company is evaluating the effects the adoption of the new guidance will have on its disclosures.

**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 removes disclosures that are no longer considered cost beneficial, clarifies the specific requirements of disclosures and adds disclosure requirements identified as relevant. The guidance adds, 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 removes, 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 will be effective for the Company on January 1, 2021, and must be applied on a retrospective basis with early adoption permitted. The Company is evaluating the effects the adoption of the new guidance will have on its disclosures.

**Note 7 - Accumulated other comprehensive income (loss)**

The after-tax changes in the components of accumulated other comprehensive income (loss) were as follows:

Nine Months Ended September 30, 2019	Net Unrealized Gain (Loss) on Derivative Instruments Qualifying as Hedges	Postretirement 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 before reclassifications	—	—	39	39
Amounts reclassified from accumulated other comprehensive loss	397	310	28	735
Net current-period other comprehensive income	397	310	67	774
At March 31, 2019	\$ (1,764)	\$ (35,759)	\$ (45)	\$ (37,568)
Other comprehensive income before reclassifications	—	—	79	79
Amounts reclassified from accumulated other comprehensive loss	111	276	12	399
Net current-period other comprehensive income	111	276	91	478
At June 30, 2019	\$ (1,653)	\$ (35,483)	\$ 46	\$ (37,090)
Other comprehensive income before reclassifications	—	—	12	12
Amounts reclassified (to) from accumulated other comprehensive loss	112	292	(4)	400
Net current-period other comprehensive income	112	292	8	412
At September 30, 2019	\$ (1,541)	\$ (35,191)	\$ 54	\$ (36,678)

Nine Months Ended September 30, 2018	Net Unrealized Gain (Loss) on Derivative Instruments Qualifying as Hedges	Postretirement Liability Adjustment	Foreign Currency Translation Adjustment	Net Unrealized Gain (Loss) on Available-for-sale Investments	Total Accumulated Other Comprehensive Loss
(In thousands)					
At December 31, 2017	\$ (1,934)	\$ (35,163)	\$ (155)	\$ (82)	\$ (37,334)
Other comprehensive loss before reclassifications	—	—	(2)	(105)	(107)
Amounts reclassified from accumulated other comprehensive loss	92	418	—	30	540
Net current-period other comprehensive income (loss)	92	418	(2)	(75)	433
Reclassification adjustment of prior period tax effects related to TCJA included in accumulated other comprehensive loss	(389)	(7,520)	(33)	(17)	(7,959)
At March 31, 2018	\$ (2,231)	\$ (42,265)	\$ (190)	\$ (174)	\$ (44,860)
Other comprehensive loss before reclassifications	—	—	(59)	(43)	(102)
Amounts reclassified from accumulated other comprehensive loss	95	449	249	34	827
Net current-period other comprehensive income (loss)	95	449	190	(9)	725
At June 30, 2018	\$ (2,136)	\$ (41,816)	\$ —	\$ (183)	\$ (44,135)
Other comprehensive loss before reclassifications	—	—	—	(51)	(51)
Amounts reclassified from accumulated other comprehensive loss	92	442	—	33	567
Net current-period other comprehensive income (loss)	92	442	—	(18)	516
At September 30, 2018	\$ (2,044)	\$ (41,374)	\$ —	\$ (201)	\$ (43,619)

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 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,		Location on Consolidated Statements of Income
	2019	2018	2019	2018	
(In thousands)					
Reclassification adjustment for loss on derivative instruments included in net income	\$ (148)	\$ (147)	\$ (443)	\$ (443)	Interest expense
	36	55	(177)	164	Income taxes
	(112)	(92)	(620)	(279)	
Amortization of postretirement liability losses included in net periodic benefit cost	(387)	(584)	(1,162)	(1,751)	Other income
	95	142	284	442	Income taxes
	(292)	(442)	(878)	(1,309)	
Reclassification adjustment for foreign currency translation adjustment included in net income	—	—	—	(324)	Other income
	—	—	—	75	Income taxes
	—	—	—	(249)	
Reclassification adjustment on available-for-sale investments included in net income	5	(42)	(46)	(123)	Other income
	(1)	9	10	26	Income taxes
	4	(33)	(36)	(97)	
Total reclassifications	\$ (400)	\$ (567)	\$ (1,534)	\$ (1,934)	

### Note 8 - 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.

Three Months Ended September 30, 2019	Electric	Natural gas distribution	Pipeline and midstream	Construction materials and contracting	Construction services	Other	Total
(In thousands)							
Residential utility sales \$	30,376 \$	44,902 \$	— \$	— \$	— \$	— \$	75,278
Commercial utility sales	36,670	29,148	—	—	—	—	65,818
Industrial utility sales	9,348	4,307	—	—	—	—	13,655
Other utility sales	1,862	—	—	—	—	—	1,862
Natural gas transportation	—	11,410	25,229	—	—	—	36,639
Natural gas gathering	—	—	2,510	—	—	—	2,510
Natural gas storage	—	—	3,044	—	—	—	3,044
Contracting services	—	—	—	461,716	—	—	461,716
Construction materials	—	—	—	638,862	—	—	638,862
Intrasegment eliminations*	—	—	—	(231,078)	—	—	(231,078)
Inside specialty contracting	—	—	—	—	317,202	—	317,202
Outside specialty contracting	—	—	—	—	151,285	—	151,285
Other	9,380	2,708	5,534	—	45	2,884	20,551
Intersegment eliminations	—	—	(3,831)	(124)	(1,226)	(2,862)	(8,043)
Revenues from contracts with customers	87,636	92,475	32,486	869,376	467,306	22	1,549,301
Revenues out of scope	2,209	1,167	47	—	11,075	—	14,498
Total external operating revenues	\$ 89,845	\$ 93,642	\$ 32,533	\$ 869,376	\$ 478,381	\$ 22	\$ 1,563,799

\* Intrasegment revenues are presented 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.

Three Months Ended September 30, 2018	Electric	Natural gas distribution	Pipeline and midstream	Construction materials and contracting	Construction services	Other	Total
(In thousands)							
Residential utility sales	\$ 31,424	\$ 43,825	\$ —	\$ —	\$ —	\$ —	75,249
Commercial utility sales	36,259	28,174	—	—	—	—	64,433
Industrial utility sales	8,738	4,421	—	—	—	—	13,159
Other utility sales	2,056	—	—	—	—	—	2,056
Natural gas transportation	—	10,841	21,400	—	—	—	32,241
Natural gas gathering	—	—	2,320	—	—	—	2,320
Natural gas storage	—	—	2,795	—	—	—	2,795
Contracting services	—	—	—	409,006	—	—	409,006
Construction materials	—	—	—	538,962	—	—	538,962
Intrasegment eliminations*	—	—	—	(204,040)	—	—	(204,040)
Inside specialty contracting	—	—	—	—	217,474	—	217,474
Outside specialty contracting	—	—	—	—	100,988	—	100,988
Other	6,158	3,208	5,701	—	15	3,084	18,166
Intersegment eliminations	—	—	(3,187)	(165)	(782)	(3,037)	(7,171)
Revenues from contracts with customers	84,635	90,469	29,029	743,763	317,695	47	1,265,638
Revenues out of scope	1,445	1,779	42	—	11,883	—	15,149
Total external operating revenues	\$ 86,080	\$ 92,248	\$ 29,071	\$ 743,763	\$ 329,578	\$ 47	\$ 1,280,787

\* Intrasegment revenues are presented 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.

Nine Months Ended September 30, 2019	Electric	Natural gas distribution	Pipeline and midstream	Construction materials and contracting	Construction services	Other	Total
(In thousands)							
Residential utility sales	\$ 93,368	\$ 316,521	\$ —	\$ —	\$ —	\$ —	409,889
Commercial utility sales	105,572	192,191	—	—	—	—	297,763
Industrial utility sales	27,576	18,495	—	—	—	—	46,071
Other utility sales	5,540	—	—	—	—	—	5,540
Natural gas transportation	—	33,686	75,091	—	—	—	108,777
Natural gas gathering	—	—	7,027	—	—	—	7,027
Natural gas storage	—	—	8,313	—	—	—	8,313
Contracting services	—	—	—	841,881	—	—	841,881
Construction materials	—	—	—	1,262,938	—	—	1,262,938
Intrasegment eliminations*	—	—	—	(412,144)	—	—	(412,144)
Inside specialty contracting	—	—	—	—	936,008	—	936,008
Outside specialty contracting	—	—	—	—	391,971	—	391,971
Other	26,918	9,544	14,523	—	70	13,631	64,686
Intersegment eliminations	—	—	(35,298)	(388)	(2,076)	(13,566)	(51,328)
Revenues from contracts with customers	258,974	570,437	69,656	1,692,287	1,325,973	65	3,917,392
Revenues out of scope	4,449	(781)	171	—	37,332	—	41,171
Total external operating revenues	\$ 263,423	\$ 569,656	\$ 69,827	\$ 1,692,287	\$ 1,363,305	\$ 65	\$ 3,958,563

\* Intrasegment revenues are presented 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.

Nine Months Ended September 30, 2018	Electric	Natural gas distribution	Pipeline and midstream	Construction materials and contracting	Construction services	Other	Total
(In thousands)							
Residential utility sales \$	93,359 \$	305,399 \$	— \$	— \$	— \$	— \$	398,758
Commercial utility sales	103,636	185,885	—	—	—	—	289,521
Industrial utility sales	25,734	17,457	—	—	—	—	43,191
Other utility sales	5,766	—	—	—	—	—	5,766
Natural gas transportation	—	32,104	64,505	—	—	—	96,609
Natural gas gathering	—	—	6,900	—	—	—	6,900
Natural gas storage	—	—	8,563	—	—	—	8,563
Contracting services	—	—	—	730,628	—	—	730,628
Construction materials	—	—	—	1,100,185	—	—	1,100,185
Intrasegment eliminations*	—	—	—	(363,877)	—	—	(363,877)
Inside specialty contracting	—	—	—	—	667,664	—	667,664
Outside specialty contracting	—	—	—	—	283,432	—	283,432
Other	22,836	10,821	13,353	—	32	8,536	55,578
Intersegment eliminations	—	—	(31,485)	(501)	(1,332)	(8,343)	(41,661)
Revenues from contracts with customers	251,331	551,666	61,836	1,466,435	949,796	193	3,281,257
Revenues out of scope	653	2,786	129	—	36,853	—	40,421
Total external operating revenues \$	251,984 \$	554,452 \$	61,965 \$	1,466,435 \$	986,649 \$	193 \$	3,321,678

\* Intrasegment revenues are presented 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:

	September 30, 2019	December 31, 2018	Change	Location on Consolidated Balance Sheets
(In thousands)				
Contract assets	\$ 163,437	\$ 104,239	\$ 59,198	Receivables, net
Contract liabilities - current	(120,207)	(93,901)	(26,306)	Accounts payable
Contract liabilities - noncurrent	(25)	(135)	110	Deferred credits and other liabilities - other
Net contract assets	\$ 43,205	\$ 10,203	\$ 33,002	

The Company recognized \$7.5 million and \$86.5 million in revenue for the three and nine months ended September 30, 2019, respectively, which was previously included in contract liabilities at December 31, 2018. The Company recognized \$10.3 million and \$79.2 million in revenue for the three and nine months ended September 30, 2018, respectively, which was previously included in contract liabilities at December 31, 2017.

The Company recognized a net increase in revenues of \$21.8 million and \$40.3 million for the three and nine months ended September 30, 2019, respectively, from performance obligations satisfied in prior periods. The Company recognized a net decrease in revenues of \$8.7 million and \$3.7 million for the three and nine months ended September 30, 2018, respectively, from performance obligations satisfied in prior periods.

### Remaining performance obligations

The remaining performance obligations at the construction materials and contracting and construction services segments include unrecognized revenues the Company reasonably expects to be realized which includes 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

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collection. Excluded from remaining performance obligations are potential orders under master service agreements. The remaining performance obligations at the pipeline and midstream segment include firm transportation and storage contracts with fixed pricing and fixed volumes.

At September 30, 2019, 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; \$255.0 million within the next 13 to 24 months; and \$249.6 million thereafter.

The majority of the Company's construction contracts have an original duration of less than two years. The Company's firm transportation and firm storage contracts have weighted average remaining durations of approximately five and three years, respectively.

#### **Note 9 - Business combinations**

During 2019, the Company completed two acquisitions which were accounted for as business combinations. The following is a listing of the acquisitions made during 2019:

- In March 2019, the Company acquired Viesko Redi-Mix, Inc., a provider of ready-mixed concrete in Oregon. The results of Viesko Redi-Mix, Inc. are included in the construction materials and contracting segment.
- In September 2019, the Company purchased the assets of Pride Electric, Inc., an electrical construction company in Washington. The results of Pride Electric, Inc. are included in the construction services segment.

All business combinations were accounted for in accordance with ASC 805 - *Business Combinations*. The results of the acquired businesses 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 these business combinations were not material to the Company's financial position or results of operations.

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 2019 and 2018 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 one year 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.

As of September 30, 2019, the gross aggregate consideration for acquisitions that occurred in 2019 was \$54.5 million, subject to certain adjustments, and includes \$1.2 million of debt assumed. The acquisitions are 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 Sheet for these adjustments are considered provisional until final settlement has occurred. The purchase price adjustments for Viesko Redi-Mix, Inc., have been settled and the purchase price allocation is considered final.

During the third quarter of 2019, the Company finalized its valuation of the assets acquired and liabilities assumed in conjunction with the acquisition in 2018 of Sweetman Construction Company. As a result, measurement period adjustments were made to the previously disclosed provisional fair values. These adjustments did not have a material impact on the Company's consolidated results of operations. The purchase price adjustments for the three additional acquisitions in 2018 have been settled with no material adjustments made to the provisional accounting. The aggregate total consideration for the 2018 acquisitions and the final amounts allocated to the assets acquired and liabilities assumed were as follows:

	December 31, 2018	Measurement Period Adjustments	September 30, 2019
(In thousands)			
<b>Assets</b>			
<b>Current assets:</b>			
Receivables, net	\$ 18,984	\$ —	\$ 18,984
Inventories	10,329	(228)	10,101
Prepayments and other current assets	515	(14)	501
<b>Total current assets</b>	<b>29,828</b>	<b>(242)</b>	<b>29,586</b>
Property, plant and equipment	131,766	6,669	138,435
<b>Deferred charges and other assets:</b>			
Goodwill	33,131	(6,669)	26,462
Other Intangible assets, net	8,227	—	8,227
Other	927	—	927
<b>Total deferred charges and other assets</b>	<b>42,285</b>	<b>(6,669)</b>	<b>35,616</b>
<b>Total assets acquired</b>	<b>\$ 203,879</b>	<b>\$ (242)</b>	<b>\$ 203,637</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Asset retirement obligation	\$ 11,122	\$ (242)	\$ 10,880
<b>Deferred credits and other liabilities:</b>			
Asset retirement obligation	914	—	914
Deferred income taxes	5,565	—	5,565
<b>Total deferred credits and other liabilities</b>	<b>6,479</b>	<b>—</b>	<b>6,479</b>
<b>Total liabilities assumed</b>	<b>\$ 17,601</b>	<b>\$ (242)</b>	<b>\$ 17,359</b>
<b>Total consideration (fair value)</b>	<b>\$ 186,278</b>	<b>\$ —</b>	<b>\$ 186,278</b>

#### **Note 10 - Discontinued operations**

The assets and liabilities of the Company's discontinued operations have been classified as held for sale and the results of operations are shown in income (loss) from discontinued operations, other than certain general and administrative costs and interest expense which do not meet the criteria for income (loss) from discontinued operations. At the time the assets were classified as held for sale, depreciation, depletion and amortization expense was no longer recorded.

**Dakota Prairie Refining** On June 24, 2016, WBI Energy entered into a membership interest purchase agreement with Tesoro to sell all the outstanding membership interests in Dakota Prairie Refining to Tesoro. WBI Energy and Calumet each previously owned 50 percent of the Dakota Prairie Refining membership interests and were equal members in building and operating Dakota Prairie Refinery. To effectuate the sale, WBI Energy acquired Calumet's 50 percent membership interest in Dakota Prairie Refining on June 27, 2016. The sale of the membership interests to Tesoro closed on June 27, 2016. The sale of Dakota Prairie Refining reduced the Company's risk by decreasing exposure to commodity prices.

**Fidelity** In the second quarter of 2015, the Company began the marketing and sale process of Fidelity with an anticipated sale to occur within one year. Between September 2015 and March 2016, the Company entered into purchase and sale agreements to sell substantially all of Fidelity's oil and natural gas assets. The completion of these sales occurred between October 2015 and April 2016. In July 2018, the Company completed the sale of a majority of the remaining property, plant and equipment. The sale of Fidelity was part of the Company's strategic plan to grow its capital investments in the remaining business segments and to focus on creating a greater long-term value.

**Dakota Prairie Refining and Fidelity** The carrying amounts of the major classes of assets and liabilities classified as held for sale on the Consolidated Balance Sheets were as follows:

	September 30, 2019	September 30, 2018	December 31, 2018
(In thousands)			
<b>Assets</b>			
<b>Current assets:</b>			
Receivables, net	\$ 426	\$ 571	\$ 430
Income taxes receivable (a)	—	1,640	—
<b>Total current assets held for sale</b>	<b>426</b>	<b>2,211</b>	<b>430</b>
<b>Noncurrent assets:</b>			
Deferred income taxes	1,926	1,711	1,926
Other	161	161	161
<b>Total noncurrent assets held for sale</b>	<b>2,087</b>	<b>1,872</b>	<b>2,087</b>
<b>Total assets held for sale</b>	<b>\$ 2,513</b>	<b>\$ 4,083</b>	<b>\$ 2,517</b>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ —	\$ 188	\$ 80
Taxes payable	1,300	7,463	1,451
Other accrued liabilities	2,093	1,948	2,470
<b>Total current liabilities held for sale</b>	<b>3,393</b>	<b>9,599</b>	<b>4,001</b>
<b>Noncurrent liabilities:</b>			
Deferred income taxes (b)	—	37	—
<b>Total noncurrent liabilities held for sale</b>	<b>—</b>	<b>37</b>	<b>—</b>
<b>Total liabilities held for sale</b>	<b>\$ 3,393</b>	<b>\$ 9,636</b>	<b>\$ 4,001</b>

(a) On the Company's Consolidated Balance Sheets, these amounts were reclassified to taxes payable and are reflected in current liabilities held for sale.

(b) On the Company's Consolidated Balance Sheets, these amounts were reclassified to deferred charges and other assets - deferred income taxes and are reflected in noncurrent assets held for sale.

The reconciliation of the major classes of income and expense constituting pretax income (loss) from discontinued operations to the after-tax income (loss) from discontinued operations on the Consolidated Statements of Income was as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
(In thousands)				
Operating revenues	\$ 230	\$ 61	\$ 298	\$ 201
Operating expenses	(1,760)	216	264	825
Operating income (loss)	1,990	(155)	34	(624)
Other income	—	—	—	12
Interest expense	—	—	—	575
Income (loss) from discontinued operations before income taxes	1,990	(155)	34	(1,187)
Income taxes	481	(37)	8	(1,272)
<b>Income (loss) from discontinued operations</b>	<b>\$ 1,509</b>	<b>\$ (118)</b>	<b>\$ 26</b>	<b>\$ 85</b>

### Note 11 - 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. For more information on the adoption of ASC 842, see Note 6.

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 balance sheet as right-of-use assets, current lease liabilities and, if applicable, noncurrent lease liabilities. 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 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.

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 Company has elected to recognize 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 not recognize a corresponding right-of-use asset or lease liability. Lease costs are included in operation and maintenance expense on the Company's Consolidated Statements of Income. 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.

The following tables provide information on the Company's operating leases:

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
(In thousands)		
<b>Lease costs:</b>		
Operating lease cost	\$ 10,536	\$ 32,444
Variable lease cost	381	1,180
Short-term lease cost	28,270	85,982
<b>Total lease costs</b>	<b>\$ 39,187</b>	<b>\$ 119,606</b>

September 30, 2019	
(Dollars in thousands)	
Weighted average remaining lease term	2.98 years
Weighted average discount rate	4.63%
Cash paid for amounts included in the measurement of lease liabilities	\$ 32,261

The reconciliation of the future undiscounted cash flows to the operating lease liabilities presented on the Company's Consolidated Balance Sheet at September 30, 2019, was as follows:

(In thousands)	
Remainder of 2019	\$ 10,619
2020	32,605
2021	23,488
2022	15,838
2023	9,913
Thereafter	54,765
<b>Total</b>	<b>147,228</b>
<b>Less discount</b>	<b>28,478</b>
<b>Total operating lease liabilities</b>	<b>\$ 118,750</b>

As previously disclosed in the 2018 Annual Report, the undiscounted annual minimum lease payments due under the Company's leases following the previous lease accounting standard as of December 31, 2018, were as follows:

	2019	2020	2021	2022	2023	Thereafter
	(In thousands)					
Operating leases	\$ 37,740	\$ 26,255	\$ 17,868	\$ 11,647	\$ 7,278	\$ 49,098

**Lessor accounting**

The Company leases certain equipment to third parties which are considered operating leases. The Company recognized revenue from operating leases of \$11.2 million and \$37.7 million for the three and nine months ended September 30, 2019, respectively.

The majority of the Company's operating leases are short-term leases of less than 12 months. At September 30, 2019, the Company had \$10.0 million of lease receivables with a majority due within 12 months.

**Note 12 - Goodwill and other intangible assets**

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

Nine Months Ended September 30, 2019	Balance at January 1, 2019	Goodwill Acquired During the Year	Measurement Period Adjustments	Balance at September 30, 2019
	(In thousands)			
Natural gas distribution	\$ 345,736	\$ —	\$ —	\$ 345,736
Construction materials and contracting	209,421	14,473	(6,669)	217,225
Construction services	109,765	8,623	—	118,388
Total	\$ 664,922	\$ 23,096	\$ (6,669)	\$ 681,349

Nine Months Ended September 30, 2018	Balance at January 1, 2018	Goodwill Acquired During the Year	Measurement Period Adjustments	Balance at September 30, 2018
	(In thousands)			
Natural gas distribution	\$ 345,736	\$ —	\$ —	\$ 345,736
Construction materials and contracting	176,290	8,412	—	184,702
Construction services	109,765	—	—	109,765
Total	\$ 631,791	\$ 8,412	\$ —	\$ 640,203

Year Ended December 31, 2018	Balance at January 1, 2018	Goodwill Acquired During the Year	Measurement Period Adjustments	Balance at December 31, 2018
	(In thousands)			
Natural gas distribution	\$ 345,736	\$ —	\$ —	\$ 345,736
Construction materials and contracting	176,290	33,131	—	209,421
Construction services	109,765	—	—	109,765
Total	\$ 631,791	\$ 33,131	\$ —	\$ 664,922

During 2019 and 2018, the Company completed two and four business combinations, respectively, and the results of these acquisitions have been included in the Company's construction materials and contracting and construction services segments. These business combinations increased the construction materials and contracting segment's goodwill balance at September 30, 2019 and 2018, and December 31, 2018, and increased the construction services segment's goodwill balance at September 30, 2019, as noted in the previous tables. As a result of the business combinations, other intangible assets increased \$6.3 million at September 30, 2019, compared to December 31, 2018. For more information related to these business combinations, see Note 9.

Other amortizable intangible assets were as follows:

	September 30, 2019	September 30, 2018	December 31, 2018
(In thousands)			
Customer relationships	\$ 18,011	\$ 15,920	\$ 22,720
Less accumulated amortization	5,823	13,342	13,535
	12,188	2,578	9,185
Noncompete agreements	3,419	2,606	2,605
Less accumulated amortization	1,868	1,911	1,956
	1,551	695	649
Other	7,488	6,458	6,458
Less accumulated amortization	5,716	5,413	5,477
	1,772	1,045	981
Total	\$ 15,511	\$ 4,318	\$ 10,815

Amortization expense for amortizable intangible assets for the three and nine months ended September 30, 2019, was \$500,000 and \$1.6 million, respectively. Amortization expense for amortizable intangible assets for the three and nine months ended September 30, 2018, was \$300,000 and \$900,000, respectively. Estimated amortization expense for identifiable intangible assets as of September 30, 2019, was:

	Remainder of 2019	2020	2021	2022	2023	Thereafter
(In thousands)						
Amortization expense	\$ 931	\$ 3,077	\$ 2,042	\$ 1,996	\$ 1,957	\$ 5,508

**Note 13 - Regulatory assets and liabilities**

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

	Estimated Recovery Period *	September 30, 2019	December 31, 2018
(In thousands)			
Regulatory assets:			
Pension and postretirement benefits (a)	(e)	\$ 165,843	\$ 165,898
Natural gas costs recoverable through rate adjustments (a) (b)	Up to 3 years	93,001	42,652
Asset retirement obligations (a)	Over plant lives	64,771	60,097
Cost recovery mechanisms (a) (b)	Up to 4 years	20,912	17,948
Manufactured gas plant site remediation (a)	-	15,739	17,068
Taxes recoverable from customers (a)	Over plant lives	11,600	11,946
Plants to be retired (a)	-	26,152	—
Conservation programs (b)	Up to 1 year	9,467	7,494
Long-term debt refinancing costs (a)	Up to 19 years	4,439	4,898
Costs related to identifying generation development (a)	Up to 8 years	2,166	2,508
Other (a) (b)	Up to 20 years	17,501	9,608
<b>Total regulatory assets</b>		<b>\$ 431,591</b>	<b>\$ 340,117</b>
Regulatory liabilities:			
Taxes refundable to customers (c) (d)		\$ 258,012	\$ 277,833
Plant removal and decommissioning costs (c) (d)		176,016	173,143
Natural gas costs refundable through rate adjustments (d)		19,194	29,995
Pension and postretirement benefits (c)		12,942	15,264
Other (c) (d)		24,153	25,197
<b>Total regulatory liabilities</b>		<b>\$ 490,317</b>	<b>\$ 521,432</b>
<b>Net regulatory position</b>		<b>\$ (58,726)</b>	<b>\$ (181,315)</b>

\* Estimated recovery period for regulatory assets currently being recovered in rates charged to customers.

(a) Included in deferred charges and other assets - other on the Consolidated Balance Sheets.

(b) Included in prepayments and other current assets on the Consolidated Balance Sheets.

(c) Included in deferred credits and other liabilities - other on the Consolidated Balance Sheets.

(d) Included in other accrued liabilities on the Consolidated Balance Sheets.

(e) Recovered as expense is incurred or cash contributions are made.

The regulatory assets are expected to be recovered in rates charged to customers. A portion of the Company's regulatory assets are not earning a return; however, these regulatory assets are expected to be recovered from customers in future rates. As of September 30, 2019 and December 31, 2018, approximately \$278.2 million and \$313.5 million, respectively, of regulatory assets were not earning a rate of return.

During the first quarter of 2019 and the fourth quarter of 2018, the Company experienced increased natural gas costs in certain jurisdictions where it supplies natural gas. The Company has recorded these natural gas costs as regulatory assets as they are expected to be recovered from customers, as discussed in Note 19.

In February 2019, the Company announced that it intends to retire three aging coal-fired electric generation units within the next three years. 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.

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 14 - 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 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 \$84.2 million, \$80.4 million and \$73.8 million, at September 30, 2019 and 2018, and December 31, 2018, respectively, are classified as investments on the Consolidated Balance Sheets. The net unrealized gains on these investments were \$1.1 million and \$10.4 million for the three and nine months ended September 30, 2019, respectively. The net unrealized gains on these investments were \$2.1 million and \$3.0 million for the three and nine months ended September 30, 2018, respectively. 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. The available-for-sale securities 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 loss. Details of available-for-sale securities were as follows:

September 30, 2019	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In thousands)				
Mortgage-backed securities	\$ 9,577	\$ 86	\$ 16	\$ 9,647
U.S. Treasury securities	1,258	—	1	1,257
<b>Total</b>	<b>\$ 10,835</b>	<b>\$ 86</b>	<b>\$ 17</b>	<b>\$ 10,904</b>

September 30, 2018	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In thousands)				
Mortgage-backed securities	\$ 10,550	\$ 3	\$ 251	\$ 10,302
U.S. Treasury securities	179	—	—	179
<b>Total</b>	<b>\$ 10,729</b>	<b>\$ 3</b>	<b>\$ 251</b>	<b>\$ 10,481</b>

December 31, 2018	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In thousands)				
Mortgage-backed securities	\$ 10,473	\$ 21	\$ 162	\$ 10,332
U.S. Treasury securities	179	—	—	179
<b>Total</b>	<b>\$ 10,652</b>	<b>\$ 21</b>	<b>\$ 162</b>	<b>\$ 10,511</b>

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 Level 2 money market funds are valued at the net asset value of shares held at the end of the quarter, 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 Level 2 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 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. For the nine months ended September 30, 2019 and 2018, there were no transfers between Levels 1 and 2.

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

	Fair Value Measurements at September 30, 2019, Using			Balance at September 30, 2019
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
(In thousands)				
Assets:				
Money market funds	\$ —	\$ 7,472	\$ —	\$ 7,472
Insurance contract*	—	84,222	—	84,222
Available-for-sale securities:				
Mortgage-backed securities	—	9,647	—	9,647
U.S. Treasury securities	—	1,257	—	1,257
Total assets measured at fair value	\$ —	\$ 102,598	\$ —	\$ 102,598

\* The insurance contract invests approximately 53 percent in fixed-income investments, 21 percent in common stock of large-cap companies, 11 percent in common stock of mid-cap companies, 10 percent in common stock of small-cap companies, 3 percent in target date investments and 2 percent in cash equivalents.

	Fair Value Measurements at September 30, 2018, Using			Balance at September 30, 2018
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
(In thousands)				
Assets:				
Money market funds	\$ —	\$ 9,948	\$ —	\$ 9,948
Insurance contract*	—	80,358	—	80,358
Available-for-sale securities:				
Mortgage-backed securities	—	10,302	—	10,302
U.S. Treasury securities	—	179	—	179
Total assets measured at fair value	\$ —	\$ 100,787	\$ —	\$ 100,787

\* The insurance contract invests approximately 47 percent in fixed-income investments, 24 percent in common stock of large-cap companies, 13 percent in common stock of mid-cap companies, 12 percent in common stock of small-cap companies, 3 percent in target date investments and 1 percent in cash equivalents.

	Fair Value Measurements at December 31, 2018, Using			Balance at December 31, 2018
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
(In thousands)				
Assets:				
Money market funds	\$ —	\$ 10,799	\$ —	\$ 10,799
Insurance contract*	—	73,838	—	73,838
Available-for-sale securities:				
Mortgage-backed securities	—	10,332	—	10,332
U.S. Treasury securities	—	179	—	179
Total assets measured at fair value	\$ —	\$ 95,148	\$ —	\$ 95,148

\* The insurance contract invests approximately 53 percent in fixed-income investments, 21 percent in common stock of large-cap companies, 11 percent in common stock of mid-cap companies, 10 percent in common stock of small-cap companies, 3 percent in target date investments and 2 percent in cash equivalents.

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 Company's Consolidated Balance Sheet, as well as within other income on the Consolidated Statements of Income.

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 long-term debt was as follows:

	Carrying Amount	Fair Value
	(In thousands)	
Long-term debt at September 30, 2019	\$ 2,246,756	\$ 2,450,209
Long-term debt at September 30, 2018	\$ 1,915,470	\$ 1,987,360
Long-term debt at December 31, 2018	\$ 2,108,695	\$ 2,183,819

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

#### **Note 15 - Debt**

Certain debt instruments of the Company's subsidiaries contain restrictive covenants and cross-default provisions. In order to borrow under the respective debt instruments, 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 September 30, 2019. In the event the Company's subsidiaries do not comply with the applicable covenants and other conditions, alternative sources of funding may need to be pursued.

Montana-Dakota's and Centennial's 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 respective 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 the construction businesses.

#### **Short-term debt**

The following describes certain transactions during the three and nine months ended September 30, 2019, included in outstanding short-term debt:

- On March 22, 2019, Cascade entered into a \$40.0 million term loan agreement with a variable interest rate and a maturity date of December 31, 2019.
- On April 12, 2019, Centennial entered into a \$50.0 million term loan agreement with a variable interest rate and a maturity date of April 11, 2020.
- On August 7, 2019, Centennial entered into a \$50.0 million term loan agreement with a variable interest rate and a maturity date of January 31, 2020.

#### **Long-term debt**

The following describes certain transactions during the three and nine months ended September 30, 2019, included in outstanding long-term debt:

- On April 4, 2019, Centennial issued \$150.0 million of senior notes with maturity dates ranging from April 4, 2029 to April 4, 2034, at a weighted average interest rate of 4.60 percent.
- On June 7, 2019, Cascade amended its revolving credit agreement to increase the borrowing limit from \$75.0 million to \$100.0 million and extend the termination date from April 24, 2020 to June 7, 2024.
- On June 7, 2019, Intermountain amended its revolving credit agreement to extend the termination date from April 24, 2020 to June 7, 2024.
- On June 13, 2019, Cascade issued \$75.0 million of senior notes with maturity dates ranging from June 13, 2029 to June 13, 2049, at a weighted average interest rate of 3.93 percent.
- On June 13, 2019, Intermountain issued \$50.0 million of senior notes with maturity dates ranging from June 13, 2029 to June 13, 2049, at a weighted average interest rate of 3.92 percent.

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

	Weighted Average Interest Rate at September 30, 2019	September 30, 2019	December 31, 2018
(In thousands)			
Senior notes due on dates ranging from December 15, 2019 to January 15, 2055	4.52%	\$ 1,655,000	\$ 1,381,000
Commercial paper supported by revolving credit agreements	2.46%	281,800	338,100
Term loan agreements due on dates ranging from September 3, 2032 to November 18, 2059	2.75%	209,100	209,800
Credit agreements due on June 7, 2024	4.66%	31,000	110,100
Medium-term notes due on dates ranging from September 1, 2020 to March 16, 2029	6.68%	50,000	50,000
Other notes due on dates ranging from July 15, 2021 to November 30, 2038	5.01%	26,083	25,229
Less unamortized debt issuance costs		6,074	5,207
Less discount		153	327
<b>Total long-term debt</b>		<b>2,246,756</b>	<b>2,108,695</b>
Less current maturities		65,810	251,854
<b>Net long-term debt</b>		<b>\$ 2,180,946</b>	<b>\$ 1,856,841</b>

**Schedule of Debt Maturities** Long-term debt maturities, which excludes unamortized debt issuance costs and discount, as of September 30, 2019, were as follows:

	Remainder of 2019	2020	2021	2022	2023	Thereafter
(In thousands)						
Long-term debt maturities	\$ 50,110	\$ 15,902	\$ 204,522	\$ 147,402	\$ 155,502	\$ 1,679,545

**Note 16 - Cash flow information**

Cash expenditures for interest and income taxes were as follows:

	Nine Months Ended September 30,	
	2019	2018
(In thousands)		
Interest, net*	\$ 64,596	\$ 58,359
Income taxes paid, net**	\$ 1,816	\$ 8,887

\* AFUDC - borrowed was \$2.0 million and \$1.8 million for the nine months ended September 30, 2019 and 2018, respectively.

\*\* Income taxes paid, including discontinued operations, were \$2.0 million and \$5.1 million for the nine months ended September 30, 2019 and 2018, respectively.

Noncash investing and financing transactions were as follows:

	September 30, 2019	September 30, 2018	December 31, 2018
(In thousands)			
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 46,770	\$ —	\$ —
Property, plant and equipment additions in accounts payable	\$ 34,368	\$ 34,594	\$ 42,355
Debt assumed in connection with a business combination	\$ 1,163	\$ —	\$ —
Issuance of common stock in connection with a business combination	\$ —	\$ 17,993	\$ 18,186

**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 vast majority of 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 and midstream segment provides natural gas transportation, underground storage and gathering services through regulated and nonregulated pipeline systems primarily in the Rocky Mountain and northern Great Plains regions of the United States. This segment also provides cathodic protection and other energy-related services.

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 and Alaska and Hawaii.

The construction services segment provides inside and outside specialty contracting services. 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 that 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. For more information on discontinued operations, see Note 10.

The information below follows the same accounting policies as described in Note 1 of the Company's Notes to Consolidated Financial Statements in the 2018 Annual Report. Information on the Company's segments was as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
	(In thousands)			
<b>External operating revenues:</b>				
Regulated operations:				
Electric	\$ 89,845	\$ 86,080	\$ 263,423	\$ 251,984
Natural gas distribution	93,642	92,248	569,656	554,452
Pipeline and midstream	25,957	22,289	52,230	45,325
	209,444	200,617	885,309	851,761
Nonregulated operations:				
Pipeline and midstream	6,576	6,782	17,597	16,640
Construction materials and contracting	869,376	743,763	1,692,287	1,466,435
Construction services	478,381	329,578	1,363,305	986,649
Other	22	47	65	193
	1,354,355	1,080,170	3,073,254	2,469,917
<b>Total external operating revenues</b>	<b>\$ 1,563,799</b>	<b>\$ 1,280,787</b>	<b>\$ 3,958,563</b>	<b>\$ 3,321,678</b>

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
(In thousands)				
<b>Intersegment operating revenues:</b>				
Regulated operations:				
Electric	\$ —	\$ —	\$ —	\$ —
Natural gas distribution	—	—	—	—
Pipeline and midstream	3,750	3,070	35,098	31,252
	3,750	3,070	35,098	31,252
Nonregulated operations:				
Pipeline and midstream	81	117	200	233
Construction materials and contracting	124	165	388	501
Construction services	1,226	782	2,076	1,332
Other	2,862	3,037	13,566	8,343
	4,293	4,101	16,230	10,409
Intersegment eliminations	(8,043)	(7,171)	(51,328)	(41,661)
Total intersegment operating revenues	\$ —	\$ —	\$ —	\$ —
<b>Operating income (loss):</b>				
Electric	\$ 21,930	\$ 21,140	\$ 49,708	\$ 52,321
Natural gas distribution	(15,565)	(11,665)	32,132	32,503
Pipeline and midstream	11,416	9,036	32,017	25,687
Construction materials and contracting	143,024	109,598	147,622	120,591
Construction services	29,950	11,863	89,381	51,853
Other	(1,285)	32	140	417
Total operating income	\$ 189,470	\$ 140,004	\$ 351,000	\$ 283,372
<b>Net income (loss):</b>				
Regulated operations:				
Electric	\$ 16,291	\$ 15,284	\$ 39,267	\$ 37,500
Natural gas distribution	(15,625)	(11,887)	14,623	13,884
Pipeline and midstream	6,933	10,109	20,316	20,809
	7,599	13,506	74,206	72,193
Nonregulated operations:				
Pipeline and midstream	801	848	1,380	1,136
Construction materials and contracting	102,611	78,876	97,328	79,691
Construction services	21,113	9,278	63,982	38,457
Other	4,004	4,861	3,466	1,928
	128,529	93,863	166,156	121,212
Income from continuing operations	136,128	107,369	240,362	193,405
Income (loss) from discontinued operations, net of tax	1,509	(118)	26	85
Net income	\$ 137,637	\$ 107,251	\$ 240,388	\$ 193,490

**Note 18 - Employee benefit plans****Pension and other postretirement plans**

The Company has noncontributory qualified defined benefit pension plans and other postretirement benefit plans for certain eligible employees. Components of net periodic benefit cost (credit) for the Company's pension and other postretirement benefit plans were as follows:

Three Months Ended September 30,	Pension Benefits		Other Postretirement Benefits	
	2019	2018	2019	2018
	(In thousands)			
Components of net periodic benefit cost (credit):				
Service cost	\$ —	\$ —	\$ 286	\$ 374
Interest cost	3,806	3,648	746	725
Expected return on assets	(4,559)	(5,188)	(1,201)	(1,217)
Amortization of prior service credit	—	—	(289)	(349)
Amortization of net actuarial loss	1,387	1,751	27	160
Net periodic benefit cost (credit), including amount capitalized	634	211	(431)	(307)
Less amount capitalized	—	—	26	46
Net periodic benefit cost (credit)	\$ 634	\$ 211	\$ (457)	\$ (353)

Nine Months Ended September 30,	Pension Benefits		Other Postretirement Benefits	
	2019	2018	2019	2018
	(In thousands)			
Components of net periodic benefit cost (credit):				
Service cost	\$ —	\$ —	\$ 857	\$ 1,121
Interest cost	11,419	10,943	2,239	2,175
Expected return on assets	(13,677)	(15,565)	(3,603)	(3,650)
Amortization of prior service credit	—	—	(866)	(1,046)
Amortization of net actuarial loss	4,160	5,254	82	480
Net periodic benefit cost (credit), including amount capitalized	1,902	632	(1,291)	(920)
Less amount capitalized	—	—	84	128
Net periodic benefit cost (credit)	\$ 1,902	\$ 632	\$ (1,375)	\$ (1,048)

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. The service cost component is included in operation and maintenance expense on the Consolidated Statements of Income.

**Nonqualified defined 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. The Company's net periodic benefit cost for these plans for the three and nine months ended September 30, 2019, was \$1.1 million and \$3.3 million, respectively. The Company's net periodic benefit cost for these plans for the three and nine months ended September 30, 2018, was \$1.1 million and \$3.3 million, respectively. The components of net periodic benefit cost for these plans, which does not contain any service costs, are included in other income on the Consolidated Statements of Income.

**Note 19 - 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. The Company's most recent cases by jurisdiction are discussed in the following paragraphs.

**MNPUC**

On April 18, 2019, the MNPUC approved a decrease in rates for Great Plains of \$400,000 on an annual basis to reflect TCJA impacts effective May 1, 2019, as well as a one-time TCJA refund of approximately \$600,000 for the period from January 1, 2018 through April 30, 2019. The refunds were credited to customers' bills between August 14, 2019 and September 16, 2019.

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. Great Plains also requested an interim increase of approximately \$2.6 million or approximately 11.0 percent, subject to refund. This matter is pending before the MNPUC.

**MTPSC**

On July 31, 2019, the MTPSC approved an electric rate increase that was primarily to recover Montana-Dakota's investments in facilities to enhance safety and reliability and the depreciation and taxes associated with such investments, partially offset by the impacts of TCJA. The approved rates included a \$9.0 million annual increase implemented on September 1, 2019, and an additional \$300,000 annual increase to be implemented beginning 12 months after the date of approval.

**NDPSC**

On October 22, 2019, the NDPSC approved an increase in rates to recover approximately \$1.5 million annually for the revenue requirements on certain of Montana-Dakota's electric transmission projects through its transmission cost adjustment rate. The rates were effective October 28, 2019.

On August 28, 2019, Montana-Dakota filed an application with the NDPSC for an advanced determination of prudence and a certificate of public convenience and necessity to construct, own and operate Heskett Unit 4, an 88-MW simple-cycle natural gas-fired combustion turbine peaking unit at Heskett Station near Mandan, North Dakota. This matter is pending before the NDPSC.

On September 16, 2019, Montana-Dakota submitted an application with the NDPSC requesting the use of deferred accounting for the treatment of costs related to the retirement of Lewis & Clark Station in Sidney, Montana, and units 1 and 2 at Heskett Station near Mandan, North Dakota. This matter is pending before the NDPSC.

**OPUC**

On December 29, 2017, Cascade filed a request with the OPUC to use deferred accounting for the 2018 net benefits associated with the implementation of the TCJA. On September 12, 2019, the OPUC approved the request, including a settlement to refund to customers \$1.4 million related to TCJA impacts for the period from January 2018 through March 2019. These refunds will be reflected in customers' rates over a 12-month period beginning November 1, 2019.

On June 14, 2019, Cascade filed a request with the OPUC to implement a new pipeline safety cost recovery mechanism to recover investments to replace Cascade's highest risk infrastructure. If approved, Cascade would file a report annually with the OPUC detailing actual projects undertaken and costs incurred for the year on November 1, seeking recovery for investments from January 1 through December 31 of that same year. This matter is pending before the OPUC.

**WUTC**

On March 29, 2019, Cascade filed a general rate case with the WUTC requesting an increase in annual revenue of \$12.7 million or approximately 5.5 percent. On September 20, 2019, Cascade filed a joint settlement agreement with the WUTC reflecting a revised annual increase of \$6.5 million or approximately 2.8 percent. A hearing on the settlement is scheduled for November 5, 2019. This matter is pending before the WUTC.

On May 31, 2019, Cascade filed its annual pipeline cost recovery mechanism requesting an increase in revenue of approximately \$1.6 million or approximately 0.7 percent. On October 10, 2019, Cascade filed its final update to the cost recovery mechanism with a revised increase in revenue of approximately \$440,000 or approximately 0.2 percent. On October 24, 2019, the WUTC approved the increase with rates effective for services provided on or after November 1, 2019.

On September 13, 2019, Cascade filed its annual purchased gas adjustment with the WUTC requesting an annual increase of approximately \$12.8 million or approximately 5.7 percent for a period of three years. The requested increase is primarily due to unrecovered purchased gas costs as a result of the rupture of the Enbridge pipeline in Canada on October 9, 2018, causing increased natural gas costs. On October 24, 2019, the WUTC approved the increase with rates effective for services provided on or after November 1, 2019.

**WYPSC**

On April 4, 2019, Montana-Dakota submitted compliance rates to the WYPSC reflecting a decrease in annual revenues of approximately \$1.1 million or approximately 4.2 percent to reflect TCJA impacts. On April 8, 2019, the WYPSC approved the Company's requested decrease in electric rates and required a refund to customers for the period from January 1, 2018 through the date prior to the implementation of the rates within 90 days of the effective date of the new rates. The new rates were implemented for service rendered on and after May 1, 2019, and the refunds of approximately \$1.6 million were credited to customers' bills on July 25, 2019.

On March 30, 2018, Montana-Dakota reported its natural gas earnings do not support a decrease in rates and requested the WYPSC allow the impacts of the TCJA be addressed in a natural gas rate case to be submitted by June 1, 2019. On

September 12, 2019, the WYPSC approved a one-time refund of approximately \$200,000 to be credited to customers' bills by November 1, 2019, for the TCJA impacts from January 1, 2018 through June 30, 2019.

On May 23, 2019, Montana-Dakota filed an application with the WYPSC for a natural gas rate increase of approximately \$1.1 million annually or approximately 7.0 percent above current rates. The requested increase was to recover increased operating expenses and investments in distribution facilities to improve system safety and reliability. This matter is pending before the WYPSC.

#### **FERC**

In accordance with WBI Energy Transmission's offer of settlement and stipulation and agreement with the FERC dated June 4, 2014, the Company was to make a filing with new proposed rates to be effective no later than May 1, 2019. On October 31, 2018, the Company filed a rate case with the FERC. Following negotiations between FERC staff, customers and the Company, on May 30, 2019, the FERC granted the Company's request to place interim settlement rates into effect May 1, 2019, subject to refund or surcharge, and pending the FERC's consideration of the filing of a settlement agreement. Based on as filed volumes and settlement rates, the revenue increase is approximately \$4.5 million annually. Included in the revenue increase are the impacts from higher depreciation rates agreed to in the settlement, as well as the impacts of the TCJA. On June 28, 2019, the Company filed a final settlement agreement and related documents with the FERC. On September 30, 2019, the FERC approved the final settlement agreement and related documents.

On August 29, 2019, Montana-Dakota filed an update to its transmission formula rate under the MISO tariff for the multivalued project for \$13.4 million, which is effective January 1, 2020.

#### **Note 20 - 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 September 30, 2019 and 2018, and December 31, 2018, the Company accrued liabilities which have not been discounted, including liabilities held for sale, of \$30.6 million, \$30.4 million and \$30.4 million, respectively. 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 Willamette River site adjacent to a commercial property site acquired by Knife River - Northwest from Georgia-Pacific West, Inc. 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. Remediation is expected to take up to 13 years with a present value cost estimate 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 13.

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. 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 received notice from a prior insurance carrier that it will participate in payment of defense costs incurred in relation to the claim. Montana-Dakota has accrued \$375,000 for the remediation of this site.

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 confirms that contaminants have affected soil and groundwater at the site, as well as sediments in the adjacent Port Washington Narrows. Alternative remediation options have been identified with preliminary cost estimates ranging from \$340,000 to \$6.4 million. Data developed through the assessment and previous investigations indicates the contamination likely derived from multiple, different sources and multiple current and former owners of properties and businesses in the vicinity of the site may be responsible for the contamination. 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 has 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 \$3.8 million has been incurred. Cascade has accrued \$3.8 million for the remedial investigation and feasibility study, as well as \$6.4 million for remediation of this site; however, the accrual for remediation costs will be reviewed and adjusted, if necessary, after completion of the remedial investigation and 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, it converted the plant 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.

Cascade has received notices from and entered into agreement with certain of its insurance carriers that they will participate in defense of Cascade for certain of the 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, Cascade intends to seek recovery through the OPUC and WUTC of remediation costs in its natural gas rates charged to customers.

## 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 who were the sellers in three purchase and sale agreements for periods ranging up to 10 years from the date of sale. 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 September 30, 2019, the fixed maximum amounts guaranteed under these agreements aggregated \$206.5 million. At September 30, 2019, the amounts of scheduled expiration of the maximum amounts guaranteed under these agreements aggregate to \$2.0 million in 2019; \$192.2 million in 2020; \$700,000 in 2021; \$500,000 in 2022; \$500,000 in 2023; \$1.6 million thereafter; \$9.0 million, which has no scheduled maturity date; and no amounts were outstanding. 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 September 30, 2019, the fixed maximum amounts guaranteed under these letters of credit aggregated \$30.0 million. At September 30, 2019, the amounts of scheduled expiration of the maximum amounts guaranteed under these letters of credit aggregate to \$24.4 million in 2019 and \$5.6 million in 2020 with no amounts outstanding. 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 September 30, 2019.

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 September 30, 2019, approximately \$930.1 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 Company's 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 September 30, 2019, 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 \$36.6 million.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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 merger was conducted pursuant to Section 251(g) of the General Corporation Law of the State of Delaware, which provides for the formation of a holding company without a vote of the stockholders of the constituent corporation. Immediately after consummation of the Holding Company Reorganization, the Company had, on a consolidated basis, the same assets, businesses and operations as Montana-Dakota had immediately prior to the consummation of the Holding Company Reorganization. As a result of the Holding Company Reorganization, the Company

became the successor issuer to Montana-Dakota pursuant to Rule 12g-3(a) of the Exchange Act, and as a result, the Company's common stock was deemed registered under Section 12(b) of the Exchange Act.

The Company operates with a two-platform business model. Its regulated energy delivery platform and its construction materials and services platform are each comprised of different operating segments. Some 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 provides electric and natural gas services to customers; generates, transmits and distributes electricity; and provides natural gas transportation, storage and gathering 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 customers, including commercial, industrial and governmental industries, and provides construction materials through aggregate mining and marketing of related products, such as ready-mixed concrete and asphalt.

The Company is organized into five reportable business segments. These business segments include: electric, natural gas distribution, pipeline and midstream, 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's strategy is to apply its expertise in the regulated energy delivery and construction materials and services businesses to increase market share, increase profitability and enhance shareholder value through organic growth opportunities and strategic acquisitions. The Company is focused on a disciplined approach to the acquisition of well-managed companies and properties.

The Company has capabilities to fund its growth and operations through various sources, including internally generated funds, commercial paper facilities, revolving credit facilities, term loans and the issuance from time to time of debt and equity securities. For more information on the Company's capital expenditures and funding sources, see Liquidity and Capital Commitments.

## Consolidated Earnings Overview

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
(In millions, except per share amounts)				
Electric	\$ 16.3	\$ 15.3	\$ 39.3	\$ 37.5
Natural gas distribution	(15.6)	(11.9)	14.6	13.9
Pipeline and midstream	7.7	11.0	21.7	21.9
Construction materials and contracting	102.6	78.9	97.3	79.7
Construction services	21.1	9.3	64.0	38.5
Other	4.0	4.8	3.5	1.9
Income from continuing operations	136.1	107.4	240.4	193.4
Income (loss) from discontinued operations, net of tax	1.5	(.1)	—	.1
Net income	\$ 137.6	\$ 107.3	\$ 240.4	\$ 193.5
Earnings per share - basic:				
Income from continuing operations	\$ .68	\$ .55	\$ 1.21	\$ .99
Discontinued operations, net of tax	.01	—	—	—
Earnings per share - basic	\$ .69	\$ .55	\$ 1.21	\$ .99
Earnings per share - diluted:				
Income from continuing operations	\$ .68	\$ .55	\$ 1.21	\$ .99
Discontinued operations, net of tax	.01	—	—	—
Earnings per share - diluted	\$ .69	\$ .55	\$ 1.21	\$ .99

**Three Months Ended September 30, 2019, Compared to Three Months Ended September 30, 2018** The Company recognized consolidated earnings of \$137.6 million for the quarter ended September 30, 2019, compared to \$107.3 million for the same period in 2018.

Positively impacting the Company's earnings was an increase in gross margin at the construction materials and contracting business, largely resulting from strong economic environments in certain states, contributions from the businesses acquired since the third quarter of 2018 and an increase in gains recognized on asset sales. In addition, the construction services business experienced an increase in gross margin, primarily the result of higher inside and outside specialty contracting workloads and the

absence of changes to estimates recorded in the third quarter of 2018 for variable consideration previously recognized on certain construction contracts. Partially offsetting these increases were higher operating expenses at the natural gas business and the absence in 2019 of an income tax benefit for the reversal of a previously recorded regulatory liability at the pipeline and midstream business.

**Nine Months Ended September 30, 2019, Compared to Nine Months Ended September 30, 2018** The Company recognized consolidated earnings of \$240.4 million for the nine months ended September 30, 2019, compared to \$193.5 million for the same period in 2018.

Positively impacting the Company's earnings was an increase in gross margin at the construction services business, largely the result of higher inside and outside specialty contracting workloads and the absence of changes to estimates recorded in the third quarter of 2018 for variable consideration previously recognized on certain construction contracts. In addition, the construction materials and contracting business experienced an increase in gross margin, largely resulting from strong economic environments in certain states, contributions from the businesses acquired since the third quarter of 2018 and an increase in gains recognized on asset sales. Also contributing to the increased earnings was approved rate recovery at both the natural gas distribution and electric businesses, as well as higher retail sales volumes at the natural gas distribution business. The pipeline and midstream business had increased rates and volumes of natural gas being transported that was partially offset by the absence in 2019 of an income tax benefit for the reversal of a previously recorded regulatory liability.

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 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 Part I, Item 1A - Risk Factors in the 2018 Annual Report. 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 the Notes to Consolidated Financial Statements. For a summary of the Company's business segments, see Note 17 of the Notes to Consolidated Financial Statements.

### 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 Note 17. Both segments strive to be a top performing utility company measured by integrity, safety, employee satisfaction, customer service and shareholder return, while continuing to focus on providing safe, environmentally friendly, reliable and competitively priced energy and related services to customers. The Company continues to monitor 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 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, 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. To assist in the reduction of regulatory lag with the increase in investments, tracking mechanisms have been implemented in certain jurisdictions. The Pipeline and Hazardous Materials Safety Administration recently issued additional rules to strengthen the safety of natural gas transmission and hazardous liquid pipelines. The Company is currently evaluating the first phase of the rules. 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.

Tariff increases on steel and aluminum materials could negatively affect the segments' construction projects and maintenance work. The Company continues to monitor the impact of tariffs on raw material costs. The natural gas distribution segment is also facing increased lead times on delivery of certain raw materials used in pipeline projects. In addition to the effect of tariffs, 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. 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 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. 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 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.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
(Dollars in millions, where applicable)				
Operating revenues	\$ 89.8	\$ 86.1	\$ 263.4	\$ 252.0
Electric fuel and purchased power	18.7	18.4	64.4	58.9
Taxes, other than income	.1	.2	.4	.6
Adjusted gross margin	71.0	67.5	198.6	192.5
<b>Operating expenses:</b>				
Operation and maintenance	30.8	30.1	94.6	91.3
Depreciation, depletion and amortization	14.2	12.6	41.8	37.7
Taxes, other than income	4.1	3.7	12.5	11.2
Total operating expenses	49.1	46.4	148.9	140.2
Operating income	21.9	21.1	49.7	52.3
Other income	.6	.8	2.7	2.1
Interest expense	6.2	6.3	18.9	19.4
Income before income taxes	16.3	15.6	33.5	35.0
Income taxes	—	.3	(5.8)	(2.5)
Net income	\$ 16.3	\$ 15.3	\$ 39.3	\$ 37.5
<b>Retail sales (million kWh):</b>				
Residential	259.4	282.9	865.6	903.0
Commercial	359.5	374.3	1,102.4	1,131.7
Industrial	127.8	132.9	403.5	406.8
Other	20.9	24.5	64.9	70.5
	767.6	814.6	2,436.4	2,512.0
Average cost of electric fuel and purchased power per kWh	\$ .021	\$ .021	\$ .024	\$ .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.

**Three Months Ended September 30, 2019, Compared to Three Months Ended September 30, 2018** Electric earnings increased \$1.0 million (7 percent) as a result of:

*Adjusted gross margin:* Increase of \$3.5 million as a result of higher revenues. The revenue increase was primarily due to implemented regulatory mechanisms, which include approved Montana interim and final rates, as discussed in Note 19, and recovery of the investment in the Thunder Spirit Wind farm expansion placed into service in the fourth quarter of 2018. Also contributing to the increase was the absence in 2019 of a transmission formula rate adjustment 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 approximately 6 percent across all customer classes primarily from cooler summer temperatures.

*Operation and maintenance:* Increase of \$700,000, largely due to higher payroll-related costs, partially offset by decreased contracted services resulting from lower subcontractor costs.

*Depreciation, depletion and amortization:* Increase of \$1.6 million as a result of increased property, plant and equipment

balances including the Thunder Spirit Wind farm expansion, as previously discussed, and other capital projects.

*Taxes, other than income:* Increase of \$400,000, primarily from higher property taxes in certain jurisdictions.

*Other income:* Comparable to the same period in prior year.

*Interest expense:* Comparable to the same period in prior year.

*Income taxes:* Comparable to the same period in prior year.

**Nine Months Ended September 30, 2019, Compared to Nine Months Ended September 30, 2018** Electric earnings increased \$1.8 million (5 percent) as a result of:

*Adjusted gross margin:* Increase of \$6.1 million as a result of higher revenues. The revenue increase was primarily due to implemented regulatory mechanisms, which include approved Montana interim and final rates, as discussed in Note 19; recovery of the investment in the Thunder Spirit Wind farm expansion placed into service in the fourth quarter of 2018; 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 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 approximately 3 percent across all customer classes.

*Operation and maintenance:* Increase of \$3.3 million, largely due to higher contract services, primarily driven by a maintenance outage at Coyote Station, and higher payroll-related costs.

*Depreciation, depletion and amortization:* Increase of \$4.1 million as a result of increased property, plant and equipment balances including the Thunder Spirit Wind farm expansion, as previously discussed, and other capital projects.

*Taxes, other than income:* Increase of \$1.3 million, primarily from higher property taxes in certain jurisdictions.

*Other income:* Increase of \$600,000, primarily the result of higher returns on the Company's benefit plan investments, partially offset by the write-down of a non-utility investment, as discussed in Note 14.

*Interest expense:* Decrease of \$500,000 driven by higher AFUDC, which resulted from more interest being capitalized on regulated construction projects.

*Income taxes:* Increase in income tax benefits of \$3.3 million, largely resulting from increased production tax credits.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
(Dollars in millions, where applicable)				
Operating revenues	\$ 93.6	\$ 92.2	\$ 569.7	\$ 554.5
Purchased natural gas sold	35.6	35.2	305.6	301.6
Taxes, other than income	3.2	3.1	20.7	21.0
Adjusted gross margin	54.8	53.9	243.4	231.9
Operating expenses:				
Operation and maintenance	44.4	42.1	134.3	129.4
Depreciation, depletion and amortization	19.9	18.1	59.1	53.5
Taxes, other than income	6.1	5.4	17.9	16.5
Total operating expenses	70.4	65.6	211.3	199.4
Operating income (loss)	(15.6)	(11.7)	32.1	32.5
Other income	1.7	.7	5.3	2.0
Interest expense	8.9	7.7	26.1	22.6
Income (loss) before income taxes	(22.8)	(18.7)	11.3	11.9
Income taxes	(7.2)	(6.8)	(3.3)	(2.0)
Net income (loss)	\$ (15.6)	\$ (11.9)	\$ 14.6	\$ 13.9
Volumes (MMdk)				
Retail sales:				
Residential	4.1	4.0	44.3	40.4
Commercial	4.2	4.0	31.5	29.0
Industrial	.9	.8	3.6	3.2
	9.2	8.8	79.4	72.6
Transportation sales:				
Commercial	.3	.3	1.5	1.5
Industrial	45.7	42.0	117.9	108.1
	46.0	42.3	119.4	109.6
Total throughput	55.2	51.1	198.8	182.2
Average cost of natural gas per dk	\$ 3.88	\$ 4.00	\$ 3.85	\$ 4.16

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.

**Three Months Ended September 30, 2019, Compared to Three Months Ended September 30, 2018** Natural gas distribution's seasonal loss increased \$3.7 million (31 percent) as a result of:

*Adjusted gross margin:* Increase of \$900,000, primarily driven by approved rate recovery in certain jurisdictions. Increased retail sales volumes of 4 percent related to all customer classes were offset by weather normalization and conservation adjustments in certain jurisdictions.

*Operation and maintenance:* Increase of \$2.3 million, largely due to higher payroll-related costs.

*Depreciation, depletion and amortization:* Increase of \$1.8 million, primarily as a result of increased property, plant and equipment balances.

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

*Other income:* Increase of \$1.0 million driven by increased interest income related to higher gas costs to be collected from customers, as discussed in Notes 13 and 19.

*Interest expense:* Increase of \$1.2 million, largely resulting from increased debt balances to finance higher gas costs to be collected from customers.

*Income taxes:* Comparable to the same period in prior year.

**Nine Months Ended September 30, 2019, Compared to Nine Months Ended September 30, 2018** Natural gas distribution earnings increased \$700,000 (5 percent) as a result of:

*Adjusted gross margin:* Increase of \$11.5 million, primarily driven by an increase in retail sales volumes of 9 percent related to all customer classes due to colder weather, offset in part by weather normalization and conservation adjustments in certain jurisdictions, and approved rate recovery in certain jurisdictions. The adjusted gross margins were 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 \$4.9 million, largely resulting from higher payroll-related costs and conservation expenses being recovered in revenue, partially offset by lower contract services due to 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 of 2018.

*Depreciation, depletion and amortization:* Increase of \$5.6 million, primarily as a result of increased property, plant and equipment balances.

*Taxes, other than income:* Increase of \$1.4 million, primarily from higher property taxes in certain jurisdictions.

*Other income:* Increase of \$3.3 million, largely resulting from increased interest income related to higher gas costs to be collected from customers, as discussed in Notes 13 and 19, and higher returns on the Company's benefit plan investments. Partially offsetting these increases was the write-down of a non-utility investment, as discussed in Note 14.

*Interest expense:* Increase of \$3.5 million, largely resulting from increased debt balances to finance higher gas costs to be collected from customers.

*Income taxes:* Increase in income tax benefits of \$1.3 million resulting from increased permanent tax benefits.

**Outlook** 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. Customer growth is expected to grow by 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 generation and transmission and natural gas systems.

In February 2019, the Company announced that it intends to retire three aging coal-fired electric generation units within the next three years, 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 early 2021 for 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 a new 88-MW simple-cycle natural gas-fired combustion turbine peaking unit at the existing plant site near Mandan, North Dakota. The new simple-cycle turbine coupled with the MISO market purchases are expected to be about half the total cost of continuing to run the coal-fired electric generation units at Heskett and Lewis & Clark stations. The simple-cycle turbine was included in the Company's recently submitted integrated resource plan. On August 28, 2019, the Company filed for an advanced determination of prudence with the NDPSC for the new simple-cycle turbine. If approved, the simple-cycle turbine is expected to be placed into service in 2023. On September 16, 2019, the Company filed with the NDPSC a request for the usage of deferred accounting for the costs related to the retirement of Lewis & Clark Station and units 1 and 2 at Heskett Station. Requests for the usage of deferred accounting will also be filed in Montana and South Dakota.

The Company continues to be focused on the regulatory recovery of its investments. The Company files for rate adjustments to seek recovery of operating costs and capital investments, as well as reasonable returns as allowed by regulators. The Company also continues to propose pipeline safety cost recovery mechanisms in certain jurisdictions focusing on the safety of its infrastructure. The Company's most recent cases by jurisdiction are discussed in Note 19.

## **Pipeline and Midstream**

**Strategy and challenges** The pipeline and midstream segment provides natural gas transportation, gathering and underground storage services, as discussed in Note 17. 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 existing storage, gathering and transmission facilities; incremental pipeline projects; and expansion of energy-related services leveraging on its core competencies.

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.

Tariff increases on steel and aluminum materials could negatively affect the segment's construction projects and maintenance work. The Company continues to monitor the impact of tariffs on raw material costs. The segment 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 and midstream segment is subject to extensive regulation including certain operational, environmental and system integrity regulations, as well as various permit terms and operational compliance conditions. The Pipeline and Hazardous Materials Safety Administration recently issued additional rules to strengthen the safety of natural gas transmission and hazardous liquid pipelines. The Company is currently evaluating the first phase of the rules. The segment is charged with the ongoing process of reviewing existing permits and easements, as well as securing new permits and easements as necessary to meet current demand and future growth opportunities. Exposure to pipeline opposition groups could also cause negative impacts on the segment with increased costs and potential delays to project completion.

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 and midstream companies can also have a negative impact on the segment.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Operating revenues	\$ 36.4	\$ 32.3	\$ 105.1	\$ 93.5
Operating expenses:				
Operation and maintenance	16.1	15.9	47.5	45.5
Depreciation, depletion and amortization	5.6	4.3	15.6	13.1
Taxes, other than income	3.3	3.0	10.0	9.2
Total operating expenses	25.0	23.2	73.1	67.8
Operating income	11.4	9.1	32.0	25.7
Other income	.1	.8	.9	1.3
Interest expense	1.8	1.6	5.3	4.1
Income before income taxes	9.7	8.3	27.6	22.9
Income taxes	2.0	(2.7)	5.9	1.0
Net income	\$ 7.7	\$ 11.0	\$ 21.7	\$ 21.9
Transportation volumes (MMdk)	111.1	92.7	319.9	259.3
Natural gas gathering volumes (MMdk)	3.6	3.8	10.5	11.2
Customer natural gas storage balance (MMdk):				
Beginning of period	11.4	16.2	13.9	22.4
Net injection	12.8	7.1	10.3	.9
End of period	24.2	23.3	24.2	23.3

**Three Months Ended September 30, 2019, Compared to Three Months Ended September 30, 2018** Pipeline and midstream earnings decreased \$3.3 million (29 percent) as a result of:

**Revenues:** Increase of \$4.1 million, largely attributable to increased volumes of natural gas transported through its system as a result of organic growth projects completed in 2018 and increased rates effective May 1, 2019, due to the rate case recently finalized with the FERC, as discussed in Note 19.

**Operation and maintenance:** Comparable to the same period in prior year.

**Depreciation, depletion and amortization:** Increase of \$1.3 million, primarily due to higher depreciation rates effective May 1, 2019, due to the recently finalized rate case with the FERC, as discussed in Note 19, and increased property, plant and equipment balances, largely the result of organic growth projects that have been placed into service.

**Taxes, other than income:** Increase of \$300,000 resulting from higher property taxes in certain jurisdictions.

**Other income:** Decrease of \$700,000 as a result of lower AFUDC.

*Interest expense:* Comparable to the same period in prior year.

*Income taxes:* Increase of \$4.7 million, primarily driven by the absence in 2019 of an income tax benefit related to the reversal of a previously recorded regulatory liability based on a FERC final accounting order issued during the third quarter of 2018.

**Nine Months Ended September 30, 2019, Compared to Nine Months Ended September 30, 2018** Pipeline and midstream earnings decreased \$200,000 (1 percent) as a result of:

*Revenues:* Increase of \$11.6 million, largely attributable to increased volumes of natural gas transported through its system as a result of organic growth projects completed in 2018 and increased rates effective May 1, 2019, due to the rate case recently finalized with the FERC, as discussed in Note 19. Revenue was also positively impacted by higher nonregulated project revenue.

*Operation and maintenance:* Increase of \$2.0 million, largely from higher nonregulated project costs as a result of increased nonregulated project revenue, as previously discussed, and higher material and payroll-related costs.

*Depreciation, depletion and amortization:* Increase of \$2.5 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 recently finalized rate case with the FERC, as discussed in Note 19.

*Taxes, other than income:* Increase of \$800,000 driven by higher property taxes in certain jurisdictions.

*Other income:* Decrease of \$400,000 as a result of lower AFUDC, partially offset by higher returns on the Company's benefit plan investments.

*Interest expense:* Increase of \$1.2 million, largely resulting from higher debt balances to finance the organic growth projects completed during 2018, as previously discussed.

*Income taxes:* Increase of \$4.9 million, primarily driven by the absence in 2019 of an income tax benefit related to the reversal of a previously recorded regulatory liability based on a FERC final accounting order issued during the third quarter of 2018.

**Outlook** The Company has continued to experience the effects of natural gas production at record levels, which has provided opportunities for organic growth projects and increased demand. The completion of organic growth projects has contributed to the Company transporting increasing volumes of natural gas through its system. The record levels of natural gas supply have moderated the need for storage services and put downward pressure on natural gas prices and minimized pricing volatility. Both natural gas production levels and pressure on natural gas prices are expected to continue in the near term. The Company continues to focus on growth and improving existing operations through organic projects in all areas in which it operates. The following describes recent growth projects.

In September 2019, the Company completed and placed into service the Demicks Lake project in McKenzie County, North Dakota, as scheduled. The project included approximately 14 miles of 20-inch pipe and increased capacity by 175 MMcf per day. The Company began construction on the Line Section 22 Expansion project in the Billings, Montana, area in May of 2019 with an expected in-service date in November 2019. The project is designed to increase capacity by 22.5 MMcf per day to serve incremental demand in Billings, Montana. The Company has signed long-term contracts supporting both projects.

Additionally, the Company expects to begin construction on the Demicks Lake Expansion project, located in McKenzie County, North Dakota, in the fourth quarter of 2019. The Company has signed a long-term contract supporting this project, which is designed to increase capacity by 175 MMcf per day. The Demicks Lake Expansion project is expected to be in-service in the first quarter of 2020.

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, and extend to a new connection with Northern Border Pipeline in McKenzie County, North Dakota. The Company's long-term customer commitments and anticipated incremental commitments with the continuing record levels of natural gas production in the Bakken region support the project at an increased design capacity of 350 MMcf per day. Construction is expected to begin in early 2021 with an estimated completion date late in 2021, which is dependent on regulatory and environmental permitting. On June 28, 2019, the Company filed with the FERC a request to initiate the National Environmental Policy Act pre-filing process and received FERC approval of the pre-filing request on July 3, 2019.

## **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 Note 17. 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 acquisition activity supports this strategy.

As one of the country's largest sand and gravel producers, the segment continues to strategically manage its approximately 1.0 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 2018, the Company's aggregate reserves increased by approximately 50 million tons primarily due to acquisition activity.

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. Although it is difficult to determine the split between inflation and supply/demand increases, diesel fuel costs remained fairly stable for the first nine months of 2019, while asphalt oil costs have trended higher in 2019 compared to 2018. Such volatility can have a negative impact on the segment's margins. 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.

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 find 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.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
	(Dollars in millions)			
Operating revenues	\$ 869.5	\$ 743.9	\$ 1,692.7	\$ 1,466.9
Cost of sales:				
Operation and maintenance	668.9	586.0	1,384.4	1,210.9
Depreciation, depletion and amortization	19.7	15.1	55.2	42.1
Taxes, other than income	13.4	11.8	34.8	30.8
Total cost of sales	702.0	612.9	1,474.4	1,283.8
Gross margin	167.5	131.0	218.3	183.1
Selling, general and administrative expense:				
Operation and maintenance	22.7	20.1	64.6	57.3
Depreciation, depletion and amortization	.9	.5	2.4	1.6
Taxes, other than income	.9	.8	3.7	3.6
Total selling, general and administrative expense	24.5	21.4	70.7	62.5
Operating income	143.0	109.6	147.6	120.6
Other income (expense)	.2	(.1)	1.5	(1.0)
Interest expense	6.4	4.4	18.6	12.5
Income before income taxes	136.8	105.1	130.5	107.1
Income taxes	34.2	26.2	33.2	27.4
Net income	\$ 102.6	\$ 78.9	\$ 97.3	\$ 79.7
Sales (000's):				
Aggregates (tons)	11,860	10,366	24,815	21,860
Asphalt (tons)	3,317	3,380	5,396	5,581
Ready-mixed concrete (cubic yards)	1,372	1,103	3,124	2,623

**Three Months Ended September 30, 2019, Compared to Three Months Ended September 30, 2018** Construction materials and contracting earnings increased \$23.7 million (30 percent) as a result of:

**Revenues:** Increase of \$125.6 million, primarily the result of higher revenues from contracting services and material sales due to strong economic environments in certain states and additional material volumes associated with the businesses acquired since the third quarter of 2018.

*Gross margin:* Increase of \$36.5 million, largely due to the higher revenues resulting from strong economic environments in certain states, as previously discussed, higher contracting bid margins and higher realized material prices. Also contributing was an increase in gains from asset sales in certain regions of approximately \$7.0 million.

*Selling, general and administrative expense:* Increase of \$3.1 million, largely related to the businesses acquired since the third quarter of 2018 and higher payroll-related costs.

*Other income (expense):* Comparable to the same period in prior year.

*Interest expense:* Increase of \$2.0 million, largely resulting from higher debt balances as a result of recent acquisitions.

*Income taxes:* Increase of \$8.0 million, largely the result of increased income before income taxes.

**Nine Months Ended September 30, 2019, Compared to Nine Months Ended September 30, 2018** Construction materials and contracting earnings increased \$17.6 million (22 percent) as a result of:

*Revenues:* Increase of \$225.8 million, primarily the result of higher revenues from contracting services and material sales due to strong economic environments in certain states and additional material volumes associated with the businesses acquired since the third quarter of 2018.

*Gross margin:* Increase of \$35.2 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 was an increase in gains on asset sales in certain regions of approximately \$6.8 million.

*Selling, general and administrative expense:* Increase of \$8.2 million, primarily related to the businesses acquired since the third quarter of 2018 and higher payroll-related costs.

*Other income (expense):* Increase of \$2.5 million, primarily due to higher returns on the Company's benefit plan investments.

*Interest expense:* Increase of \$6.1 million, largely resulting from higher debt balances as a result of recent acquisitions.

*Income taxes:* Increase of \$5.8 million, largely the result of increased income before income taxes.

**Outlook** The segment's vertically integrated aggregates-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 primarily to construction contractors 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 funding is, however, dependent on state and federal 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.

The Company remains optimistic about overall economic growth and infrastructure spending. The IBISWorld Incorporated Industry Report issued in June 2019 for sand and gravel mining in the United States projects a 1.1 percent annual growth rate through 2024. The report also states the demand for clay and refractory materials is projected to continue deteriorating in several downstream manufacturing industries. However, the report expects this decline will be offset by rising activity in the residential and nonresidential construction markets, growing public sector investment in the highway and bridge construction markets and the oil and gas sector growth. The Company believes stronger demand in the housing construction markets along with continued demand from the highway and bridge construction markets should provide a stable demand for construction materials and contracting products and services in the near future.

In the first quarter of 2019, the Company purchased additional aggregate deposits in Texas, which augments existing company operations and enhances its ability to sell aggregates to third parties in the coming years. Also, in the first quarter of 2019, the Company acquired Viesko Redi-Mix, Inc., a ready-mixed concrete supplier headquartered near Salem, Oregon. The Company continues to evaluate additional acquisition opportunities. For more information on the Company's business combinations, see Note 9.

The construction materials and contracting segment's backlog at September 30, 2019, was \$746.9 million, up from \$590.0 million at September 30, 2018. The increase in backlog was primarily attributable to increased agency work and bidding opportunities in nearly every region. The Company expects to complete a significant amount of backlog at September 30, 2019, during the next 12 months.

During the second quarter of 2019, the governor of Oregon signed House Bill 3427, which creates a Corporate Activity Tax. The tax was enacted in the third quarter of 2019 and is effective for the Company on January 1, 2020. The Company does not expect the additional taxation will have a material impact on the construction materials and contracting segment due to their operations in Oregon.

Five of the labor contracts that Knife River was negotiating, as reported in Items 1 and 2 - Business Properties - General in the 2018 Annual Report, have been ratified.

## Construction Services

**Strategy and challenges** The construction services segment provides inside and outside specialty contracting, as discussed in Note 17. The construction services segment focuses on providing a superior return on investment by building new and strengthening existing customer relationships; ensuring quality service; safely executing projects; effectively controlling costs; collecting on receivables; 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 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, 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 and complexity of customer capital programs. Due to these and other factors, the Company believes customer 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.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
	(In millions)			
Operating revenues	\$ 479.6	\$ 330.4	\$ 1,365.4	\$ 988.0
Cost of sales:				
Operation and maintenance	409.0	289.3	1,151.7	838.0
Depreciation, depletion and amortization	3.7	3.5	11.1	10.7
Taxes, other than income	14.1	9.7	44.6	32.0
Total cost of sales	426.8	302.5	1,207.4	880.7
Gross margin	52.8	27.9	158.0	107.3
Selling, general and administrative expense:				
Operation and maintenance	21.4	14.6	63.9	51.0
Depreciation, depletion and amortization	.5	.4	1.3	1.1
Taxes, other than income	.9	1.0	3.4	3.3
Total selling, general and administrative expense	22.8	16.0	68.6	55.4
Operating income	30.0	11.9	89.4	51.9
Other income	.3	.5	1.4	1.1
Interest expense	1.6	.9	4.0	2.7
Income before income taxes	28.7	11.5	86.8	50.3
Income taxes	7.6	2.2	22.8	11.8
Net income	\$ 21.1	\$ 9.3	\$ 64.0	\$ 38.5

**Three Months Ended September 30, 2019, Compared to Three Months Ended September 30, 2018** Construction services earnings increased \$11.8 million (128 percent) as a result of:

**Revenues:** Increase of \$149.2 million, largely the result of higher inside specialty contracting workloads from greater customer demand for hospitality and high-tech projects. Also contributing to the increase was higher outside specialty contracting workloads, primarily the result of increased demand for utility projects. Revenue was also positively impacted by the absence of \$9.5 million in changes to estimates recorded in the third quarter of 2018 for variable consideration previously recognized on certain construction contracts.

**Gross margin:** Increase of \$24.9 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 expenses related to the increased workloads.

*Selling, general and administrative expense:* Increase of \$6.8 million, primarily payroll-related costs, as well as increased professional services and office expenses.

*Other income:* Comparable to the same period in prior year.

*Interest expense:* Increase of \$700,000, primarily due to higher debt balances as a result of additional working capital needs during the construction season.

*Income taxes:* Increase of \$5.4 million, largely due to an increase in income before income taxes.

**Nine Months Ended September 30, 2019, Compared to Nine Months Ended September 30, 2018** Construction services earnings increased \$25.5 million (66 percent) as a result of:

*Revenues:* Increase of \$377.4 million, largely the result of higher inside specialty contracting workloads from greater customer demand for hospitality and high-tech projects. Also contributing to the increase was higher outside specialty contracting workloads, primarily the result of increased demand for utility projects. Revenue was also positively impacted by the absence of \$9.5 million in changes to estimates recorded in the third quarter of 2018 for variable consideration previously recognized on certain construction contracts.

*Gross margin:* Increase of \$50.7 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 expenses related to the increased workloads.

*Selling, general and administrative expense:* Increase of \$13.2 million, primarily payroll-related costs, as well as increased office expenses and professional services.

*Other income:* Comparable to the same period in prior year.

*Interest expense:* Increase of \$1.3 million, primarily due to higher debt balances as a result of additional working capital needs during the construction season.

*Income taxes:* Increase of \$11.0 million, largely due to an increase in income before income taxes.

**Outlook** The Company expects bidding activity to remain strong for both inside and outside specialty construction companies in 2019. Although bidding remains highly competitive in all areas, the Company expects the segment's skilled workforce will continue to provide a benefit in securing and executing profitable projects. The construction services segment had backlog at September 30, 2019, of \$1.2 billion, up from \$896.3 million at September 30, 2018. The increase in backlog was largely attributable to the new project opportunities that the Company continues to see across its diverse operations, particularly in inside specialty electrical and mechanical contracting for the hospitality and gaming, high-tech, mission critical and public entities. The Company's outside power, communications and natural gas specialty operations also have a high volume of available work. The Company expects to complete a significant amount of backlog at September 30, 2019, during the next 12 months. Additionally, the Company continues to further evaluate potential acquisition opportunities that would be accretive to the Company and continue to grow the Company's backlog.

In the third quarter of 2019, the Company purchased the assets of Pride Electric, Inc., an electrical construction company in Redmond, Washington. For more information on the Company's business combinations, see Note 9.

During the second quarter of 2019, the governor of Oregon signed House Bill 3427, which creates a Corporate Activity Tax. The tax was enacted in the third quarter of 2019 and is effective for the Company on January 1, 2020. The Company does not expect the additional taxation will have a material impact on the construction services segment due to their operations in Oregon.

## Other

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
	(In millions)			
Operating revenues	\$ 2.9	\$ 3.1	\$ 13.6	\$ 8.5
Operating expenses:				
Operation and maintenance	3.6	2.6	11.8	6.5
Depreciation, depletion and amortization	.5	.5	1.5	1.5
Taxes, other than income	—	—	.1	.1
Total operating expenses	4.1	3.1	13.4	8.1
Operating income (loss)	(1.2)	—	.2	.4
Other income	.2	.4	.7	.6
Interest expense	.4	.5	1.5	2.2
Loss before income taxes	(1.4)	(.1)	(.6)	(1.2)
Income taxes	(5.4)	(4.9)	(4.1)	(3.1)
Net income	\$ 4.0	\$ 4.8	\$ 3.5	\$ 1.9

**Three Months Ended September 30, 2019, Compared to Three Months Ended September 30, 2018** Included in Other are 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. Favorable income tax adjustments related to the consolidated Company's annualized estimated tax rate positively impacted the results of Other.

**Nine Months Ended September 30, 2019, Compared to Nine Months Ended September 30, 2018** Included in Other was insurance activity at the Company's captive insurer which impacted both operating revenues and operation and maintenance expense. 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 are also included in Other. Favorable income tax adjustments related to the consolidated Company's annualized estimated tax rate for 2019 positively impacted the results of Other.

## 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:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
	(In millions)			
Intersegment transactions:				
Operating revenues	\$ 8.0	\$ 7.2	\$ 51.3	\$ 41.7
Operation and maintenance	4.3	4.1	16.2	10.4
Purchased natural gas sold	3.7	3.1	35.1	31.3

For more information on intersegment eliminations, see Note 17.

## Liquidity and Capital Commitments

At September 30, 2019, the Company had cash and cash equivalents of \$67.0 million and available borrowing capacity of \$543.6 million under the outstanding credit facilities of the Company's subsidiaries. The Company expects to meet its obligations for debt maturing within one year and its other operating and capital requirements from various sources, including internally generated funds; credit facilities of the Company's subsidiaries, as described in Capital resources; the issuance of long-term debt; and the issuance of equity securities.

## 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 also are affected by changes in working capital. Cash flows provided by operating activities in the first nine months of 2019 decreased \$114.3 million from the comparable period in 2018. The decrease in cash flows provided by operating activities was largely driven by an increase in accounts receivable as a result of higher revenues at the construction businesses as compared to the prior period. Also contributing to the decrease in cash flows provided by operating activities was the increase in natural gas purchases that include the effects of colder weather, higher gas costs and the timing of collection of such balances from customers at the natural gas distribution business. Partially offsetting

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these decreases to cash flows provided by operating activities were lower inventory balances due to the 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 the acquired businesses.

**Investing activities** Cash flows used in investing activities in the first nine months of 2019 was \$448.6 million compared to \$361.3 million in the first nine months of 2018. The increase in cash used in investing activities was primarily related to acquisition activity and asset purchases offset in part by proceeds on asset sales at the construction businesses.

**Financing activities** Cash flows provided by financing activities in the first nine months of 2019 was \$258.6 million compared to \$76.4 million in the first nine months of 2018. The change was largely the result of proceeds from issuance of common stock and higher debt borrowings in 2019 offset in part by the repayment of debt. The Company issued common stock for net proceeds of \$105.6 million under its "at-the-market" offering and 401(k) plan during the first nine months of 2019 and increased long-term and short-term debt financing at the construction businesses for financing of acquisitions and working capital needs. The increase was also due to increased borrowings at the natural gas distribution business, largely resulting from short-term borrowings for higher natural gas costs, as previously discussed, and long-term borrowings for funding capital investments.

### Defined benefit pension plans

There were no material changes to the Company's qualified noncontributory defined benefit pension plans from those reported in the 2018 Annual Report other than an increase of approximately \$2.5 million for the year in pension expense in 2019, largely resulting from a revised assumption for the expected long-term rate of return on assets used to calculate the expense and an actual decline in asset values. For more information, see Note 18 and Part II, Item 7 in the 2018 Annual Report.

### Capital expenditures

Capital expenditures for the first nine months of 2019 were \$469.2 million, which includes the completed aggregate deposit purchase at the construction materials and contracting business and the completed business combinations at the construction materials and contracting and construction services businesses. Capital expenditures in the first nine months of 2018 were \$398.3 million, which includes completed acquisitions at the construction materials and contracting business. Capital expenditures allocated to the Company's business segments are estimated to be approximately \$645 million for 2019. The Company has included in the estimated capital expenditures for 2019 the completed purchase of additional aggregate deposits, the completed business combinations of a ready-mixed concrete supplier and an electrical company, the Demicks Lake project, the Line Section 22 Expansion project and the Demicks Lake Expansion project, as previously discussed in Business Segment Financial and Operating Data.

Estimated capital expenditures for 2019 also include system upgrades; service extensions; routine equipment maintenance and replacements; buildings, land and building improvements; pipeline projects; power generation and transmission opportunities, including certain costs for additional electric generating capacity; environmental upgrades; and other growth opportunities.

The Company continues to evaluate potential future acquisitions and other growth opportunities; however, they are dependent upon the availability of economic opportunities and, as a result, capital expenditures may vary significantly from the estimate previously discussed. It is anticipated that all of the funds required for capital expenditures for 2019 will be met from various sources, including internally generated funds; credit facilities of the Company's subsidiaries, as described later; issuance of long-term debt; and issuance of equity securities.

### Capital resources

Certain debt instruments of the Company's subsidiaries contain restrictive and financial covenants and cross-default provisions. In order to borrow under the respective debt instruments, 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 September 30, 2019. 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 Part II, Item 8 in the 2018 Annual Report.

The following table summarizes the outstanding revolving credit facilities of the Company's subsidiaries at September 30, 2019:

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	\$ 78.2 (b)	\$ —	6/8/23
Cascade Natural Gas Corporation	Revolving credit agreement	\$ 100.0 (c)	\$ 8.9	\$ 2.2 (d)	6/7/24
Intermountain Gas Company	Revolving credit agreement	\$ 85.0 (e)	\$ 22.1	\$ 1.4 (d)	6/7/24
Centennial Energy Holdings, Inc.	Commercial paper/Revolving credit agreement	(f) \$ 500.0	\$ 203.6 (b)	\$ —	9/23/21

(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 credit agreement.

(b) Amount outstanding under commercial paper program.

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

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

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

(f) 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 \$600.0 million). There were no amounts outstanding under the 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, the subsidiary companies 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 the construction businesses.

Total equity as a percent of total capitalization was 54 percent, 57 percent and 55 percent at September 30, 2019 and 2018, and December 31, 2018, 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 one year, plus total equity. This ratio is an indicator of how a company is financing its operations, as well as its financial strength.

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 all or a portion of 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. The Company's board of directors currently has authorized the issuance and sale of up to an aggregate of \$1.0 billion worth of such securities. The Company's board of directors reviews this authorization on a periodic basis and the aggregate amount of securities authorized may be increased in the future.

On February 22, 2019, the Company entered into a Distribution Agreement with J.P. Morgan Securities LLC and MUFG Securities Americas Inc., as sales agents, with respect to the issuance and sale of up to 10.0 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 issued 1.3 million and 3.6 million shares of common stock for the three and nine months ended September 30, 2019, respectively, pursuant to the "at-the-market" offering. The Company received net proceeds of \$34.6 million and \$94.0 million for the three and nine months ended September 30, 2019, respectively. The Company paid commissions to the sales agents of approximately \$350,000 and \$950,000 for the three and nine months ended September 30, 2019, respectively, 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 September 30, 2019, the Company had remaining capacity to issue up to 6.4 million additional shares of common stock under the "at-the-market" offering program.

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 Secured Overnight Financing Rate in certain of their 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.

**Cascade Natural Gas Corporation** On June 7, 2019, Cascade amended its revolving credit agreement to increase the borrowing limit from \$75.0 million to \$100.0 million and extend the maturity date from April 24, 2020 to June 7, 2024. 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.

On June 13, 2019, Cascade issued \$75.0 million of senior notes under a note purchase agreement with maturity dates ranging from June 13, 2029 to June 13, 2049, at a weighted average interest rate of 3.93 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 credit agreements also contain cross-default provisions. These provisions state that if Cascade 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, Cascade will be in default under the revolving credit agreement.

**Intermountain Gas Company** On June 7, 2019, Intermountain amended its revolving credit agreement to extend the termination date from April 24, 2020 to June 7, 2024. The 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.

On June 13, 2019, Intermountain issued \$50.0 million of senior notes under a note purchase agreement with maturity dates ranging from June 13, 2029 to June 13, 2049, at a weighted average interest rate of 3.92 percent. The 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.

Intermountain's credit agreements also contain cross-default provisions. These provisions state that if Intermountain 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, or certain conditions result in an early termination date under any swap contract that is in excess of a specified amount, then Intermountain will be in default under the revolving credit agreement.

**Centennial Energy Holdings, Inc.** On April 4, 2019, Centennial issued \$150.0 million of senior notes under a note purchase agreement with maturity dates ranging from April 4, 2029 to April 4, 2034, at a weighted average interest rate of 4.60 percent. The agreement contains customary covenants and provisions, including a covenant of Centennial not to permit, at any time, the ratio of total debt to total capitalization to be greater than 60 percent.

On April 12, 2019, Centennial entered into a \$50.0 million term loan agreement with a variable interest rate which matures on April 11, 2020. The agreement contains customary covenants and provisions, including a covenant of Centennial not to permit, at any time, the ratio of funded debt to capitalization to be greater than 65 percent. The covenants also include certain limitations on subsidiary indebtedness, restrictions on the sale of certain assets, loans and investments.

On August 7, 2019, Centennial entered into a \$50.0 million term loan agreement with a variable interest rate which matures on January 31, 2020. The agreement contains customary covenants and provisions, including a covenant of Centennial not to permit, at any time, the ratio of funded debt to capitalization to be greater than 65 percent. The covenants also include limitations on subsidiary indebtedness, restrictions on the sale of certain assets, loans and investments.

**WBI Energy Transmission, Inc.** On July 26, 2019, WBI Energy Transmission amended its uncommitted note purchase and private shelf agreement to extend the issuance period to May 16, 2022, and increase the aggregate issuance capacity from \$200.0 million to \$300.0 million. On July 3, 2019, WBI Energy Transmission contracted to issue an additional \$45.0 million under the uncommitted private shelf agreement at an interest rate of 4.17 percent on December 16, 2019. The remaining capacity under this uncommitted private shelf agreement is \$115.0 million.

**Montana-Dakota Utilities Co.** On July 24, 2019, Montana-Dakota entered into a \$200.0 million note purchase agreement with maturity dates ranging from October 17, 2039 to November 18, 2059, at a weighted average interest rate of 3.95 percent. On October 17, 2019, Montana-Dakota issued \$100.0 million in senior notes under the note purchase agreement with the remaining \$100.0 million scheduled to be issued on November 18, 2019. 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.

#### **Off balance sheet arrangements**

As of September 30, 2019, the Company had no material off balance sheet arrangements as defined by the rules of the SEC.

**Contractual obligations and commercial commitments**

There were no material changes in the Company's contractual obligations from continuing operations relating to operating leases, purchase commitments, asset retirement obligations, uncertain tax positions and minimum funding requirements for its defined benefit plans for 2019 from those reported in the 2018 Annual Report.

At September 30, 2019, the Company's commitments for long-term debt and estimated interest payments presented on a calendar-year basis were as follows:

	Remainder of 2019	1 - 3 years	3 - 5 years	More than 5 years	Total
(In millions)					
Long-term debt maturities*	\$ 50.1	\$ 367.8	\$ 247.3	\$ 1,587.8	\$ 2,253.0
Estimated interest payments**	24.9	249.4	140.5	525.9	940.7
	\$ 75.0	\$ 617.2	\$ 387.8	\$ 2,113.7	\$ 3,193.7

\* 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 September 30, 2019, assuming current interest rates and consistent amounts outstanding until their respective maturity dates over the periods indicated in the table above.

For more information on contractual obligations and commercial commitments, see Part II, Item 7 in the 2018 Annual Report.

**New Accounting Standards**

For information regarding new accounting standards, see Note 6, which is incorporated by reference.

**Critical Accounting Policies Involving Significant Estimates**

The Company's critical accounting policies involving significant estimates include impairment testing of long-lived assets and goodwill; fair values of acquired assets and liabilities under the acquisition method of accounting; tax provisions; revenue recognized using the cost-to-cost measure of progress for contracts; and actuarially determined benefit costs. There were no material changes in the Company's critical accounting policies involving significant estimates from those reported in the 2018 Annual Report. For more information on critical accounting policies involving significant estimates, see Part II, Item 7 in the 2018 Annual Report.

**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 in assessing the Company's utility performance as management has the ability to influence control over the remaining operating expenses.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
	(In millions)			
Operating income	\$ 21.9	\$ 21.1	\$ 49.7	\$ 52.3
Adjustments:				
Operating expenses:				
Operation and maintenance	30.8	30.1	94.6	91.3
Depreciation, depletion and amortization	14.2	12.6	41.8	37.7
Taxes, other than income	4.1	3.7	12.5	11.2
Total adjustments	49.1	46.4	148.9	140.2
Adjusted gross margin	\$ 71.0	\$ 67.5	\$ 198.6	\$ 192.5

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
	(In millions)			
Operating income (loss)	\$ (15.6)	\$ (11.7)	\$ 32.1	\$ 32.5
Adjustments:				
Operating expenses:				
Operation and maintenance	44.4	42.1	134.3	129.4
Depreciation, depletion and amortization	19.9	18.1	59.1	53.5
Taxes, other than income	6.1	5.4	17.9	16.5
Total adjustments	70.4	65.6	211.3	199.4
Adjusted gross margin	\$ 54.8	\$ 53.9	\$ 243.4	\$ 231.9

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to the impact of market fluctuations associated with 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

There were no material changes to interest rate risk faced by the Company from those reported in the 2018 Annual Report.

At September 30, 2019, the Company had no outstanding interest rate hedges.

### Item 4. Controls and Procedures

#### 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 procedures include controls and procedures 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 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 September 30, 2019, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**Part II -- Other Information****Item 1. Legal Proceedings**

For information regarding legal proceedings required by this item, see Note 20, which is incorporated herein by reference.

**Item 1A. Risk Factors**

Please refer to the Company's risk factors that are disclosed in Part I, Item 1A - Risk Factors in the 2018 Annual Report that could be materially harmful to the Company's business, prospects, financial condition or financial results if they occur. There were no material changes to the Company's risk factors provided in Part I, Item 1A - Risk Factors in the 2018 Annual Report.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

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

## ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a)	(b)	(c)	(d)
	Total Number of Shares (or Units) Purchased (1)	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (2)
July 1 through July 31, 2019	—	—	—	—
August 1 through August 31, 2019	—	—	—	—
September 1 through September 30, 2019	—	—	—	—
<b>Total</b>	—	—	—	—

(1) Represents shares of common stock withheld by the Company to pay taxes in connection with the vesting of shares granted pursuant to the Long-Term Performance-Based Incentive Plan.

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

**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-Q, which is incorporated herein by reference.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

See the index to exhibits immediately preceding the signature page to this report.

**Exhibits Index**

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Period Ended	Exhibit	Filing Date File Number
2(a)	<a href="#">Agreement and Plan of Merger, dated December 31, 2018, by and among MDU Resources Group, Inc., MDUR Newco, Inc. and MDU Newco Sub, Inc.</a>		8-K		2(a)	1/2/19 1-03480
3(a)	<a href="#">Certificate of Merger, dated December 31, 2018</a>		8-K		3(a)	1/2/19 1-03480
3(b)	<a href="#">Amended and Restated Certificate of Incorporation of MDU Resources Group, Inc.</a>		8-K		3.2	5/8/19 1-03480
3(c)	<a href="#">Amended and Restated Bylaws of MDU Resources Group, Inc.</a>		8-K		3.1	2/15/19 1-03480
*4(a)	<a href="#">Montana-Dakota Utilities Co. Note Purchase Agreement, dated July 24, 2019, among Montana-Dakota Utilities Co. and various purchasers of the notes</a>	X				
+10(a)	<a href="#">Instrument of Amendment to the MDU Resources Group, Inc. 401(k) Retirement Plan, dated August 22, 2019</a>	X				
31(a)	<a href="#">Certification of Chief Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>	X				
31(b)	<a href="#">Certification of Chief Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>	X				
32	<a href="#">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</a>	X				
95	<a href="#">Mine Safety Disclosures</a>	X				
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.

**Signatures**

Pursuant to the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MDU RESOURCES GROUP, INC.

DATE: November 1, 2019

BY: /s/ Jason L. Vollmer

Jason L. Vollmer  
Vice President, Chief Financial Officer  
and Treasurer

BY: /s/ Stephanie A. Barth

Stephanie A. Barth  
Vice President, Chief Accounting Officer  
and Controller

**Section 2: EX-4.A (MDU RESOURCES MDU NPA 7-24-2019)**

EXECUTION COPY

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MONTANA-DAKOTA UTILITIES CO.

\$50,000,000 3.66% Senior Notes due October 17, 2039  
\$50,000,000 3.98% Senior Notes due October 17, 2049  
\$100,000,000 4.08% Senior Notes due November 18, 2059

\_\_\_\_\_  
NOTE PURCHASE AGREEMENT  
\_\_\_\_\_

Dated July 24, 2019

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Signature 47

SCHEDULE A — DEFINED TERMS

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SCHEDULE 1(b) — FORM OF 3.98% SENIOR NOTE DUE OCTOBER 17, 2049

SCHEDULE 1(c) — FORM OF 4.08% SENIOR NOTE DUE NOVEMBER 18, 2059

SCHEDULE 4.4(a) — FORM OF OPINION OF SPECIAL COUNSEL FOR THE COMPANY

SCHEDULE 4.4(b) — FORM OF OPINION OF GENERAL COUNSEL FOR THE COMPANY

SCHEDULE 4.4(c) — FORM OF OPINION OF SPECIAL COUNSEL FOR THE PURCHASERS

SCHEDULE 5.3 — DISCLOSURE MATERIALS

SCHEDULE 5.4 — AFFILIATES, DIRECTORS AND OFFICERS

SCHEDULE 5.7 — GOVERNMENTAL AUTHORIZATIONS

SCHEDULE 5.15 — EXISTING INDEBTEDNESS

SCHEDULE 10.5 — EXISTING LIENS

SCHEDULE B — INFORMATION RELATING TO PURCHASERS

**MONTANA-DAKOTA UTILITIES CO.  
1200 West Century Avenue  
Bismarck, North Dakota 58503**

3.66% Senior Notes due October 17, 2039  
3.98% Senior Notes due October 17, 2049  
4.08% Senior Notes due November 18, 2059

July 24, 2019

TO EACH OF THE PURCHASERS LISTED IN  
SCHEDULE B HERETO:

Ladies and Gentlemen:

Montana-Dakota Utilities Co., a Delaware corporation (the “**Company**”), agrees with each of the Purchasers as follows:

**SECTION 1. AUTHORIZATION OF NOTES .**

The Company will authorize the issue and sale of (i) \$50,000,000 aggregate principal amount of its 3.66% Senior Notes due October 17, 2039 (the “**2039 Notes**”), (ii) \$50,000,000 aggregate principal amount of its 3.98% Senior Notes due October 17, 2049 (the “**2049 Notes**”) and (iii) \$100,000,000 aggregate principal amount of its 4.08% Senior Notes due November 18, 2059 (the “**2059 Notes**”), and together with the 2039 Notes and the 2049 Notes, the “**Notes**”). The Notes shall be substantially in the form set out in Schedule 1(a), Schedule 1(b) and Schedule 1(c), respectively. Certain capitalized and other terms used in this Agreement are defined in Schedule A and, for purposes of this Agreement, the rules of construction set forth in Section 22.4 shall govern.

**SECTION 2. SALE AND PURCHASE OF NOTES .**

Subject to the terms and conditions of this Agreement, the Company will issue and sell to each Purchaser and each Purchaser will purchase from the Company, at the Closing provided for in Section 3, Notes in the principal amount and of the series specified opposite such Purchaser’s name in Schedule B 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.

### SECTION 3. CLOSING .

The sale and purchase of the Notes to be purchased by each Purchaser shall occur at the offices of Chapman and Cutler LLP, 111 W. Monroe Street, Chicago, Illinois 60603, at 11:00 a.m., New York City local time, at a closing on October 17, 2019 or on such other Business Day thereafter as may be agreed upon by the Company and the Purchasers, with respect to the 2039 Notes and the 2049 Notes (the “**First Closing**”), and at a closing on November 18, 2019 or on such other Business Day thereafter as may be agreed upon by the Company and the Purchasers, with respect to the 2059 Notes (the “**Second Closing**,” each of the First Closing and the Second Closing, a “**Closing**”). At each Closing the Company will deliver to each Purchaser the respective Notes to be purchased by such Purchaser in the form of a single 2039 Note, 2049 Note or 2059 Note, as the case may be (or such greater number of applicable Notes in denominations of at least \$400,000 as such Purchaser may request) dated the date of such Closing and registered in such Purchaser’s name (or in the name of its nominee), against delivery by such 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 [REDACTED] for credit to Montana-Dakota Utilities Co. If at either Closing the Company shall fail to tender such Notes to any Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to such Purchaser’s satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Purchaser may have by reason of such failure by the Company to tender such Notes or any of the conditions specified in Section 4 not having been fulfilled to such Purchaser’s satisfaction.

### SECTION 4. CONDITIONS TO CLOSING .

Each Purchaser’s obligation to purchase and pay for the Notes to be sold to such Purchaser at the applicable Closing is subject to the fulfillment to such Purchaser’s satisfaction, prior to or at such Closing, of the following conditions:

**Section 4.1. Representations and Warranties .** The representations and warranties of the Company in this Agreement shall be correct when made and at the time of each Closing.

**Section 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 the applicable Closing and from the date of this Agreement to the applicable Closing assuming that Sections 9 and 10 are applicable from the date of this Agreement. From the date of the Agreement until the applicable Closing, before and after giving effect to the issue and sale of the applicable Notes (and the application of the proceeds thereof as contemplated by Section 5.14), no Default or Event of Default shall have occurred and be continuing. The Company shall not have entered into any transaction since the

date of the Memorandum that would have been prohibited by Section 10 had such Section applied since such date.

**Section 4.3. Compliance Certificates** .

(a) *Officer's Certificate*. The Company shall have delivered to such Purchaser an Officer's Certificate, dated the date of the applicable Closing, certifying that the conditions specified in Sections 4.1, 4.2 and 4.9 have been fulfilled.

(b) *Secretary's Certificate*. The Company shall have delivered to such Purchaser a certificate of its Secretary or Assistant Secretary, dated the date of the applicable Closing, certifying as to (i) the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of such Notes and this Agreement and (ii) the Company's organizational documents as then in effect.

**Section 4.4. Opinions of Counsel** . Such Purchaser shall have received opinions in form and substance satisfactory to such Purchaser, dated the date of the Closing from (a) Cohen Tauber Spievack & Wagner P.C., special counsel for the Company, and Daniel S. Kuntz, Esq., General Counsel for the Company, covering the matters set forth in Schedules 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 (and the Company hereby instructs its counsel to deliver such opinions to the Purchasers) and (b) Chapman and Cutler LLP, the Purchasers' special counsel in connection with such transactions, substantially in the form set forth in Schedule 4.4(c) and covering such other matters incident to such transactions as such Purchaser may reasonably request.

**Section 4.5. Purchase Permitted By Applicable Law, Etc** . On the date of each Closing such Purchaser's purchase of Notes shall (a) be permitted by the laws and regulations of each jurisdiction to which such Purchaser 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, (b) not violate any applicable law or regulation (including Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (c) 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 by such Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

**Section 4.6. Sale of Other Notes**. Contemporaneously with each Closing the Company shall sell to each other Purchaser and each other Purchaser shall purchase the Notes to be purchased by it at the applicable Closing as specified in Schedule B.

**Section 4.7. Payment of Special Counsel Fees** . Without limiting Section 15.1, the Company shall have paid on or before each Closing the fees, charges and disbursements of the Purchasers' special counsel referred to in Section 4.4 to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to the Closing.

**Section 4.8. Private Placement Number** . Private Placement Numbers issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the SVO) shall have been obtained for each series of the Notes.

**Section 4.9. Changes in Corporate Structure** . The Company shall not have changed its jurisdiction of incorporation or organization, as applicable, or been a party to any merger or consolidation or succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in Schedule 5.5.

**Section 4.10. Funding Instructions** . At least three Business Days prior to the date of each Closing, each Purchaser shall have received written instructions signed by a Responsible Officer on letterhead of the Company confirming the information specified in Section 3 including (i) the name and address of the transferee bank, (ii) such transferee bank's ABA number and (iii) the account name and number into which the purchase price for the applicable Notes is to be deposited.

**Section 4.11. Proceedings and Documents** . All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to such Purchaser and its special counsel, and such Purchaser and its special counsel shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or such special counsel may reasonably request.

**Section 4.12. First Closing**. For the Second Closing, the consummation of the First Closing as contemplated herein shall have occurred.

## **SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY** .

The Company represents and warrants to each Purchaser that:

**Section 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.

**Section 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).

**Section 5.3. Disclosure** . The Company, through its agents, KeyBanc Capital Markets Inc. and PNC Capital Markets LLC, has delivered to each Purchaser a copy of a Private Placement Memorandum, dated June 2019 (the “**Memorandum**”), relating to the transactions contemplated hereby. The Memorandum fairly describes, in all material respects, the general nature of the business and principal properties of the Company. This Agreement, the Memorandum, the financial statements listed in Section 5.5 and the documents, certificates and other writings delivered to the Purchasers by or on behalf of the Company prior to June 25, 2019 in connection with the transactions contemplated hereby and identified in Schedule 5.3 (this Agreement, the Memorandum and such documents, certificates or other writings and such financial statements delivered to each Purchaser being referred to, collectively, as the “**Disclosure Documents**”), 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 disclosed in the Disclosure Documents, since March 31, 2019, there has been no change in the financial condition, operations, business, properties or prospects of the Company except changes that could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Disclosure Documents.

**Section 5.4. Subsidiaries; Affiliates** . The Company has no Subsidiaries. Schedule 5.4 contains (except as noted therein) complete and correct lists of (i) the Company’s Affiliates, and (ii) the Company’s directors and senior officers.

**Section 5.5. Financial Statements; Material Liabilities** . The Company has delivered to each Purchaser copies of MDU’s audited consolidated financial statements as at December 31, 2016, December 31, 2017 and December 31, 2018 and the Company’s unaudited financial statements as at March 31, 2019. All of such financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of MDU 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). MDU and its Subsidiaries do not have any Material liabilities that are not disclosed in the Disclosure Documents.

**Section 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 under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter, regulations or by-laws, shareholders agreement or any other Material agreement or instrument to which the Company or its properties is bound or by which the Company or its 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 (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company.

**Section 5.7. Governmental Authorizations, Etc** . Except such as have already been obtained (and as described in Schedule 5.7) and which remain in full force and effect and are final and non-appealable, 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.

**Section 5.8. Litigation; Observance of Agreements, Statutes and Orders** . (a) Except as disclosed in the Disclosure Documents, there are no actions, suits, investigations or proceedings pending or, to the best knowledge of the Company, threatened against or affecting the Company or any property of the Company in any court or before any arbitrator of any kind or before or by any Governmental Authority that could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) The Company is not (i) in default under any agreement or instrument to which it is a party or by which it is bound, (ii) in violation of any order, judgment, decree or ruling of any court, any arbitrator of any kind or any Governmental Authority or (iii) in violation of any applicable law, ordinance, rule or regulation of any Governmental Authority (including Environmental Laws, the USA PATRIOT Act or any of the other laws and regulations that are referred to in Section 5.16), which default or violation could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

**Section 5.9. Taxes** . The Company has filed all income tax returns that are required to have been filed in any jurisdiction, and has paid all taxes shown to be due and payable on such returns and all other taxes and assessments payable by the Company, 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 has established adequate reserves in accordance with GAAP or (iii) that have been determined by the Company, to the best of the Company's knowledge, to be beyond the applicable limitations period for audit by the applicable Governmental Authority. The Company knows of no basis for any other tax or assessment that could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company in respect of U.S. federal, state or other taxes for all fiscal periods are adequate. The U.S. federal income tax liabilities of the Company have been finally determined (whether by reason of completed audits or the statute of limitations having run) for all fiscal years up to and including the fiscal year ended December 31, 2014.

**Section 5.10. Title to Property; Leases** . The Company has good and sufficient title to its 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 after such date (except as sold or otherwise disposed of in the

ordinary course of business), 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.

**Section 5.11. Licenses, Permits, Etc** . (a) The Company owns or possesses all licenses, permits, franchises, tariffs, authorizations, patents, copyrights, proprietary software, service marks, trademarks and trade names, or rights thereto, that are Material, without known conflict with the rights of others, except for those conflicts that, individually or in the aggregate, would not have a Material Adverse Effect.

(b) To the best knowledge of the Company, no product or service of the Company infringes in any material respect any license, permit, franchise, authorization, patent, copyright, proprietary software, service mark, trademark, trade name or other right owned by any other Person.

(c) To the best knowledge of the Company, there is no Material violation by any Person of any right of the Company with respect to any license, permit, franchise, authorization, patent, copyright, proprietary software, service mark, trademark, trade name or other right owned or used by the Company.

**Section 5.12. Compliance with ERISA** . (a) Each of the Company and its ERISA Affiliates is in compliance with the applicable provisions of ERISA, the Code, 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 that 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 each Purchaser in the first sentence of this Section 5.12(b) is made in reliance upon and subject to the accuracy of such Purchaser's representation 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.

**Section 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 the Notes or any similar Securities from, or otherwise approached or negotiated in respect thereof with, any Person other than the Purchasers and not more than 30 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 or to the registration requirements of any Securities or blue sky laws of any applicable jurisdiction.

**Section 5.14. Use of Proceeds; Margin Regulations** . The Company will apply the proceeds of the sale of the Notes hereunder to refinance existing indebtedness and for general corporate purposes. 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 10% of the value of the consolidated assets of the Company and the Company does not have any present intention that margin stock will constitute more than 10% 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.

**Section 5.15. Existing Indebtedness; Future Liens** . (a) Schedule 5.15 sets forth a complete and correct list of all outstanding Indebtedness of the Company as of May 31, 2019. The Company is not 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 and no event or condition exists with respect to any Indebtedness of the Company 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) The Company is not a party to, or otherwise subject to any provision contained in, any instrument evidencing Indebtedness of the Company, any agreement relating thereto or any other agreement (including, but not limited to, its charter or any other organizational document) which limits the amount of, or otherwise imposes restrictions on the incurring of, Indebtedness of the Company, except as disclosed in Schedule 5.15.

**Section 5.16. Foreign Assets Control Regulations, Etc** . (a) Neither the Company nor any Controlled Entity (i) is a Blocked Person, (ii) has been notified that its name appears or may in the future appear on a State Sanctions List or (iii) is a target of sanctions that have been imposed by the United Nations or the European Union.

(b) Neither the Company nor any Controlled Entity (i) has violated, been found in violation of, or been charged or convicted under, any applicable U.S. Economic Sanctions Laws, Anti-Money Laundering Laws or Anti-Corruption Laws or (ii) to the Company’s knowledge, is under investigation by any Governmental Authority for possible violation of any U.S. Economic Sanctions Laws, Anti-Money Laundering Laws or Anti-Corruption Laws.

(c) No part of the proceeds from the sale of the Notes hereunder:

(i) 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, (A) in connection with any investment in, or any transactions or dealings with, any Blocked Person, (B) for any purpose that would cause any Purchaser to be in

violation of any U.S. Economic Sanctions Laws or (C) otherwise in violation of any U.S. Economic Sanctions Laws;

(ii) will be used, directly or indirectly, in violation of, or cause any Purchaser to be in violation of, any applicable Anti-Money Laundering Laws; or

(iii) will be used, directly or indirectly, for the purpose of making 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, in each case which would be in violation of, or cause any Purchaser to be in violation of, any applicable Anti-Corruption Laws.

(d) 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 U.S. Economic Sanctions Laws, Anti-Money Laundering Laws and Anti-Corruption Laws.

**Section 5.17. Status under Certain Statutes** . The Company is not subject to regulation under the Investment Company Act of 1940 or the ICC Termination Act of 1995.

**Section 5.18. Environmental Matters** . The Company conducts in the ordinary course of business a review of the effect of existing applicable Environmental Laws and existing Environmental Claims on its business, operations and properties, and as a result thereof the Company has reasonably concluded that such Environmental Laws and Environmental Claims could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, exclusive of Environmental Claims set forth in the Disclosure Documents.

## **SECTION 6. REPRESENTATIONS OF THE PURCHASERS**

**Section 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 such Purchaser 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 such Purchaser's or their property shall at all times be within such Purchaser's 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.

**Section 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 (a "**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 NAIC (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.

## **SECTION 7. INFORMATION AS TO COMPANY**

**Section 7.1. Financial and Business Information** . The Company shall deliver to each Purchaser and each holder of a Note that is an Institutional Investor:

(a) *Quarterly Statements* — within 60 days (or such shorter period as is the earlier of (x) 15 days greater than the period applicable to the filing of the Company’s Quarterly Report on Form 10-Q (the “**Form 10-Q**”) with the SEC regardless of whether the Company is subject to the filing requirements thereof and (y) the date by which such financial statements are required to be delivered under any Material Credit Facility or the date on which such corresponding financial statements are delivered under any Material Credit Facility if such delivery occurs earlier than such required delivery date) 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), a copy of

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter, and

(ii) consolidated statements of income, changes in shareholders’ equity and cash flows (including identification of cash paid for income taxes and interest expense) 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 delivery within the time period specified above of copies of the Company's Form 10-Q prepared in compliance with the requirements therefor and filed with the SEC shall be deemed to satisfy the requirements of this Section 7.1(a);

(b) *Annual Statements* — within 120 days (or such shorter period as is the earlier of (x) 15 days greater than the period applicable to the filing of the Company's Annual Report on Form 10-K (the "**Form 10-K**") with the SEC regardless of whether the Company is subject to the filing requirements thereof and (y) the date by which such financial statements are required to be delivered under any Material Credit Facility or the date on which such corresponding financial statements are delivered under any Material Credit Facility if such delivery occurs earlier than such required delivery date) after the end of each fiscal year of the Company, a copy 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, common shareholders' equity and cash flows (including identification of cash paid for income taxes and interest expense) 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 applicable to annual 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 delivery within the time period specified above of copies of the Company's Form 10-K prepared in compliance with the requirements therefor and filed with the SEC shall be deemed to satisfy the requirements of this Section 7.1(b);

(c) *Annual Statements of MDUEC* – within 120 days (or such shorter period as is the earlier of (x) 15 days greater than the period applicable to the filing of the Company's Form 10-K with the SEC regardless of whether the Company is subject to the filing requirements thereof and (y) the date by which such financial statements are required to be delivered under any Material Credit Facility or the date on which such corresponding financial statements are delivered under any Material Credit Facility if such delivery occurs earlier than such required delivery date) after the end of each fiscal year of MDUEC, a copy of

(i) a consolidated balance sheet of MDUEC and its Subsidiaries (including the Company) as at the end of such year, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of MDUEC and its Subsidiaries (including the Company) for such year.

together with consolidating exhibits of such financial statements covering MDUEC and its Subsidiaries (including the Company), 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 by an opinion thereon (without a "going concern" or similar qualification or exception and without any qualification or exception as to the scope of the audit on which such opinion is based) of independent 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 consolidated 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. *provided* that no such comparative or pro forma financial figures for the previous fiscal year shall be required in any financial statements delivered for fiscal year 2019; and *provided further* that the delivery within the time period specified above of the Company's 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 SEC, shall be deemed to satisfy the requirements of this Section 7.1(c);

(d) *Annual Statements of the Company and Other Information Under Certain Circumstances* – if the SVO will not provide or continue to provide a rating for the Notes without the Company's delivery of such additional information, then within 120 days (or such shorter period as is the earlier of (x) 15 days greater than the period applicable to the filing of the Company's Form 10-K with the SEC regardless of whether the Company is subject to the filing requirements thereof and (y) the date by which any such information, if applicable, is required to be delivered under any Material Credit Facility or the date on which any such information is delivered under any Material Credit Facility if such delivery occurs earlier than such required delivery date) after the end of each fiscal year of the Company, such other information as any holder shall have reasonably requested, including any financial statements that have been specifically requested by the SVO in order to assign or maintain a designation of the Notes (the "**Required Statements**") and a copy of the additional documents listed in clauses (i) and (ii) below, *provided* that no such Required Statements or additional documents shall be required under this Section 7.1(d) at any time that (1) a Debt Rating exists with respect to the Notes that is of a type acceptable to the SVO to qualify the Notes for a filing exemption, and (2) evidence of such Debt Rating (or any change thereto) shall (A) have been delivered by the Company to the holders of the Notes at least annually and promptly upon any change in such Debt Rating, (B) set forth the Debt Rating for such Notes, (C) refer to the Private Placement Number issued by Standard & Poor's CUSIP Service Bureau in respect of such Notes, (D) not include any prohibition against sharing such evidence with the SVO, and (E)

include such other information relating to the Debt Rating for the Notes as may be required from time to time by the SVO,

- (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 by an opinion thereon (without a "going concern" or similar qualification or exception and without any qualification or exception as to the scope of the audit on which such opinion is based) of independent 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, *provided* that the delivery within the time period specified above of the Company's 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 SEC, shall be deemed to satisfy the requirements of this Section 7.1(d); *provided further*, for the avoidance of doubt, the items required to be delivered pursuant to paragraph (c) of this Section 7.1 shall be required regardless of whether this paragraph (d) is in effect;

(e) *SEC and Other Reports* — promptly upon their becoming available, one copy of (i) each financial statement, report, notice, proxy statement or similar document sent by the Company (x) to its creditors under any Material Credit Facility (excluding information sent to such creditors in the ordinary course of administration of a credit facility, such as information relating to pricing and borrowing availability) or (y) to its public Securities holders generally, and (ii) each regular or periodic report, each registration statement (without exhibits except as expressly requested by such Purchaser or holder), and each prospectus and all amendments thereto filed by the Company with the SEC and all press releases and other statements made available generally by the Company to the public concerning developments that are Material;

(f) *Notice of Default or Event of Default* — promptly, and in any event within 5 days after a Responsible Officer becoming aware of the existence of any Default or Event of Default or that any Person has given any notice or taken any action with respect to a claimed default hereunder or that any Person has given any notice or taken any action with respect to a claimed default of the type referred to in section 11(f), 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;

(g) *Employee Benefits Matters* — promptly, and in any event within five days after a Responsible Officer becoming 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 section 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;

(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, could reasonably be expected to have a Material Adverse Effect.

(h) *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;

(i) *Resignation or Replacement of Auditors* — within 10 days following the date on which the Company's auditors resign or the Company elects to change auditors, as the case may be, notification thereof, together with such further information as the Required Holders may request;

(j) *Audit Report-Regulatory Basis* — as soon as available, and in any event within 120 days after the end of each fiscal year of the Company, for so long as such reports are required to be filed with the Federal Energy Regulatory Commission, a copy of the annual audit report-regulatory basis of the Company with an unqualified opinion of independent certified public accountants selected by the Company and acceptable to the Required Holders, which annual report shall include a copy of the balance sheet-regulatory basis of the Company as of the end of such fiscal year and the related

statements of income-regulatory basis, retained earnings-regulatory basis and cash flows-regulatory basis of the Company for the fiscal year then ended, all prepared in accordance with FERC Accounting Principles; and

(k) *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 (including actual copies of the Company's Form 10-Q and Form 10-K, if the Company files such forms with the SEC) or relating to the ability of the Company to perform its obligations hereunder and under the Notes or the ability of a Subsidiary Guarantor to perform its obligations under a Subsidiary Guaranty as from time to time may be reasonably requested by any such Purchaser or holder of a Note.

**Section 7.2. Officer's Certificate** . Each set of financial statements delivered to a Purchaser or holder of a Note pursuant to Section 7.1(a), Section 7.1(b), Section 7.1(c) or Section 7.1(d) (if applicable) shall be accompanied by a certificate of a Senior Financial Officer:

(a) *Covenant Compliance* — setting forth the information from such financial statements that is required in order to establish whether the Company and its Subsidiaries were in compliance with the requirements of Section 10 during the quarterly or annual period covered by the financial statements then being furnished (including with respect to each such provision that involves mathematical calculations, the information from such financial statements that is required to perform such calculations) and detailed calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Section, and the calculation of the amount, ratio or percentage then in existence. In the event that the Company or any Subsidiary has made an election to measure any financial liability using fair value (which election is being disregarded for purposes of determining compliance with this Agreement pursuant to Section 22.2) as to the period covered by any such financial statement, such Senior Financial Officer's certificate as to such period shall include a reconciliation from GAAP with respect to such election;

(b) *Event of Default* — certifying that such Senior Financial 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 (including any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto; and

(c) *Subsidiary Guarantors* — setting forth a list of all Subsidiaries that are Subsidiary Guarantors and certifying that each Subsidiary that is required to be a

Subsidiary Guarantor pursuant to Section 9.9 is a Subsidiary Guarantor, in each case, as of the date of such certificate of Senior Financial Officer.

**Section 7.3. Visitation** . The Company shall permit the representatives of each Purchaser or holder of a Note that is an Institutional Investor:

(a) *No Default* — if no Default or Event of Default then exists, at the expense of such Purchaser or 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 of its books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss its affairs, finances and accounts with its 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.

**Section 7.4. Electronic Delivery** . Financial statements, opinions of independent certified public accountants, other information and Officer's Certificates that are required to be delivered by the Company pursuant to Sections 7.1(a), (b), (c), (d), (e) or (j) and Section 7.2 shall be deemed to have been delivered if the Company satisfies any of the following requirements with respect thereto:

(a) such financial statements satisfying the requirements of Section 7.1(a), (b), (c), (d) or (j) and related Officer's Certificate satisfying the requirements of Section 7.2 are delivered to each Purchaser or holder of a Note by e-mail at the e-mail address set forth in such holder's Purchaser Schedule or as communicated from time to time in a separate writing delivered to the Company;

(b) the Company shall have timely filed such Form 10-Q or Form 10-K, satisfying the requirements of Section 7.1(a), (b), (c) or (d), as the case may be, with the SEC on EDGAR and shall have made such form and the related Officer's Certificate satisfying the requirements of Section 7.2 available on its home page on the internet, which is located at <http://www.montana-dakota.com> as of the date of this Agreement;

(c) such financial statements satisfying the requirements of Section 7.1(a), (b), (c), (d) or (j) and related Officer's Certificate(s) satisfying the requirements of Section 7.2 are timely posted by or on behalf of the Company on IntraLinks or on any other similar website to which each Purchaser or holder of Notes has free access; or

(d) the Company shall have filed any of the items referred to in Section 7.1(e) with the SEC on EDGAR and shall have made such items available on its home page on the internet or on IntraLinks or on any other similar website to which each Purchaser or holder of Notes has free access;

*provided however*, that in the case of any of paragraphs (b), (c) or (d), the Company shall have given each Purchaser or holder of a Note prior written notice, in accordance with Section 18, of such posting or filing in connection with each delivery, *provided further*, that upon request of any Purchaser or holder to receive paper copies of such forms, financial statements and Officer's Certificates or to receive them by e-mail, the Company will promptly e-mail them or deliver such paper copies, as the case may be, to such Purchaser or holder.

## **SECTION 8. PAYMENT AND PREPAYMENT OF THE NOTES**

**Section 8.1. Maturity** . As provided therein, the entire unpaid principal balance of each Note shall be due and payable on the Maturity Date thereof.

**Section 8.2. Optional Prepayments with Make-Whole Amount** . At any time prior to July 17, 2039, with respect to the 2039 Notes, July 17, 2049, with respect to the 2049 Notes, and August 18, 2059, with respect to the 2059 Notes, 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, in an amount not less than 10% of the aggregate principal amount of the Notes 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 written notice of each optional prepayment under this Section 8.2 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment unless the Company and the Required Holders agree to another time period pursuant to Section 17. Each such notice shall specify such date (which shall be a Business Day), 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 (determined in accordance with Section 8.3), 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.

At any time on or after July 17, 2039, with respect to the 2039 Notes, July 17, 2049, with respect to the 2049 Notes and August 18, 2059, with respect to the 2059 Notes, so long as no Default or Event of Default exists, the Notes of such series will be redeemable at the option of the Company, in an amount not less than 10% of the aggregate principal amount of the Notes of such series then outstanding, on not less than 10 nor more than 60 days' notice prior to the Settlement Date, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest thereon to the Settlement Date. The Notes are not otherwise subject to voluntary or optional prepayment.

**Section 8.3. Allocation of Partial Prepayments** . In the case of each partial prepayment of the Notes pursuant to the first paragraph of Section 8.2, the principal amount of such Notes to be prepaid shall be allocated among all of the Notes being prepaid at such time in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment. In the case of each partial prepayment of the applicable series of Notes pursuant to the second paragraph of Section 8.2, the principal amount of the Notes of such series 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 principal amounts thereof not theretofore called for prepayment.

**Section 8.4. 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 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 cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

**Section 8.5. 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 except (a) upon the payment or prepayment of the Notes in accordance with this Agreement and the Notes or (b) pursuant to an offer to purchase made by the Company or any Affiliate pro rata to the holders of all Notes at the time outstanding upon the same terms and conditions. Any such offer shall provide each holder with sufficient information to enable it to make an informed decision with respect to such offer, and shall remain open for at least 10 Business Days. If the holders of more than 25% of the principal amount of the Notes then outstanding accept such offer, the Company shall promptly notify the remaining holders of such fact and the expiration date for the acceptance by holders of Notes of such offer shall be extended by the number of days necessary to give each such remaining holder at least 10 Business Days from its receipt of such notice to accept such offer. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

**Section 8.6. 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 8.2 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, the sum of (a) 0.50% plus (b) the yield to maturity implied by the “Ask Yield(s)” 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 (**“Reported”**) having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there are no such U.S. Treasury securities Reported having a maturity equal to such Remaining Average Life, then such implied yield to maturity will be determined by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between the “Ask Yields” Reported for the applicable most recently issued actively traded on-the-run U.S. Treasury securities with the maturities (1) closest to and greater than such Remaining Average Life and (2) closest to and less than such 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.

If such yields are not Reported or the yields Reported as of such time are not ascertainable (including by way of interpolation), then **“Reinvestment Yield”** means, with respect to the Called Principal of any Note, the sum of (x) 0.50% plus (y) the yield to maturity implied by the U.S. Treasury constant maturity 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 the U.S. Treasury constant maturity having a term equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there is no such U.S. Treasury constant maturity having a term equal to such Remaining Average Life, such implied yield to maturity will be determined by interpolating linearly between (1) the U.S. Treasury constant maturity so reported with the term closest to and greater than such Remaining Average Life and (2) the U.S. Treasury constant maturity so reported with the term closest to and less than such 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 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, computed on the basis of a 360-day year

comprised of twelve 30-day months and calculated to two decimal places, 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 such Note, 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 8.2 or Section 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 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

**Section 8.7. Payments in Connection with Asset Sale** . If the Company makes an offer to prepay the Notes pursuant to Section 10.6, the Company will give written notice thereof to the holders of all outstanding Notes, which notice shall (i) refer specifically to this Section 8.7 and describe in reasonable detail the Disposition giving rise to such offer to prepay the Notes, (ii) specify the principal amount of each Note being offered to be prepaid which amount shall be allocated among all of the Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts not theretofore called for prepayment, (iii) specify a date not less than 30 days and not more than 60 days after the date of such notice (the **“Disposition Prepayment Date”**) and specify the Disposition Response Date (as defined below) and (iv) offer to prepay on the Disposition Prepayment Date the amount specified in (ii) above with respect to each Note together with interest accrued thereon to the Disposition Prepayment Date. Each holder of a Note shall notify the Company of such holder’s acceptance or rejection of such offer by giving written notice of such acceptance or rejection to the Company (*provided, however*, that any holder who fails to so notify the Company shall be deemed to have rejected such offer) on a date at least 5 days prior to the Disposition Prepayment Date (such date 5 days prior to the Disposition Prepayment Date being the **“Disposition Response Date”**), and the Company shall prepay on the Disposition Prepayment Date the amount specified in (ii) above plus interest accrued thereon to the Disposition Prepayment Date with respect to each Note held by the holders who have accepted such offer in accordance with this Section 8.7. No prepayment under this Section 8.7 shall include any Make-Whole Amount or other premium. If any holder shall reject such offer on or before the Disposition Response Date, such holder shall be deemed to have waived its rights under this Section 8.7 to require prepayment of all Notes held by such holder in respect of such Disposition.

**Section 8.8. Payments Due on Non-Business Days** . Anything in this Agreement or the Notes to the contrary notwithstanding, (x) except as set forth in clause (y), any payment of interest on any Note that is due on a date that is not 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; and (y) any payment of principal of or

Make-Whole Amount on any Note (including principal due on the Maturity Date of such Note) that is due on a date that is not a Business Day shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

### **Section 8.9. Change in Control.**

(a) *Notice of Change in Control or Control Event.* The Company will, within 15 Business Days after any Responsible Officer has knowledge of the occurrence of any Change in Control or Control Event, give written notice of such Change in Control or Control Event to each holder of Notes unless notice in respect of such Change in Control (or the Change in Control contemplated by such Control Event) shall have been given pursuant to paragraph (b) of this Section 8.9. If a Change in Control has occurred, such notice shall contain and constitute an offer to prepay Notes as described in paragraph (c) of this Section 8.9 and shall be accompanied by the certificate described in paragraph (g) of this Section 8.9.

(b) *Condition to Company Action.* The Company will not take any action that consummates or finalizes a Change in Control unless (i) at least 15 Business Days prior to such action it shall have given to each holder of Notes written notice containing and constituting an offer to prepay Notes as described in paragraph (c) of this Section 8.9, accompanied by the certificate described in paragraph (g) of this Section 8.9, and (ii) contemporaneously with such action, it prepays all Notes required to be prepaid in accordance with this Section 8.9.

(c) *Offer to Prepay Notes.* The offer to prepay the Notes contemplated by paragraphs (a) and (b) of this Section 8.9 shall be an offer to prepay, in accordance with and subject to this Section 8.9, all, but not less than all, of the Notes held by each holder (in this case only, “**holder**” in respect of any Note registered in the name of a nominee for a disclosed beneficial owner shall mean such beneficial owner) on a date specified in such offer which shall be a Business Day (the “**Proposed Prepayment Date**”). If such Proposed Prepayment Date is in connection with an offer contemplated by paragraph (a) of this Section 8.9, such date shall be not less than 25 days and not more than 45 days after the date of such offer (if the Proposed Prepayment Date shall not be specified in such offer, the Proposed Prepayment Date shall be the 30<sup>th</sup> day after the date of such offer).

(d) *Acceptance/Rejection.* A holder of Notes may accept the offer to prepay made pursuant to this Section 8.9 by causing a notice of such acceptance to be delivered to the Company at least 10 Business Days prior to the Proposed Prepayment Date. A failure by a holder of Notes to respond to an offer to prepay made pursuant to this Section 8.9 shall be deemed to constitute a rejection of such offer by such holder.

(e) *Prepayment.* Prepayment of the Notes to be prepaid pursuant to this Section 8.9 shall be at 100% of the principal amount of such Notes together with interest on such Notes accrued to the date of prepayment and without any Make-Whole Amount. On the Business Day preceding the date of prepayment, the Company shall deliver to each holder of Notes being prepaid a statement showing the amount due in connection with such prepayment and setting

forth the details of the computation of such amount. The prepayment shall be made on the Proposed Prepayment Date except as provided in paragraph (f) of this Section 8.9.

(f) *Deferral Pending Change in Control.* The obligation of the Company to prepay Notes pursuant to the offers required by paragraph (b) and accepted in accordance with paragraph (d) of this Section 8.9 is subject to the occurrence of the Change in Control in respect of which such offers and acceptances shall have been made. In the event that such Change in Control does not occur on the Proposed Prepayment Date in respect thereof, the prepayment shall be deferred until and shall be made on the date on which such Change in Control occurs which shall be a Business Day. The Company shall keep each holder of Notes reasonably and timely informed of (i) any such deferral of the date of prepayment, (ii) the date on which such Change in Control and the prepayment are expected to occur, and (iii) any determination by the Company that efforts to effect such Change in Control have ceased or been abandoned (in which case the offers and acceptances made pursuant to this Section 8.9 in respect of such Change in Control shall be deemed rescinded).

(g) *Officer's Certificate.* Each offer to prepay the Notes pursuant to this Section 8.9 shall be accompanied by a certificate, executed by a Senior Financial Officer of the Company and dated the date of such offer, specifying: (i) the Proposed Prepayment Date; (ii) that such offer is made pursuant to this Section 8.9; (iii) the interest that would be due on each Note offered to be prepaid, accrued to the Proposed Prepayment Date; (iv) that the conditions of this Section 8.9 have been fulfilled; (v) in reasonable detail, the nature and date or proposed date of the Change in Control; and (vi) that the failure to respond to such offer of prepayment shall constitute a rejection of such offer.

(h) *"Change in Control" Defined.* **"Change in Control"** means the occurrence of one or more of the following events:

(i) MDU Resources Group, Inc. ceases to own direct or indirect sole beneficial ownership (as such term is used in Rule 13d-3 under the Exchange Act as in effect on the date of this Agreement) of at least 66 2/3% of the combined voting power of the Company's securities which are entitled to vote generally in the election of the directors of the Company; or

(ii) the acquisition by any person (as such term is used in section 13(d) and section 14(d)(2) of the Exchange Act as in effect on the date of this Agreement) or persons constituting a group (as such term is used in Rule 13d-5 under the Exchange Act as in effect on the date of this Agreement) of direct or indirect beneficial ownership (as such term is used in Rule 13d-3 under the Exchange Act as in effect on the date of this Agreement) of more than 50% of the combined voting power of MDU Resources Group Inc.'s securities which are entitled to vote generally in the election of the directors of MDU Resources Group, Inc.

(i) *"Control Event" Defined.* **"Control Event"** means:

(i) the execution of any written agreement which, when fully performed by the parties thereto, would result in a Change in Control, or

(ii) the making of any written offer by any person (as such term is used in section 13(d) and section 14(d)(2) of the Exchange Act as in effect on the date of this Agreement) or persons constituting a group (as such term is used in Rule 13d-5 under the Exchange Act as in effect on the date of this Agreement) to the holders of the common stock of the Company, MDU Resources Group, Inc. or any other direct or indirect affiliate of MDU Resources Group, Inc. that directly or indirectly holds a beneficial ownership interest in the Company, which offer, if accepted by the requisite number of holders, would result in a Change in Control.

(j) *Assumptions.* All calculations contemplated in this Section 8.9 involving the capital stock or other equity interest of any Person shall be made with the assumption that all convertible securities of such Person then outstanding and all convertible securities issuable upon the exercise of any warrants, options and other rights outstanding at such time were converted at such time and that all options, warrants and similar rights to acquire shares of capital stock or other equity interests of such Person were exercised at such time.

## **SECTION 9. AFFIRMATIVE COVENANTS.**

From the date of this Agreement until the Second Closing and thereafter, so long as any of the Notes are outstanding the Company covenants that:

**Section 9.1. Compliance with Laws** . Without limiting Section 10.4, the Company will, and will cause each of its Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which it is subject (including ERISA, Environmental Laws, the USA PATRIOT Act and the other laws and regulations that are referred to in Section 5.16) and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of its properties or to the conduct of its 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.

**Section 9.2. Insurance** . The Company will, and will cause each of its Subsidiaries to, maintain, with financially sound and reputable insurers, insurance with respect to its 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 of established reputations engaged in the same or a similar business and similarly situated.

**Section 9.3. Maintenance of Properties** . The Company will, and will cause each of its Subsidiaries to, maintain and keep its 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 9.3 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.

**Section 9.4. Payment of Taxes and Claims** . The Company will, and will cause each of its Subsidiaries to, file all 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 imposed on it or any of its properties, assets, income or franchises, to the extent the same have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Company, *provided* that neither the Company nor any Subsidiary need pay any such tax, assessment, charge, levy or claim if (i) the amount, applicability or validity thereof is contested by the Company or any 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, assessments, charges, levies and claims could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

**Section 9.5. Corporate Existence, Etc** . Subject to Sections 10.2 and 10.6, the Company will at all times preserve and keep its corporate existence in full force and effect. Subject to Sections 10.2 and 10.6, 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 Wholly-Owned 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.

**Section 9.6. Books and Records** . The Company will, and will cause each of its Subsidiaries to, maintain proper books of record and account in conformity with GAAP and all applicable requirements of any Governmental Authority having legal or regulatory jurisdiction over the Company or such Subsidiary, as the case may be. The Company will, and will cause each of its Subsidiaries to, keep books, records and accounts which, in reasonable detail, accurately reflect all transactions and dispositions of assets. The Company and its Subsidiaries have devised a system of internal accounting controls sufficient to provide reasonable assurances that its books, records, and accounts accurately reflect all transactions and dispositions of assets and the Company will, and will cause each of its Subsidiaries to, continue to maintain such system.

**Section 9.7 Parity with Other Indebtedness.** The Company will, and will cause its Subsidiaries to, execute all such documents and take all such other actions as the Required Holders may reasonably request in order to assure that at all times the claim and rights of the holders of the Notes against the Company shall not be subordinate to, and shall rank *pari passu* in all respects, without preference or priority, with the claims and rights of the holders of all other Indebtedness of the Company or its Subsidiaries, except with respect to Indebtedness constituting Secured Indebtedness permitted pursuant to Section 10.9.

**Section 9.8 Post-Closing Filing.** Within 30 days after each Closing and for so long as the Company is obligated to file such a report, the Company will send the Purchasers or holders a copy of the Report of Securities Issued which has been delivered to the Federal Energy Regulatory Commission related to the issuance of the Notes at such Closing.

**Section 9.9 Subsidiary Guarantors.** The Company will cause each of its Subsidiaries that guarantees or otherwise becomes liable at any time, whether as a borrower or an additional or co-borrower or otherwise, for or in respect of any Indebtedness under any Material Credit Facility to concurrently therewith:

(a) enter into an agreement in form and substance satisfactory to the Required Holders providing for the guaranty by such Subsidiary, on a joint and several basis with all other such Subsidiaries, of (i) the prompt payment in full when due of all amounts payable by the Company pursuant to the Notes (whether for principal, interest, Make-Whole Amount or otherwise) and this Agreement, including all indemnities, fees and expenses payable by the Company thereunder and (ii) the prompt, full and faithful performance, observance and discharge by the Company of each and every covenant, agreement, undertaking and provision required pursuant to the Notes or this Agreement to be performed, observed or discharged by it (a “**Subsidiary Guaranty**”); and

(b) deliver the following to each holder of a Note:

(i) an executed counterpart of such Subsidiary Guaranty;

(ii) a certificate signed by an authorized responsible officer of such Subsidiary containing (A) representations and warranties on behalf of such Subsidiary to the same effect, *mutatis mutandis*, as those contained in Sections 5.1, 5.2, 5.6 and 5.7 of this Agreement (but with respect to such Subsidiary and such Subsidiary Guaranty rather than the Company) and (B) a representation that the claims and rights of the holders of the Notes against the Subsidiary Guarantor shall not be subordinate to, and shall rank *pari passu* in all respects, without preference or priority, with the claims and rights of any holders of any other Indebtedness of the Subsidiary Guarantor;

(iii) all documents as may be reasonably requested by the Required Holders to evidence the due organization, continuing existence and good standing of such Subsidiary and the due authorization by all requisite action on the part of such Subsidiary of the execution and delivery of such Subsidiary Guaranty and the performance by such Subsidiary of its obligations thereunder; and

(iv) an opinion of counsel reasonably satisfactory to the Required Holders covering such matters relating to such Subsidiary and such Subsidiary Guaranty as the Required Holders may reasonably request.

Although it will not be a Default or an Event of Default if the Company fails to comply with any provision of Section 9 on or after the date of this Agreement and prior to the First Closing, if

such a failure occurs, then any of the Purchasers at such First Closing may elect not to purchase such series of Notes on the date of the First Closing that is specified in Section 3.

#### **SECTION 10. NEGATIVE COVENANTS.**

From the date of this Agreement until the Second Closing and thereafter, so long as any of the Notes are outstanding the Company covenants that:

**Section 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 Material group of related transactions (including the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Subsidiary), except (a) 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 with a Person not an Affiliate, and (b) payments authorized or required by any regulatory rule or order of a Governmental Authority.

**Section 10.2. Merger, Consolidation, Etc** . The Company will not and will not permit any Subsidiary to consolidate with or merge with any other Person or convey, transfer, lease or otherwise dispose of all or substantially all of its Electric and Gas Utility Property in a single transaction or series of transactions to any Person unless:

(a) the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer, lease or other disposition of all or substantially all of the Electric and Gas Utility Property of the Company as an entirety, as the case may be, shall be a solvent corporation or limited liability company organized and existing under the laws of the United States or any state thereof (including the District of Columbia), and, if the Company is not such corporation or limited liability company, (i) such corporation or limited liability company shall have executed and delivered to each holder of any Notes its assumption of the due and punctual performance and observance of each covenant and condition of this Agreement and the Notes and (ii) such corporation or limited liability company shall have caused to be delivered to each holder of any Notes an opinion of nationally recognized independent counsel, or other independent counsel 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;

(b) the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer, lease or other disposition all or substantially all of the assets of any Subsidiary Guarantor as an entirety, as the case may be, shall be a solvent corporation or limited liability company organized and existing under the laws of the United States or any state thereof (including the District of Columbia), and, if the Subsidiary Guarantor is not such corporation or limited liability company, (i) such corporation or limited liability company shall have executed and delivered to each holder of any Notes its assumption of the due and punctual performance

and observance of each covenant and condition of the Subsidiary Guaranty of such Subsidiary Guarantor and (ii) such corporation or limited liability company shall have caused to be delivered to each holder of any Notes an opinion of nationally recognized independent counsel, or other independent counsel 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;

(c) each Subsidiary Guarantor under any Subsidiary Guaranty that is outstanding at the time such transaction or each transaction in such a series of transactions occurs (other than a Subsidiary Guarantor covered by subparagraph (a)(ii) of this Section 10.2) reaffirms its obligations under such Subsidiary Guaranty in writing at such time pursuant to documentation that is reasonably acceptable to the Required Holders; and

(d) immediately before and immediately after giving effect to such transaction or each transaction in any such series of transactions, no Default or Event of Default shall have occurred and be continuing and the Company could incur at least \$1.00 of additional Secured Indebtedness pursuant to Section 10.9.

*provided* that (y) a Subsidiary may merge with or into (i) the Company so long as the Company is the surviving corporation, or (ii) any one or more Subsidiaries so long as if such transaction is between a Subsidiary and a Wholly-Owned Subsidiary, the Wholly-Owned Subsidiary is the continuing or surviving corporation, and (z) any Subsidiary may convey, transfer, lease or otherwise dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise) to the Company or to a Wholly-Owned Subsidiary or as otherwise in compliance with paragraph (b) of this Section 10.2.

No such conveyance, transfer, lease or other disposition of substantially all of the Electric and Gas Utility Property of the Company or any Subsidiary Guarantor shall have the effect of releasing the Company, any Subsidiary Guarantor, or any successor corporation or limited liability company that shall theretofore have become such in the manner prescribed in this Section 10.2 from its liability under this Agreement, the Notes or a Subsidiary Guaranty. Upon the valid assumption by any successor corporation or limited liability company of the due and punctual performance and observance of each covenant and condition of this Agreement and the Notes, and the fulfillment of the other obligations in Section 10.2 to the reasonable satisfaction of the Required Holders, the conveyance, transfer, lease or other disposition of substantially all of the Electric and Gas Utility Property of the Company shall have the effect of releasing the Company from its liability under this Agreement and the Notes.

**Section 10.3. Line of Business** . The Company will not and will not permit any Subsidiary to engage in any business if, as a result, the general nature of the business in which the Company and its Subsidiaries, taken as a whole, would then be engaged would be substantially changed from the general nature of the business in which the Company and its Subsidiaries, taken as a whole, are engaged on the date of this Agreement.

**Section 10.4. Economic Sanctions, Etc..** The Company will not, and will not permit any Controlled Entity to (a) become (including by virtue of being owned or controlled by a Blocked Person), own or control a Blocked Person or (b) directly or indirectly have any investment in or engage in any dealing or transaction (including any investment, dealing or transaction involving the proceeds of the Notes) with any Person if such investment, dealing or transaction (i) would cause any Purchaser or holder or any affiliate of such Purchaser or holder to be in violation of, or subject to sanctions under, any law or regulation applicable to such holder, or (ii) is prohibited by or subject to sanctions under any U.S. Economic Sanctions Laws.

**Section 10.5. Liens** . The Company will not and will not permit any of its Subsidiaries to directly or indirectly create, incur, assume or permit to exist (upon the happening of a contingency or otherwise) any Lien on or with respect to any property or asset (including any document or instrument in respect of goods or accounts receivable) of the Company or any such Subsidiary, whether now owned or held or hereafter acquired, or any income or profits therefrom, or assign or otherwise convey any right to receive income or profits, except:

(a) Liens for taxes, fees, assessments or other governmental charges which are not yet due and payable or the payment of which is not at the time required by Section 9.4;

(b) Liens incidental to the conduct of business or the ownership of properties and assets (including landlord's, carriers', warehousemen's, mechanics', materialmen's and other similar Liens and Liens arising under operating, pooling or unitizing agreements of a scope and nature customary in the oil and gas industry) and Liens to secure the performance of bids, tenders, leases, or trade contracts, or to secure statutory obligations (including obligations under workers compensation, unemployment insurance and other social security legislation), surety, reclamations or appeal bonds or other Liens incurred in the ordinary course of business and not in connection with the borrowing of money;

(c) Liens resulting from judgments or judicial attachments unless such judgments or judicial attachments are not, within 60 days, discharged or stayed pending appeal, or shall not have been discharged within 60 days after the expiration of any such stay;

(d) Liens existing on the date of this Agreement and described on Schedule 10.5;

(e) minor survey exceptions and the like which do not in any Material respect detract from the value of such property;

(f) leases, subleases, easements, rights-of-way, restrictions and other similar charges or encumbrances incidental to the ownership of property or assets or the ordinary conduct of the Company's and its Subsidiaries' business, *provided* that the aggregate of such Liens do not in any Material respect detract from the value of such property;

(g) Liens (i) existing on property at the time of its acquisition or construction by the Company or any Subsidiary and not created in contemplation thereof, (ii) on property created contemporaneously with its acquisition or within 180 days of the acquisition or completion of construction or improvement thereof to secure or provide for all or a

portion of the purchase price or cost of construction or improvement of such property after the date of Closing, or (iii) existing on property of a Person at the time such Person is consolidated or merged with, or substantially all of its assets are acquired by, the Company or any Subsidiary and not created in contemplation thereof; *provided* that in the case of clauses (i), (ii) and (iii) such Liens do not extend to any additional property of the Company or any Subsidiary (other than property that is an improvement to or extension of or is acquired for specific use in connection with the subject property) and, in the case of clause (ii) only, that the aggregate principal amount of Indebtedness secured by each such Lien does not exceed the lesser of the fair market value (determined in good faith by the board of directors of the Company) or cost of acquisition or construction of the property subject thereto;

(h) Liens securing obligations in respect of Capital Leases on assets subject to such leases, *provided* that such Capital Leases are otherwise permitted hereunder;

(i) Liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; *provided* that (i) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by the Company or any Subsidiary in excess of those set forth by regulations promulgated by the Board of Governors of the Federal Reserve System, and (ii) such deposit account is not intended by the Company to provide collateral to the depository institution;

(j) any Lien renewing, extending or replacing Liens permitted by subsections (d), (g), (h), (l) and (m) hereof, *provided* that (i) the principal amount of the Indebtedness secured by such Lien immediately prior to such extension, renewal or refunding is not increased or the maturity thereof reduced, (ii) such Lien is not extended to any other property and (iii) immediately after such extension, renewal, or refunding, no Default or Event of Default would exist;

(k) Liens created under or in connection with the Indenture as the Indenture exists on the date hereof without regard to any waiver, amendment, modification or restatement thereof;

(l) Liens securing Indebtedness relating to governmental obligations the interest on which is not included in gross income for purpose of federal income taxation pursuant to Section 103 of the Code (or any successor provision of law), for the purpose of financing or refinancing, in whole or in part, costs of acquisition or construction of property to be used by the Company or any Subsidiary, to the extent that the Lien which secures such Indebtedness is required either by applicable law or by the issuer of such governmental obligations or is otherwise necessary in order to establish or maintain such exclusion from gross income;

(m) Liens securing Indebtedness (i) which is related to the construction or acquisition of property not previously owned by the Company or any Subsidiary or (ii)

which is related to the financing of a project involving the development or expansion of property of the Company or any Subsidiary and (iii) in either case, the obligee in respect of which has no recourse to the Company or any Subsidiary or any property of the Company or any Subsidiary other than the property constructed or acquired with the proceeds of such transaction (or the proceeds of such property or such project); and

(n) Liens not permitted by foregoing clauses (a) through (m), inclusive, *provided* that at the time of the granting of such Lien and after giving effect thereto, no Default or Event of Default shall have occurred hereunder and the Company could incur at least \$1.00 of additional Secured Indebtedness pursuant to Section 10.9.

**Section 10.6. Sale of Assets** . (a) Except as set forth in Section 10.6(b), the Company will not, and will not permit any Subsidiary to, lease, sell or otherwise dispose of all, or a substantial portion of, its Electric and Gas Utility Property (whether in one transaction or in a series of transactions) to any other Person (a “**Disposition**”), except for sales of inventory (including inventory comprised of electric energy, gas, oil, coal and other material and products generated, manufactured, produced or purchased for sale, distribution or use in the ordinary course of business), or used, worn-out, damaged or surplus equipment, all in the ordinary course of business. For purposes of this Section 10.6, “**substantial portion**” shall mean, at any time, the cumulative amount of proceeds received after the date of Closing from Dispositions (including equity interests in other Persons) of Electric and Gas Utility Property, but only to the extent that such cumulative amount exceeds 20% of the Electric and Gas Utility Property as reflected in the Company’s most recent annual or quarterly balance sheet delivered pursuant to Section 7.1 at or prior to such time.

(b) The Company or any Subsidiary may make a Disposition (and the amount of proceeds received from such Disposition shall not be included in the computation of “substantial portion”) if:

(i) the net proceeds from such Disposition are reinvested in productive assets to be used in the existing business of the Company or such Subsidiary; or

(ii) the net proceeds from such Disposition are applied to the payment or prepayment of Senior Indebtedness, including an offer to prepay the Notes on a pro rata basis with other Senior Indebtedness of the Company (other than Senior Indebtedness in respect of any revolving credit or similar credit facility providing the Company with the right to obtain loans or other extensions of credit from time to time, except to the extent that in connection with such payment of Senior Indebtedness the available credit under such credit facility is permanently reduced by an amount not less than the amount of such proceeds applied to the payment of Senior Indebtedness).

For purposes of foregoing clause (b), in the event that the Company shall offer to prepay the Notes, such offer shall be made in accordance with Section 8.7 hereof. To the extent a holder rejects a prepayment offer given in accordance with Section 8.7, the net proceeds which would

have been paid to such holder shall be deemed to have been applied to pay Senior Indebtedness for purposes of subsection (b) above.

**Section 10.7. Maximum Capitalization Ratio.** The Company will not permit the Capitalization Ratio to exceed 65% at any time.

**Section 10.8. Minimum Interest Coverage Ratio.** The Company will not permit the ratio of EBIT to Interest Expense, in each case calculated for the period of four consecutive financial quarters ending on the date of calculation, to be less than 1.50 to 1.00 as of the last day of any fiscal quarter during the term hereof.

**Section 10.9. Incurrence of Secured Indebtedness .** The Company will not create, incur, assume, guarantee, or otherwise become liable with respect to any Secured Indebtedness (unless the Company makes, or causes to be made, effective provision whereby the Notes will be equally and ratably secured with any and all other obligations thereby secured so long as such other obligations shall be so secured, such security to be pursuant to any agreement reasonably satisfactory to the Required Holders and, in any case, the Notes shall have the benefit, to the fullest extent that, and with such priority as, the holders of the Notes may be entitled under applicable law, of an equitable Lien on such property), unless on the date the Company becomes liable with respect to any such Secured Indebtedness and immediately after giving effect thereof and the concurrent retirement of any other Secured Indebtedness,

- (a) no Default or Event of Default exists, and
- (b) Secured Indebtedness does not exceed 5% of Total Company Capitalization.

Although it will not be a Default or an Event of Default if the Company fails to comply with any provision of Section 10 on or after the date of this Agreement and prior to the First Closing, if such a failure occurs, then any of the Purchasers at such First Closing may elect not to purchase such series of Notes on the date of the First Closing that is specified in Section 3.

**Section 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 or 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 five Business Days after the same becomes due and payable;

or

(c) the Company defaults in the performance of or compliance with any term contained in Section 7.1(f), Section 10.1, Section 10.2 or Sections 10.5 through 10.9; or

(d) the Company or any Subsidiary Guarantor defaults in the performance of or compliance with any term contained herein (other than those referred to in Sections 11(a), (b) and (c)) or in any Subsidiary Guaranty and such default is not remedied within 30 days after the earlier of (i) a Responsible 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 Section 11(d)); or

(e) (i) 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 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 (ii) any representation or warranty made in writing by or on behalf of any Subsidiary Guarantor or by any officer of such Subsidiary Guarantor in any Subsidiary Guaranty or any writing furnished in connection with such Subsidiary Guaranty 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 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 \$15,000,000 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 (or one or more Persons are entitled to declare such Indebtedness to be), due and payable before its stated maturity or before its regularly scheduled dates of payment, or (iii) as a consequence of the occurrence or continuation of any event or condition (other than the passage of time or the right of the holder of Indebtedness to convert such Indebtedness into equity interests), (x) the Company or any Subsidiary has become obligated to purchase or repay Indebtedness before its regular maturity or before its regularly scheduled dates of payment in an aggregate outstanding principal amount of at least \$15,000,000, or (y) one or more Persons have the right to require the Company or any Subsidiary so to purchase or repay such Indebtedness; or

(g) the Company or any 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 other Governmental Authority of competent jurisdiction enters an order appointing, without consent by the Company or any of its 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 Subsidiaries, or any such petition shall be filed against the Company or any of its Subsidiaries and such petition shall not be dismissed within 60 days; or

(i) any event occurs with respect to the Company or any Subsidiary which under the laws of any jurisdiction is analogous to any of the events described in Section 11(g) or Section 11(h), *provided* that the applicable grace period, if any, which shall apply shall be the one applicable to the relevant proceeding which most closely corresponds to the proceeding described in Section 11(g) or Section 11(h); or

(j) one or more final judgments or orders for the payment of money aggregating in excess of \$25,000,000, including any such final order enforcing a binding arbitration decision, 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

(k) (i) an ERISA Event with respect to a Pension Plan or Multiemployer Plan, or an ERISA Termination Event with respect to a Pension Plan, shall occur 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; or

(l) any Subsidiary Guaranty shall cease to be in full force and effect, any Subsidiary Guarantor or any Person acting on behalf of any Subsidiary Guarantor shall contest in any manner the validity, binding nature or enforceability of any Subsidiary Guaranty, or the obligations of any Subsidiary Guarantor under any Subsidiary Guaranty

are not or cease to be legal, valid, binding and enforceable in accordance with the terms of such Subsidiary Guaranty.

## **SECTION 12. REMEDIES ON DEFAULT, ETC.**

**Section 12.1. Acceleration** . (a) If an Event of Default with respect to the Company described in Section 11(g), (h) or (i) (other than an Event of Default described in clause (i) of Section 11(g) or described in clause (vi) of Section 11(g) by virtue of the fact that such clause encompasses clause (i) of Section 11(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 may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in Section 11(a) or (b) 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 (including interest accrued thereon at the applicable Default Rate) and (y) the Make-Whole Amount determined in respect of such principal amount, 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.

**Section 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 Subsidiary Guaranty, 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 by law or otherwise.

**Section 12.3. Rescission** . At any time after any Notes have been declared due and payable pursuant to Section 12.1(b) or (c), the Required Holders of the Notes then outstanding, 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 applicable Default Rate, (b) neither the Company nor any other Person shall have paid any amounts which have become due solely by reason of such declaration, (c) 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 (d) 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.

**Section 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, any Subsidiary Guaranty or 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 reasonable attorneys' fees, expenses and disbursements.

### **SECTION 13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES**

**Section 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. If any holder of one or more Notes is a nominee, then (a) the name and address of the beneficial owner of such Note or Notes shall also be registered in such register as an owner and holder thereof and (b) at any such beneficial owner's option, either such beneficial owner or its nominee may execute any amendment, waiver or consent pursuant to this Agreement. 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.

**Section 13.2. Transfer and Exchange of Notes** . Upon surrender of any Note to the Company at the address and to the attention of the designated officer (all as specified in Section 18(iii)), for registration of transfer or exchange (and in the case of a surrender for registration of transfer accompanied by a written instrument of transfer duly executed by the registered holder of such Note or such holder's attorney duly authorized in writing and accompanied by the relevant name, address and other information for notices of each transferee of such Note or part thereof), within 10 Business Days thereafter, the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes of the

same series (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 (i) Schedule 1(a), in the case of a 2039 Note, (ii) Schedule 1(b), in the case of a 2049 Note, and (iii) Schedule 1(c), in the case of a 2059 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 \$400,000, provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes of a series, one Note of such series may be in a denomination of less than \$400,000. 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.

**Section 13.3. Replacement of Notes** . Upon receipt by the Company at the address and to the attention of the designated officer (all as specified in Section 18(iii)) 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, or is a nominee for, an original Purchaser or another holder of a Note with a minimum net worth of at least \$50,000,000 or a Qualified Institutional Buyer, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

within 10 Business Days thereafter, the Company at its own expense shall execute and deliver, in lieu thereof, a new Note of the same series, 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.

#### **SECTION 14. PAYMENTS ON NOTES**

**Section 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 KeyBanc Capital Markets 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.

**Section 14.2. Payment by Wire Transfer** . So long as any Purchaser or its nominee 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, interest and all other amounts becoming due hereunder by the

method and at the address specified for such purpose below such Purchaser's name in Schedule B, or by such other method or at such other address as such Purchaser 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 or its nominee, 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 of the same series 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 a 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.

**Section 14.3. FATCA Information** .. By acceptance of any Note, the holder of such Note agrees that such holder will with reasonable promptness duly complete and deliver to the Company, or to such other Person as may be reasonably requested by the Company, from time to time (a) in the case of any such holder that is a United States Person, such holder's United States tax identification number or other Forms reasonably requested by the Company necessary to establish such holder's status as a United States Person under FATCA and as may otherwise be necessary for the Company to comply with its obligations under FATCA and (b) in the case of any such holder that is not a United States Person, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation as may be necessary for the Company to comply with its obligations under FATCA and to determine that such holder has complied with such holder's obligations under FATCA or to determine the amount (if any) to deduct and withhold from any such payment made to such holder. Nothing in this Section 14.3 shall require any holder to provide information that is confidential or proprietary to such holder unless the Company is required to obtain such information under FATCA and, in such event, the Company shall treat any such information it receives as confidential.

## **SECTION 15. EXPENSES, ETC** .

**Section 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 by the Required Holders, local or other counsel) incurred by the Purchasers and 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, any Subsidiary Guaranty or the Notes (whether or not such amendment, waiver or consent becomes effective), including: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement, any Subsidiary Guaranty or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement, any Subsidiary Guaranty or the Notes, or by reason of being a holder of any Note, (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 and any Subsidiary Guaranty and (c) the costs and expenses incurred in connection with the initial filing of this Agreement and all related documents and financial information with the SVO *provided*, that such costs and expenses under this clause (c) shall not exceed \$4,000 per series of Notes. If required by the NAIC, the Company shall obtain and maintain at its own cost and expense a Legal Entity Identifier (LEI).

The Company will pay, and will save each Purchaser and each other holder of a Note harmless from, (i) all claims in respect of any fees, costs or expenses, if any, of brokers and finders (other than those, if any, retained by a Purchaser or other holder in connection with its purchase of the Notes), (ii) any and all wire transfer fees that any bank or other financial institution deducts from any payment under such Note to such holder or otherwise charges to a holder of a Note with respect to a payment under such Note and (iii) any judgment, liability, claim, order, decree, fine, penalty, cost, fee, expense (including reasonable attorneys' fees and expenses) or obligation resulting from the consummation of the transactions contemplated hereby, including the use of the proceeds of the Notes by the Company.

**Section 15.2. Certain Taxes.** The Company agrees to pay all stamp, documentary or similar taxes or fees which may be payable in respect of the execution and delivery or the enforcement of this Agreement or any Subsidiary Guaranty or the execution and delivery (but not the transfer) or the enforcement of any of the Notes in the United States or any other jurisdiction where the Company or any Subsidiary Guarantor has assets or of any amendment of, or waiver or consent under or with respect to, this Agreement or any Subsidiary Guaranty or of any of the Notes, and to pay any value added tax due and payable in respect of reimbursement of costs and expenses by the Company pursuant to this Section 15, and will save each holder of a Note to the extent permitted by applicable law harmless against any loss or liability resulting from nonpayment or delay in payment of any such tax or fee required to be paid by the Company hereunder.

**Section 15.3. 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, any Subsidiary Guaranty or the Notes, and the termination of this Agreement.

## **SECTION 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 such 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, the Notes and any Subsidiary

Guaranties embody the entire agreement and understanding between each Purchaser and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

## **SECTION 17. AMENDMENT AND WAIVER .**

**Section 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), only with the written consent of the Company and the Required Holders, except that:

(a) no amendment or waiver of any of Sections 1, 2, 3, 4, 5, 6 or 21 hereof, or any defined term (as it is used therein), will be effective as to any Purchaser unless consented to by such Purchaser in writing; and

(b) no amendment or waiver may, without the written consent of each Purchaser and the holder of each Note at the time outstanding, (i) subject to Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of (x) interest on the Notes or (y) the Make-Whole Amount, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any amendment or waiver or the principal amount of the Notes that the Purchasers are to purchase pursuant to Section 2 upon the satisfaction of the conditions that appear in Section 4, or (iii) amend any of Section 8 (except as set forth in the second sentence of Section 8.2) and Sections 11(a), 11(b), 12, 17 or 20.

### **Section 17.2. Solicitation of Holders of Notes .**

(a) *Solicitation.* The Company will provide each Purchaser and each holder of a Note with sufficient information, sufficiently far in advance of the date a decision is required, to enable such Purchaser and 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 or any Subsidiary Guaranty. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to this Section 17 or any Subsidiary Guaranty to each Purchaser and each holder of a Note promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite Purchasers or 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 or provide other credit support, to any Purchaser or holder of a Note as consideration for or as an inducement to the entering into by such Purchaser or holder of any waiver or amendment of any of the terms and provisions hereof or of any Subsidiary Guaranty or any Note unless such remuneration is concurrently paid, or security is concurrently granted or other credit support concurrently provided, on the same terms, ratably to each Purchaser and each holder of a Note even if such Purchaser or holder did not consent to such waiver or amendment.

(c) *Consent in Contemplation of Transfer.* Any consent given pursuant to this Section 17 or any Subsidiary Guaranty by a holder of a Note that has transferred or has agreed to transfer its Note to (i) the Company, (ii) any Subsidiary or any other Affiliate or (iii) any other Person in connection with, or in anticipation of, such other Person acquiring, making a tender offer for or merging with the Company and/or any of its Affiliates), in each case in connection with such consent, shall be void and of no force or effect except solely as to such holder, and any amendments effected or waivers granted or to be effected or granted that would not have been or would not be so effected or granted but for such consent (and the consents of all other holders of Notes that were acquired under the same or similar conditions) shall be void and of no force or effect except solely as to such holder.

**Section 17.3. Binding Effect, Etc** . Any amendment or waiver consented to as provided in this Section 17 or any Subsidiary Guaranty applies equally to all Purchasers and 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 any Purchaser or holder of a Note and no delay in exercising any rights hereunder or under any Note or Subsidiary Guaranty shall operate as a waiver of any rights of any Purchaser or holder of such Note.

**Section 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, any Subsidiary Guaranty or the Notes, or have directed the taking of any action provided herein or in any Subsidiary Guaranty or 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.

**Section 17.5. 2059 Notes Deemed Outstanding.** Solely for the purpose of the provisions of this Section 17, the 2059 Notes shall be deemed outstanding on the First Closing.

## **SECTION 18. NOTICES** .

Except to the extent otherwise provided in Section 7.4, 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 an internationally recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by an internationally recognized overnight delivery service (with charges prepaid), or (d) by electronic communication (including e-mail) to those Purchasers who include an e-mail address in Schedule B specifically for such purpose. Any such notice must be sent:

(i) if to any Purchaser or its nominee, to such Purchaser or nominee at the address or e-mail address specified for such communications in Schedule B, or at such

other address or e-mail address as such Purchaser or nominee shall have specified to the Company in writing,

(ii) if to any other holder of any Note, to such holder at such address or e-mail address 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 Treasury Services@MDUResources.com, or at such other 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.

#### **SECTION 19. REPRODUCTION OF DOCUMENTS .**

This Agreement and all documents relating thereto, including (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by any Purchaser at a Closing (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, 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 such 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.

#### **SECTION 20. CONFIDENTIAL INFORMATION .**

For the purposes of this Section 20, “**Confidential Information**” means information delivered to any Purchaser 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 such Purchaser as being confidential information of the Company or any Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to such Purchaser prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such Purchaser or any Person acting on such Purchaser’s behalf, (c) otherwise becomes known to such Purchaser other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to such Purchaser under Section 7.1 that are otherwise publicly available. Each Purchaser will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by such Purchaser in good faith to protect confidential information of third parties delivered to such Purchaser, provided that such Purchaser may deliver or disclose Confidential Information to

(i) its directors, officers, employees, agents, attorneys, trustees and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by its Notes), (ii) its auditors, financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with this Section 20, (iii) any other holder of any Note, (iv) any Institutional Investor to which it sells or offers 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 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 this Section 20), (vi) any federal or state regulatory authority having jurisdiction over such Purchaser, (vii) the NAIC or the SVO or, in each case, any similar organization, or any nationally recognized rating agency that requires access to information about such Purchaser's 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 such Purchaser, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which such Purchaser is a party or (z) if an Event of Default has occurred and is continuing, to the extent such Purchaser 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 such Purchaser's Notes, this Agreement or any Subsidiary Guaranty. 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 this Section 20.

In the event that as a condition to receiving access to information relating to the Company or its Subsidiaries in connection with the transactions contemplated by or otherwise pursuant to this Agreement, any Purchaser or holder of a Note is required to agree to a confidentiality undertaking (whether through IntraLinks, another secure website, a secure virtual workspace or otherwise) which is different from this Section 20, this Section 20 shall not be amended thereby and, as between such Purchaser or such holder and the Company, this Section 20 shall supersede any such other confidentiality undertaking.

## **SECTION 21. SUBSTITUTION OF PURCHASER**

Each Purchaser shall have the right to substitute any one of its Affiliates or another Purchaser or any one of such other Purchaser's Affiliates (a "**Substitute Purchaser**") as the purchaser of the Notes that it has agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both such Purchaser and such Substitute Purchaser, shall contain such Substitute Purchaser's agreement to be bound by this Agreement and shall contain a confirmation by such Substitute Purchaser of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, any reference to such Purchaser in this Agreement (other than in this Section 21), shall be deemed to refer to such Substitute Purchaser in lieu of such original Purchaser. In the event that such Substitute Purchaser is so substituted as a Purchaser hereunder and such Substitute Purchaser thereafter

transfers to such original Purchaser all of the Notes then held by such Substitute Purchaser, upon receipt by the Company of notice of such transfer, any reference to such Substitute Purchaser as a "Purchaser" in this Agreement (other than in this Section 21), shall no longer be deemed to refer to such Substitute Purchaser, but shall refer to such original Purchaser, and such original Purchaser shall again have all the rights of an original holder of the Notes under this Agreement.

## **SECTION 22. MISCELLANEOUS .**

**Section 22.1. Successors and Assigns .** All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including any subsequent holder of a Note) whether so expressed or not, except that, subject to Section 10.2, the Company may not assign or otherwise transfer any of its rights or obligations hereunder or under the Notes without the prior written consent of each holder. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto and their respective successors and assigns permitted hereby) any legal or equitable right, remedy or claim under or by reason of this Agreement.

**Section 22.2. 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 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.

**Section 22.3. 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.

**Section 22.4. Construction, Etc .** 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.

Defined terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding

masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein) and, for purposes of the Notes, shall also include any such notes issued in substitution therefor pursuant to Section 13, (b) subject to Section 22.1, any reference herein to any Person shall be construed to include such Person’s successors and assigns, (c) the words “herein,” “hereof” and “hereunder,” and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Sections and Schedules shall be construed to refer to Sections of, and Schedules to, this Agreement, and (e) any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time.

**Section 22.5. 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 a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

**Section 22.6. 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 choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

**Section 22.7. Jurisdiction and Process; Waiver of Jury Trial** . (a) The Company irrevocably submits to the non-exclusive jurisdiction of any New York State or federal court sitting in the Borough of Manhattan, The City of New York, over any suit, action or proceeding arising out of or relating to this Agreement or the Notes. To the fullest extent permitted by applicable law, the Company irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) The Company agrees, to the fullest extent permitted by applicable law, that a final judgment in any suit, action or proceeding of the nature referred to in Section 22.7(a) brought in any such court shall be conclusive and binding upon it subject to rights of appeal, as the case may be, and may be enforced in the courts of the United States of America or the State of New York (or any other courts to the jurisdiction of which it or any of its assets is or may be subject) by a suit upon such judgment .

(c) The Company consents to process being served by or on behalf of any holder of Notes in any suit, action or proceeding of the nature referred to in Section 22.7(a) by mailing a copy thereof by registered, certified, priority or express mail (or any substantially similar form of

mail), postage prepaid, return receipt or delivery confirmation requested, to it at its address specified in Section 18 or at such other address of which such holder shall then have been notified pursuant to said Section. The Company agrees that such service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by applicable law, be taken and held to be valid personal service upon and personal delivery to it. Notices hereunder shall be conclusively presumed received as evidenced by a delivery receipt furnished by the United States Postal Service or any reputable commercial delivery service.

(d) Nothing in this Section 22.7 shall affect the right of any holder of a Note to serve process in any manner permitted by law, or limit any right that the holders of any of the Notes may have to bring proceedings against the Company in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

(e) THE PARTIES HERETO HEREBY WAIVE TRIAL BY JURY IN ANY ACTION BROUGHT ON OR WITH RESPECT TO THIS AGREEMENT, THE NOTES OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION HERewith OR THEREWITH.

\* \* \* \* \*

If you are in agreement with the foregoing, please sign the form of agreement on a counterpart of this Agreement and return it to the Company, whereupon this Agreement shall become a binding agreement between you and the Company.

Very truly yours,

MONTANA-DAKOTA UTILITIES CO.

By: /s/ Nicole A. Kivisto  
Nicole A. Kivisto

Chief Executive Officer

President and

This Agreement is hereby accepted and agreed to as of the date hereof.

AMERICAN GENERAL LIFE INSURANCE COMPANY  
THE UNITED STATES LIFE INSURANCE COMPANY IN THE CITY OF NEW YORK  
THE VARIABLE ANNUITY LIFE INSURANCE COMPANY

By: AIG Asset Management (U.S.), LLC, as Investment Adviser

By: /s/ Andrew Bouffard

Name: Andrew Bouffard

Title: Vice President

This Agreement is hereby accepted and agreed to as of the date hereof.

AMERICAN EQUITY INVESTMENT LIFE INSURANCE COMPANY

By: /s/ Jeffrey A. Fossell

Name: Jeffrey A. Fossell

Title: Authorized Signatory

This Agreement is hereby accepted and agreed to as of the date hereof.

COUNTRY LIFE INSURANCE COMPANY

By: /s/ John A. Jacobs

Jacobs

Fixed Income

Name: John A.

Title: Director -

This Agreement is hereby accepted and agreed to as of the date hereof.

GENWORTH LIFE INSURANCE COMPANY OF NEW YORK

By: /s/ Stuart Shepetin

Shepetin

Officer

Name: Stuart

Title: Investment

GENWORTH LIFE AND ANNUITY INSURANCE COMPANY

By: /s/ Stuart Shepetin

Shepetin

Officer

Name: Stuart

Title: Investment

This Agreement is hereby accepted and agreed to as of the date hereof.

BERKSHIRE LIFE INSURANCE COMPANY OF AMERICA

By: /s/ Brian Keating

Keating

Managing Director

Name: Brian

Title: Senior

This Agreement is hereby accepted and agreed to as of the date hereof.

MUTUAL OF OMAHA INSURANCE COMPANY

By: /s/ Lee Martin

Martin

President

Name: Lee

Title: Vice

UNITED OF OMAHA LIFE INSURANCE COMPANY

By: /s/ Lee Martin

Martin

President

Name: Lee

Title: Vice

This Agreement is hereby accepted and agreed to as of the date hereof.

THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY

By: Northwestern Mutual Investment

Company, LLC,

adviser

Management

its investment

By: /s/ Brian P. McDonald

Name: Brian P. McDonald

Managing Director

THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY FOR ITS GROUP ANNUITY SEPARATE  
ACCOUNT

By: /s/ Brian P. McDonald

Name: Brian P. McDonald

Its Authorized Representative

This Agreement is hereby accepted and agreed to as of the date hereof.

PACIFIC LIFE INSURANCE COMPANY

By: /s/ Matthew A. Levene

A. Levene

Vice President

Name: Matthew

Title: Assistant

By: /s/ Cathy L. Schwartz

Schwartz

Secretary

Name: Cathy L.

Title: Assistant

This Agreement is hereby accepted and agreed to as of the date hereof.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: /s/ Callie Hamilton  
Vice President

PHYSICIANS MUTUAL INSURANCE COMPANY

By: Prudential Private Placement Investors,  
L.P. (as Investment Advisor)

By: Prudential Private Placement Investors, Inc.  
(as its General Partner)  
By: /s/ Callie Hamilton  
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/ Callie Hamilton  
Vice President

THE INDEPENDENT ORDER OF FORESTERS

By: Prudential Private Placement Investors,  
L.P. (as Investment Advisor)  
By: Prudential Private Placement Investors, Inc.  
(as its General Partner)

By: /s/ Callie Hamilton  
Vice President

This Agreement is hereby accepted and agreed to as of the date hereof.

SOUTHERN FARM BUREAU LIFE INSURANCE COMPANY

By: /s/ David Divine

Divine

Portfolio Manager

Title: David

Name: Senior

This Agreement is hereby accepted and agreed to as of the date hereof.

THRIVENT FINANCIAL FOR LUTHERANS

By: /s/ William J. Hochmuth

Name: William J. Hochmuth

Title: Managing Director

## DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

“**2039 Notes**” is defined in Section 1.

“**2049 Notes**” is defined in Section 1.

“**2059 Notes**” is defined in Section 1.

“**Adjusted Total Capitalization**” means, at any time, the sum of (i) the total stockholders’ equity in the Company determined in accordance with GAAP, plus (ii) Total Debt, minus (iii) amounts attributable to mandatorily Redeemable Preferred Stock of the Company determined in accordance with GAAP.

“**Affiliate**” means, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and, with respect to the Company, shall include any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Company or any Subsidiary or any Person of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests. Unless the context otherwise clearly requires, any reference to an “Affiliate” is a reference to an Affiliate of the Company.

“**Agreement**” means this Note Purchase Agreement, including all Schedules attached to this Agreement.

“**Anti-Corruption Laws**” means any law or regulation in a U.S. or any non-U.S. jurisdiction regarding bribery or any other corrupt activity, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010.

“**Anti-Money Laundering Laws**” means any law or regulation in a U.S. or any non-U.S. jurisdiction regarding money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes, including the Currency and Foreign Transactions Reporting Act of 1970 (otherwise known as the Bank Secrecy Act) and the USA PATRIOT Act.

“**Attributable Debt**” means, as to any particular lease relating to a Sale-and-Leaseback Transaction, the greater of (i) the present value of all Lease Rentals required to be paid by the Company or any Subsidiary under such lease during the remaining term thereof (determined in accordance with GAAP using a discount factor equal to the interest rate implicit in such lease if known or, if not known, of 8% *per annum*) and (ii) the Fair Market Value of the property subject to such Sale-and-Leaseback Transaction as determined at the time of consummation of such Sale-and-Leaseback Transaction.

## SCHEDULE A

{00386142.DOC; 11} (To Note Purchase Agreement)

**“Blocked Person”** means (a) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by OFAC, (b) a Person, entity, organization, country or regime that is blocked or a target of sanctions that have been imposed under U.S. Economic Sanctions Laws or (c) a Person that is an agent, department or instrumentality of, or is otherwise beneficially owned by, controlled by or acting on behalf of, directly or indirectly, any Person, entity, organization, country or regime described in clause (a) or (b).

**“Business Day”** means any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed.

**“Capital Lease”** means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

**“Capitalization Ratio”** means the ratio of Total Debt to Adjusted Total Capitalization.

**“Change in Control”** is defined in Section 8.9(h).

**“Closing”** is defined in Section 3.

**“Code”** means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

**“Company”** is defined in the first paragraph of this Agreement.

**“Company Indebtedness”** shall mean, as of any date of determination, the total of all Indebtedness of the Company (including any divisions of the Company not constituting separate Persons but excluding its Subsidiaries) outstanding on such date.

**“Confidential Information”** is defined in Section 20.

**“Consolidated Net Income”** means, for any period, consolidated net income (or net loss) of the Company and its Subsidiaries for such period as determined in accordance with GAAP computed for the purposes of this definition without giving effect to extraordinary losses or extraordinary gains for such period.

**“Consolidated Net Worth”** means, at any time, the excess of total assets of the Company over total liabilities of the Company as of the last day of the fiscal quarter most recently then ended, determined on a consolidated basis in accordance with GAAP.

**“Control”** means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise; and the terms **“Controlled”** and **“Controlling”** shall have meanings correlative to the foregoing.

“**Control Event**” is defined in Section 8.9(i).

“**Controlled Entity**” means (a) any of the Subsidiaries of the Company and any of their or the Company’s respective Controlled Affiliates and (b) if the Company has a parent company, such parent company and its Controlled Affiliates.

“**Covenant Compliance Date**” means the last day of each fiscal quarter of the Company.

“**Debt Rating**” means the debt rating of the Notes as determined from time to time by an NRSRO.

“**Default**” means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

“**Default Rate**” means, for any series of Notes, that rate of interest per annum that is the greater of (i) 2% above the rate of interest stated in clause (a) of the first paragraph of the Notes of such series or (ii) 2% over the rate of interest publicly announced by JPMorgan Chase Bank, N.A. in New York, New York as its “base” or “prime” rate.

“**Disclosure Documents**” is defined in Section 5.3.

“**Disposition**” is defined in Section 10.6.

“**Disposition Prepayment Date**” is defined in Section 8.7.

“**Disposition Response Date**” is defined in Section 8.7.

“**EBIT**” means for any period, the sum of (a) Consolidated Net Income for such period *plus* to the extent deducted from the determination of Consolidated Net Income in accordance with GAAP (b) Interest Expense *plus* (c) all taxes accrued for such period on or measured by income to the extent included in the determination of Consolidated Net Income; *provided* that Consolidated Net Income shall be computed for purposes of this definition without giving effect to extraordinary losses or extraordinary gains for such period.

“**EDGAR**” means the SEC’s Electronic Data Gathering, Analysis and Retrieval System or any successor SEC electronic filing system for such purposes.

“**Electric and Gas Utility Property**” means any facilities, machinery, equipment and fixtures for the generation, transmission and distribution of electric energy and distribution of natural gas, including electricity generation plants and related equipment, switchyards, towers, substations, transformers, poles, lines, cables, conduits, ducts, conductors, meters, regulators, pipelines and related facilities and all other property of the Company, real or personal, or improvements, extensions, additions, renewals or replacements of the foregoing, in each case used or useful or to be used in or in connection with the business of generating, transmitting and distributing electric energy and distributing of natural gas.

**“Environmental Claims”** means all material claims, however asserted, by any Governmental Authority or other Person alleging potential liability or responsibility for violation of any Environmental Law, or for release or injury to the environment.

**“Environmental Laws”** means any and all federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to Hazardous Materials.

**“ERISA”** means the Employee Retirement Income Security Act of 1974 and the rules and regulations promulgated thereunder from time to time in effect.

**“ERISA Affiliate”** means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under Section 414 of the Code.

**“ERISA Event”** means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by the Company or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations which is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by the Company or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization (within the meaning of Section 4241 of ERISA), insolvent (within the meaning of Section 4245 of ERISA) or in “critical” status (within the meaning of Section 432 of the Code or Section 305 of ERISA); (d) the commencement of proceedings by the PBGC to terminate a Pension Plan; (e) a failure by the Company or any ERISA Affiliate to make required contributions to a Pension Plan or Multiemployer Plan, or the imposition of a lien in favor of a Pension Plan under Section 430(k) of the Code or Section 303(k) of ERISA; (f) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan for the imposition of any liability under Section 4069 or 4212(c) of ERISA; (g) the imposition of any liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Company or any ERISA Affiliate; (h) an application for a funding waiver pursuant to Section 412 of the Code or Section 302(c) of ERISA with respect to any Plan; or (i) a determination that a Plan is, or is reasonably expected to be, in “at risk” status (within the meaning of Section 430 of the Code or Section 303 of ERISA).

**“ERISA Termination Event”** means the filing of a notice of intent to terminate a Pension Plan, or the treatment of a plan amendment as the termination of a Pension Plan, under Sections 4041, 4041A or 4042 of ERISA.

**“Event of Default”** is defined in Section 11.

**“Exchange Act”** means the Securities Exchange Act of 1934, as amended.

**“Fair Market Value”** means, at any time and with respect to any property, the sale value of such property that would be realized in an arm’s-length sale at such time between an informed and willing buyer and an informed and willing seller (neither being under a compulsion to buy or sell).

**“FATCA”** means (a) Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), together with any current or future regulations or official interpretations thereof, (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the United States of America and any other jurisdiction, which (in either case) facilitates the implementation of the foregoing clause (a), and (c) any agreements entered into pursuant to Section 1471(b)(1) of the Code.

**“FERC Accounting Principles”** means the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases.

**“Financial Contract”** means any agreement, device or arrangement providing for payments related to fluctuations of interest rates, including, but not limited to, interest rate swap or exchange agreements, interest rate cap or collar protection agreements and interest rate options.

**“First Closing”** is defined in Section 3.

**“Form 10-K”** is defined in Section 7.1(b).

**“Form 10-Q”** is defined in Section 7.1(a).

**“GAAP”** means generally accepted accounting principles as in effect from time to time in the United States of America.

**“Governmental Authority”** means

(a) the government of

(i) the United States of America or any state or other political subdivision thereof, or

(ii) any other jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

**“Governmental Official”** means any governmental official or employee, employee of any government-owned or government-controlled entity, political party, any official of a political party, candidate for political office, official of any public international organization or anyone else acting in an official capacity.

**“Guaranty”** means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such indebtedness or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of any other Person to make payment of the indebtedness or obligation; or

(d) otherwise to assure the owner of such indebtedness or obligation against loss in respect thereof.

In any computation of the indebtedness or other liabilities of the obligor under any Guaranty, the indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

**“Hazardous Materials”** means any and all pollutants, toxic or hazardous wastes or other substances that might pose a hazard to health and safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage or filtration of which is or shall be restricted, prohibited or penalized by any applicable law, including asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum, petroleum products, lead based paint, radon gas or similar restricted, prohibited or penalized substances.

**“holder”** means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 13.1, *provided, however*, that if such Person is a nominee, then for the purposes of Sections 7, 12, 17.2 and 18 and any related definitions in this Schedule B, “holder” shall mean the beneficial owner of such Note whose name and address appears in such register.

**“Indebtedness”** with respect to any Person means, at any time, without duplication,

- (a) its liabilities for borrowed money and its redemption obligations in respect of mandatorily Redeemable Preferred Stock;
- (b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);
- (c) (i) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases and (ii) all liabilities which would appear on its balance sheet in accordance with GAAP in respect of Synthetic Leases assuming such Synthetic Leases were accounted for as Capital Leases;
- (d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person, whether or not it has assumed or otherwise become liable for such liabilities (other than Indebtedness of others secured by Liens, neither assumed nor guaranteed by the Company or any Subsidiary nor with respect to which the Company or any Subsidiary pays principal and/or interest, existing upon real estate or rights in or relating to real estate acquired by the Company or any Subsidiary for substation, metering station, gathering line, transmission line, transportation line, distribution line or right of way purposes to the extent such Lien does not, or the foreclosure thereof would not, materially impair the value of such property or the use of such property for the purpose for which it was acquired by the Company or such Subsidiary);
- (e) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions whether or not representing obligations for borrowed money;
- (f) the aggregate Swap Termination Value of all Swap Contracts of such Person;
- (g) all Securitization Obligations of such Person;
- (h) all Attributable Debt;
- (i) Preferred Stock of any Subsidiary held by a Person other than the Company or a Wholly-Owned Subsidiary of the Company; and
- (j) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (i) hereof.

Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (a) through (j) to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

**“Indenture”** means the Indenture, dated as of December 15, 2003, made by and between the Company and The Bank of New York Mellon, as trustee, and all indentures supplemental thereto.

**“INHAM Exemption”** is defined in Section 6.2(e).

**“Institutional Investor”** means (a) any Purchaser of a Note, (b) any holder of a Note holding (together with one or more of its affiliates) more than 10% of the aggregate principal amount of the Notes then outstanding, (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form, and (d) any Related Fund of any holder of any Note.

**“Interest Expense”** means, for any period, the sum of (a) gross consolidated interest expense of the Company and its Subsidiaries determined in conformity with GAAP *plus* (b) to the extent not otherwise included in the determination of gross consolidated interest expense of the Company and its Subsidiaries in accordance with GAAP, the cost to the Company of, and the net amount payable (or minus the net amount receivable) under, all Financial Contracts of the Company and its Subsidiaries during such period (whether or not actually paid or received during such period) *plus* (c) all dividends paid, declared or otherwise accrued in respect of Preferred Stock of the Company and any Subsidiary that is not a Wholly-Owned Subsidiary *plus* (d) the consolidated yield or discount accrued during such period on all Securitization Obligations.

**“Lease Rentals”** means, with respect to any period, the sum of the minimum amount of rental and other obligations required to be paid during such period by the Company or any Subsidiary as lessee under all leases of real or personal property (other than Capital Leases), *excluding* any amounts required to be paid by the lessee (whether or not therein designated as rental or additional rental) (a) which are on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges, or (b) which are based on profits, revenues or sales realized by the lessee from the leased property or otherwise based on the performance of the lessee.

**“Lien”** means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

**“Make-Whole Amount”** is defined in Section 8.6.

**“Material”** means material in relation to the business, operations, affairs, financial condition, assets, properties, or prospects of the Company.

**“Material Adverse Effect”** means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company, (b) the ability of the

Company to perform its obligations under this Agreement and the Notes, (c) the ability of any Subsidiary Guarantor to perform its obligations under its Subsidiary Guaranty, or (d) the validity or enforceability of this Agreement or the Notes.

**“Material Credit Facility”** means, as to the Company,

(a) the Credit Agreement, dated as of June 8, 2018, among the Company, the several financial institutions from time to time thereto, and Wells Fargo Bank, National Association, as Administrative Agent, including any renewals, extensions, amendments, supplements, restatements, replacements or refinancing thereof; and

(b) any other agreement(s) creating or evidencing indebtedness for borrowed money entered into on or after the date of Closing by the Company, or in respect of which the Company is an obligor or otherwise provides a guarantee or other credit support (**“Credit Facility”**), in a principal amount outstanding or available for borrowing equal to or greater than \$200,000,000 (or the equivalent of such amount in the relevant currency of payment, determined as of the date of the closing of such facility based on the exchange rate of such other currency); and if no Credit Facility or Credit Facilities equal or exceed such amounts, then the largest Credit Facility shall be deemed to be a Material Credit Facility.

**“Maturity Date”** is defined in the first paragraph of each Note.

**“MDU”** means MDU Resources Group, Inc., a Delaware corporation.

**“MDUEC”** means MDU Energy Capital, LLC, a Delaware limited liability company.

**“Memorandum”** is defined in Section 5.3.

**“Multiemployer Plan”** means any Plan that is a “multiemployer plan” (as such term is defined in Section 4001(a)(3) of ERISA).

**“NAIC”** means the National Association of Insurance Commissioners.

**“Net Worth”** means, as of the date of any determination,

(a) the sum of (i) the par value (or value stated on the books of the Company) of the capital stock (but excluding treasury stock and capital stock subscribed and unissued) of the Company *plus* (ii) the amount of the paid-in capital and retained earnings of the Company, in each case as such amounts would be shown on a consolidated balance sheet of the Company as of such time prepared in accordance with GAAP, *minus*

(b) to the extent included in clause (a), all amounts properly attributable to Subsidiaries of the Company, if any, in the capital stock and paid-in capital and retained earnings of the Company.

**“Non-U.S. Plan”** means any plan, fund or other similar program that (a) is established or maintained outside the United States of America by the Company or any Subsidiary primarily for the benefit of employees of the Company or one or more Subsidiaries residing outside the United States of America, which plan, fund or other similar program provides, or results in, retirement income, a deferral of income in contemplation of retirement or payments to be made upon termination of employment, and (b) is not subject to ERISA or the Code.

**“Notes”** is defined in Section 1.

**“NRSRO”** means (a) Fitch, Inc., Moody’s Investors Service, Inc. or Standard & Poor’s Ratings Services, or (b) any other credit rating agency that is recognized as a nationally recognized statistical rating organization by the SEC and approved by the Required Holders (such approval not to be unreasonably withheld or delayed), so long as, in each case, any such credit rating agency described in clause (a) or (b) above continues to be a nationally recognized statistical rating organization recognized by the SEC and is approved as a “Credit Rating Provided” (or similar designation) by the NAIC.

**“OFAC”** means the Office of Foreign Assets Control of the United States Department of the Treasury.

**“OFAC Sanctions Program”** means any economic or trade sanction that OFAC is responsible for administering and enforcing. A list of OFAC Sanctions Programs may be found at <http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>.

**“Officer’s Certificate”** means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

**“PBGC”** means the Pension Benefit Guaranty Corporation referred to and defined in ERISA.

**“Pension Plan”** means a pension plan (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA which the Company or any ERISA Affiliate sponsors, maintains, or to which it makes, is making, or is obligated to make contributions, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding five plan years but excluding any Multiemployer Plan.

**“Person”** means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, business entity or Governmental Authority.

**“Plan”** means an “employee benefit plan” (as defined in Section 3(3) of ERISA) subject to Title I of ERISA that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

**“Preferred Stock”** means any class of capital stock of a Person that is preferred over any other class of capital stock (or similar equity interests) of such Person as to the payment of dividends or the payment of any amount upon liquidation or dissolution of such Person.

**“property”** or **“properties”** means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

**“Proposed Prepayment Date”** is defined in Section 8.9(c).

**“PTE”** is defined in Section 6.2(a).

**“Purchaser”** or **“Purchasers”** means each of the purchasers that has executed and delivered this Agreement to the Company and such Purchaser’s successors and assigns (so long as any such assignment complies with Section 13.2), *provided, however*, that any Purchaser of a Note that ceases to be the registered holder or a beneficial owner (through a nominee) of such Note as the result of a transfer thereof pursuant to Section 13.2 shall cease to be included within the meaning of “Purchaser” of such Note for the purposes of this Agreement upon such transfer.

**“QPAM Exemption”** is defined in Section 6.2(d).

**“Qualified Institutional Buyer”** means any Person who is a “qualified institutional buyer” within the meaning of such term as set forth in Rule 144A(a)(1) under the Securities Act.

**“Redeemable Preferred Stock”** of any Person means any equity interest of such Person that by its terms (or by the terms of any equity interest into which it is convertible or for which it is exchangeable) or otherwise (including on the happening of any event), is required to be redeemed for cash or other property or is redeemable for cash or other property at the option of the holder thereof, in whole or in part, on or prior to the Maturity Date; or is exchangeable for Indebtedness at any time, in whole or in part, on or prior to the Maturity Date *provided* that Redeemable Preferred Stock shall not include any equity interest by virtue of the fact that it may be exchanged or converted at the option of the holder or of the Company for equity interests of the Company having no preference as to dividends, distributions or liquidation over any other equity interests of the Company.

**“Related Fund”** means, with respect to any holder of any Note, any fund or entity that (a) invests in Securities or bank loans, and (b) is advised or managed by such holder, the same investment advisor as such holder or by an affiliate of such holder or such investment advisor.

**“Reportable Event”** means any of the events set forth in Section 4043(b) or 4043(c) of ERISA or the regulations thereunder, other than any such event for which the 30-day notice requirement under ERISA has been waived in regulations issued by the PBGC.

**“Required Holders”** means at any time (a) prior to the First Closing, the Purchasers and (b) on or after the First Closing, the holders of at least 51% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates),

with the 2059 Notes deemed to be outstanding from and after the First Closing for purposes of this definition.

**“Responsible Officer”** means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

**“Sale-and-Leaseback Transaction”** means a transaction or series of transactions pursuant to which the Company or any Subsidiary shall sell or transfer to any Person (other than the Company or a Subsidiary) any property, whether now owned or hereafter acquired, and, as part of the same transaction or series of transactions, the Company or any Subsidiary shall rent or lease as lessee (other than pursuant to a Capital Lease), or similarly acquire the right to possession or use of, such property or one or more properties which it intends to use for the same purpose or purposes as such property.

**“SEC”** means the Securities and Exchange Commission of the United States of America.

**“Second Closing”** is defined in Section 3.

**“Secured Indebtedness”** means any Indebtedness of the Company that is secured in any manner by any Lien on any property, *provided, however*, that “Secured Indebtedness” will not include Indebtedness secured by Liens permitted under Section 10.5 (other than Sections 10.5(k) or (n)) of this Agreement.

**“Securities”** or **“Security”** shall have the meaning specified in section 2(a)(1) of the Securities Act.

**“Securities Act”** means the Securities Act of 1933 and the rules and regulations promulgated thereunder from time to time in effect.

**“Securitization Obligations”** means, with respect to any Securitization Transaction, the aggregate investment or claim held at any time by all purchasers, assignees or transferees of (or of interests in) or holders of obligations that are supported or secured by accounts receivable, lease receivables and other rights to payment in connection with such Securitization Transaction.

**“Securitization Transaction”** means any sale, assignment or other transfer by the Company or any Subsidiary of accounts receivable, lease receivables or other payment obligations owing to the Company or such Subsidiary or any interest in any of the foregoing, together in each case with any collections and other proceeds thereof, any collection or deposit accounts related thereto, and any collateral, guaranties or other property or claims in favor of the Company or such Subsidiary supporting or securing payment by the obligor thereon of, or otherwise related to, any such receivables.

**“Senior Financial Officer”** means the president, chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

**“Senior Indebtedness”** means and includes all Indebtedness of the Company owing to any Person which is not a Subsidiary or Affiliate and which is not expressed to be junior or subordinate to any other Indebtedness of the Company.

**“Source”** is defined in Section 6.2.

**“State Sanctions List”** means a list that is adopted by any state Governmental Authority within the United States of America pertaining to Persons that engage in investment or other commercial activities in Iran or any other country that is a target of economic sanctions imposed under U.S. Economic Sanctions Laws.

**“Subsidiary”** means, as to any Person, any other Person in which such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such second Person, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries (unless such partnership or joint venture can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a “Subsidiary” is a reference to a Subsidiary of the Company.

**“Subsidiary Guarantor”** means each Subsidiary that has executed and delivered a Subsidiary Guaranty.

**“Subsidiary Guaranty”** is defined in Section 9.9(a).

**“Substitute Purchaser”** is defined in Section 21.

**“SVO”** means the Securities Valuation Office of the NAIC.

**“Swap Contract”** means (a) any and all interest rate swap transactions, basis swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward foreign exchange transactions, cap transactions, floor transactions, currency options, spot contracts or any other similar transactions or any of the foregoing (including any options to enter into any of the foregoing), and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., or any International Foreign Exchange Master Agreement.

**“Swap Termination Value”** means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for

any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts.

**“Synthetic Lease”** means, at any time, any lease (including leases that may be terminated by the lessee at any time) of any property (a) that is accounted for as an operating lease under GAAP and (b) in respect of which the lessee retains or obtains ownership of the property so leased for United States federal income tax purposes, other than any such lease under which such Person is the lessor.

**“Total Company Capitalization”** shall mean, as of any date of determination, the sum of (a) Net Worth plus (b) Company Indebtedness. In determining Total Company Capitalization, Net Worth and Company Indebtedness attributable to any Subsidiary shall be excluded.

**“Total Debt”** means the total consolidated Indebtedness of the Company and its Subsidiaries.

**“Unfunded Pension Liability”** means the excess of a Pension Plan’s benefit liabilities under Section 302(d)(7) of ERISA, over the current value of that Plan’s assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

**“United States Person”** has the meaning set forth in Section 7701(a)(30) of the Code.

**“USA PATRIOT Act”** means United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001 and the rules and regulations promulgated thereunder from time to time in effect.

**“U.S. Economic Sanctions Laws”** means those laws, executive orders, enabling legislation or regulations administered and enforced by the United States pursuant to which economic sanctions have been imposed on any Person, entity, organization, country or regime, including the Trading with the Enemy Act, the International Emergency Economic Powers Act, the Iran Sanctions Act, the Sudan Accountability and Divestment Act and any other OFAC Sanctions Program.

**“Wholly-Owned Subsidiary”** means, at any time, any Subsidiary all of the equity interests (except directors’ qualifying shares) and voting interests of which are owned by any one or more of the Company and the Company’s other Wholly-Owned Subsidiaries at such time.

SCHEDULE 1(a)

FORM OF 2039 NOTE

MONTANA-DAKOTA UTILITIES CO.

3.66% SENIOR NOTE DUE OCTOBER 17, 2039

No. [\_\_\_\_\_] [Date]

\$\_[\_\_\_\_\_] PPN 61201# AL9

FOR VALUE RECEIVED, the undersigned, MONTANA-DAKOTA UTILITIES CO. (herein called the “**Company**”), a corporation organized and existing under the laws of the State of Delaware, hereby promises to pay to [\_\_\_\_\_] or registered assigns, the principal sum of [\_\_\_\_\_] DOLLARS (or so much thereof as shall not have been prepaid) on October 17, 2039 (the “**Maturity Date**”), with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 3.66% per annum from the date hereof, payable semiannually, on the 17<sup>th</sup> day of April and October in each year, commencing with the April 17 or October 17 next succeeding the date hereof, and on the Maturity Date, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, (x) on any overdue payment of interest and (y) during the continuance of an Event of Default, on such unpaid balance and on any overdue payment of any Make-Whole Amount, at a rate per annum from time to time equal to the greater of (i) 5.66% or (ii) 2% over the rate of interest publicly announced by KeyBanc Capital Markets from time to time in New York, New York as its “base” or “prime” rate, payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at KeyBanc Capital Markets or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the “**Notes**”) issued pursuant to the Note Purchase Agreement, dated July 24, 2019 (as from time to time amended, the “**Note Purchase Agreement**”), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) made the representation set forth in Section 6.2 of the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer accompanied by a written instrument of transfer

SCHEDULE 1(a)

{00386142.DOC; 11}

(to Note Purchase Agreement)

duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

**This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.**

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the Company and the holder of this Note shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

**MONTANA-DAKOTA UTILITIES CO.**

By

**[Title]**

SCHEDULE 1(b)

FORM OF 2049 NOTE

MONTANA-DAKOTA UTILITIES CO.

3.98% SENIOR NOTE DUE OCTOBER 17, 2049

No. [\_\_\_\_\_] [Date]

\$\_[\_\_\_\_\_] PPN 61201# AM7

FOR VALUE RECEIVED, the undersigned, MONTANA-DAKOTA UTILITIES CO. (herein called the “**Company**”), a corporation organized and existing under the laws of the State of Delaware, hereby promises to pay to [\_\_\_\_\_] , or registered assigns, the principal sum of [\_\_\_\_\_] DOLLARS (or so much thereof as shall not have been prepaid) on October 17, 2049 (the “**Maturity Date**”), with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 3.98% per annum from the date hereof, payable semiannually, on the 17<sup>th</sup> day of April and October in each year, commencing with the April 17 or October 17 next succeeding the date hereof, and on the Maturity Date, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, (x) on any overdue payment of interest and (y) during the continuance of an Event of Default, on such unpaid balance and on any overdue payment of any Make-Whole Amount, at a rate per annum from time to time equal to the greater of (i) 5.98% or (ii) 2% over the rate of interest publicly announced by KeyBanc Capital Markets from time to time in New York, New York as its “base” or “prime” rate, payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at KeyBanc Capital Markets or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the “**Notes**”) issued pursuant to the Note Purchase Agreement, dated July 24, 2019 (as from time to time amended, the “**Note Purchase Agreement**”), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) made the representation set forth in Section 6.2 of the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder’s attorney duly authorized in

SCHEDULE 1(b)

{00386142.DOC; 11} (to Note Purchase Agreement)

writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

**This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.**

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the Company and the holder of this Note shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

**MONTANA-DAKOTA UTILITIES CO.**

By

**[Title]**

SCHEDULE 1(b)

{00386142.DOC; 11} (to Note Purchase Agreement)

SCHEDULE 1(C)

FORM OF 2059 NOTE

MONTANA-DAKOTA UTILITIES CO.

4.08% SENIOR NOTE DUE NOVEMBER 18, 2059

No. [\_\_\_\_\_] [Date]

\$\_[\_\_\_\_\_] PPN 61201# AN5

FOR VALUE RECEIVED, the undersigned, MONTANA-DAKOTA UTILITIES CO. (herein called the “**Company**”), a corporation organized and existing under the laws of the State of Delaware, hereby promises to pay to [\_\_\_\_\_] , or registered assigns, the principal sum of [\_\_\_\_\_] DOLLARS (or so much thereof as shall not have been prepaid) on November 18, 2059 (the “**Maturity Date**”), with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 4.08% per annum from the date hereof, payable semiannually, on the 18<sup>th</sup> day of May and November in each year, commencing with the May 18 or November 18 next succeeding the date hereof, and on the Maturity Date, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, (x) on any overdue payment of interest and (y) during the continuance of an Event of Default, on such unpaid balance and on any overdue payment of any Make-Whole Amount, at a rate per annum from time to time equal to the greater of (i) 6.08% or (ii) 2% over the rate of interest publicly announced by KeyBanc Capital Markets from time to time in New York, New York as its “base” or “prime” rate, payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at KeyBanc Capital Markets or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the “**Notes**”) issued pursuant to the Note Purchase Agreement, dated July 24, 2019 (as from time to time amended, the “**Note Purchase Agreement**”), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) made the representation set forth in Section 6.2 of the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder’s attorney duly authorized in

SCHEDULE 1(c)

{00386142.DOC; 11} (to Note Purchase Agreement)

writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

**This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.**

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the Company and the holder of this Note shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

**MONTANA-DAKOTA UTILITIES CO.**

By

**[Title]**

SCHEDULE 1(c)

{00386142.DOC; 11} (to Note Purchase Agreement)

**SCHEDULE 4.4(a)**

**FORM OF OPINION OF COHEN TAUBER SPIEVACK & WAGNER P.C.**

**[Letterhead of Cohen Tauber Spievack & Wagner P.C.]**

[Closing Date]

To the Persons Listed on Annex 1 hereto

Ladies and Gentlemen:

We have acted as special counsel for Montana-Dakota Utilities Co., a Delaware corporation (the "*Company*"), in connection with the negotiation, execution and delivery of the Note Purchase Agreement dated July 24, 2019 (the "*Note Purchase Agreement*"), between the Company and each of the Purchasers listed on Annex 1 hereto (the "*Purchasers*") which provide, among other things, for the issuance and sale by the Company of its [3.66% Senior Notes due October 17, 2039 in the aggregate principal amount of \$50,000,000 and 3.98% Senior Notes due October 17, 2049 in the aggregate principal amount of \$50,000,000] or [4.08% Senior Notes due November 18, 2059 in the aggregate principal amount of \$100,000,000] (the "*Notes*"). Capitalized terms used herein that are defined in the Note Purchase Agreement have the respective meanings specified in the Note Purchase Agreement unless otherwise defined or stated herein. This letter is being delivered to you in satisfaction of the condition set forth in Section 4.4(a) of the Note Purchase Agreement.

For the purpose of rendering the opinions contained herein, we have examined and reviewed the:

- (a) Note Purchase Agreement;
- (b) Notes;
- (c) Restated Certificate of Incorporation and Bylaws of the Company; and
- (d) resolutions adopted by the Board of Directors of the Company regarding the Note Purchase Agreement and the Notes.

We have also examined such certificates of public officials, certificates of officers of the Company and copies certified to our satisfaction of corporate documents and records of the Company, and have made such other investigations, as we have deemed relevant and necessary for the purpose of rendering this opinion. We have relied upon such certificates of public officials and of officers of the Company with respect to the accuracy of material factual matters contained therein. In our examination, we have assumed the genuineness of all signatures (other

SCHEDULE 4.4(a)

{00386142.DOC; 11} (to Note Purchase Agreement)

than the Company's), the legal capacity of natural persons, the authenticity of all documents submitted to us as originals and the conformity with original documents of all documents submitted to us as certified or photostatic copies. We have also assumed, with your consent, the due execution and delivery, pursuant to due authorization, of the Note Purchase Agreement by all parties thereto other than the Company and the validity and binding effect of the Note Purchase Agreement upon such parties and the payment by the Purchasers of the purchase price for the Notes.

With respect to the opinion expressed in paragraph 6 below, we have also relied upon the representations made in Sections 5.13 and 6.1 of the Note Purchase Agreement, and the Offeree Letter regarding the limited nature of the offering of the Notes.

Based on and subject to the foregoing and upon such investigation as we have deemed necessary, and subject to the qualifications set forth below, it is our opinion that:

1. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the state of Delaware and has all requisite corporate power to own its property and authority to carry on its business as now conducted.

2. The Company (i) has the requisite corporate power and authority to execute and deliver the Note Purchase Agreement, (ii) has, on the date hereof, the requisite corporate power and authority to issue and sell the Notes, and (iii) has, from and after the date of the execution of the Note Purchase Agreement, the requisite corporate power and authority to perform its obligations set forth in the Note Purchase Agreement and the Notes.

3. The Note Purchase Agreement and the Notes have been duly authorized by all necessary corporate action on the part of the Company, the Note Purchase Agreement and the Notes have been executed and delivered by a duly authorized officer of the Company, and constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject, as to enforceability, to applicable bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or similar laws affecting creditors' rights generally and to general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding in equity or at law).

4. The execution and delivery by the Company of the Note Purchase Agreement and the Notes, and the issuance and sale by the Company of the Notes, and the performance by the Company of its obligations thereunder did not and will not conflict with or violate any provision of its Restated Certificate of Incorporation or Bylaws or any provision of any law, rule or regulation currently in effect that is applicable to the Company.

5. All consents, approvals and authorizations of, and all designations, declarations, filings, registrations, qualifications and recordations with, Governmental Authorities required on the part of the Company, have been obtained or made in connection with the execution and delivery of the Note Purchase Agreement and the Notes and the issuance and sale of the Notes and the intended use of the proceeds thereof, other than the delivery by the Company of a Report of Securities Issued to the Federal Energy Regulatory Commission (the “*FERC*”) of the issuance of the Notes, which Report is required to be delivered not later than 30 days after the Closing. The validity and enforceability of the Note Purchase Agreement and the Notes against the Company is not conditioned upon the delivery of a Report of Securities Issued to the FERC.

6. (A) The registration under the Securities Act of 1933, as amended, of the offering, issuance and sale of the Notes under the circumstances contemplated by the Note Purchase Agreement is not required, and (B) the Company is not required to qualify an indenture with respect to the Notes under the Trust Indenture Act of 1939, as amended.

7. Neither the issuance of the Notes nor the intended use of the proceeds of the Notes (as set forth in Section 5.14 of the Note Purchase Agreement) will violate Regulations T, U or X of the Board of Governors of the Federal Reserve System.

8. The Company is not an “investment company” or a company “controlled” by an “investment company” within the meaning of the Investment Company Act of 1940, as amended.

This opinion is limited to matters of the laws of the State of New York, the General Corporation Law of the State of Delaware and the federal laws of the United States of America. We express no opinion as to the laws of any other jurisdiction.

In rendering this opinion, we have relied with your consent as to all matters of Minnesota, Montana, North Dakota, South Dakota and Wyoming law addressed therein, upon the opinion of Daniel S. Kuntz, Esq., Bismarck, North Dakota, General Counsel of the Company.

This opinion is intended solely for your use and is rendered solely in connection with the Note Purchase Agreement, and without our written consent may not be (a) relied on by you for any other purpose or (b) relied upon by any other Person or entity for any purpose, except that (i) this opinion may be delivered to each subsequent institutional holder of the Notes and each subsequent institutional holder of the Notes may rely upon this opinion as of the date hereof, (ii) Daniel S. Kuntz, General Counsel and Secretary of the Company, may rely upon this opinion for purposes of rendering his opinion dated the date hereof pursuant to Section 4.4(a) of the Note Purchase Agreement, and (iii) your special counsel, Chapman and Cutler LLP, shall be entitled to rely upon the opinions expressed herein for the sole purpose of rendering their opinion to be rendered pursuant to Section 4.4(b) of the Note Purchase Agreement. The opinions expressed above are limited to the law and facts in effect on the date hereof. We disclaim any

obligation to advise you of facts, circumstances, events or developments which hereafter may be brought to our attention that might alter, affect or modify the opinions expressed herein.

Very truly yours,

{00386142.DOC; 11} 4.4(a)-4

**SCHEDULE 4.4(b)**

**FORM OF OPINION OF GENERAL COUNSEL OF THE COMPANY**

[Closing Date]

To the Persons Listed on Annex 1 hereto

Ladies and Gentlemen:

I am General Counsel of Montana-Dakota Utilities Co., a Delaware corporation (the “*Company*”), and in such capacity, I am familiar with that certain Note Purchase Agreement, dated July 24, 2019 (the “*Note Purchase Agreement*”), between the Company and the Purchasers listed on Annex 1 hereto (the “*Purchasers*”) which provides, among other things, for the issuance and sale by the Company of its [3.66% Senior Notes due October 17, 2039 in the aggregate principal amount of \$50,000,000 and 3.98% Senior Notes due October 17, 2049 in the aggregate principal amount of \$50,000,000] or [4.08% Senior Notes due November 18, 2059 in the aggregate principal amount of \$100,000,000] (the “*Notes*”). Capitalized terms used herein that are defined in the Note Purchase Agreement have the respective meanings specified in the Note Purchase Agreement unless otherwise defined or stated herein. This letter is being delivered to you in satisfaction of the condition set forth in Section 4.4(a) of the Note Purchase Agreement.

For the purpose of rendering the opinions contained herein, I have examined and reviewed the:

- (a) Note Purchase Agreement;
- (b) Notes;
- (c) Restated Certificate of Incorporation and Bylaws of the Company, and;
- (d) resolutions adopted by the Board of Directors of the Company regarding the Note Purchase Agreement and the Notes.

I have also examined such certificates of public officials, certificates of officers of the Company, and copies of corporate documents and records of the Company, and have made such other investigations, as I have deemed relevant and necessary for the purpose of rendering this opinion. I have relied upon such certificates of public officials and of officers of the Company with respect to the accuracy of material factual matters contained therein. In my examination, I have assumed the genuineness of all signatures (other than the Company’s), the legal capacity of natural persons, the authenticity of all documents submitted to me as originals and the

SCHEDULE 4.4(b)

{00386142.DOC; 11}

(To Note Purchase Agreement)

conformity with original documents of all documents submitted to me as certified or photostatic copies. I have also assumed, with your consent, the due execution and delivery, pursuant to due authorization, of the Note Purchase Agreement by all parties thereto other than the Company and the validity and binding effect of the Note Purchase Agreement upon such parties.

In rendering this opinion, I have relied, to the extent I deemed necessary and proper, on warranties and representations as to certain factual matters contained in the Note Purchase Agreement.

Based on and subject to the foregoing and upon such investigation as I have deemed necessary, and subject to the qualifications set forth below, it is my opinion that:

1. The Company has been duly qualified and is in good standing as a foreign corporation and is in good standing in Idaho, Minnesota, Montana, North Dakota, Oregon, Texas, Washington and Wyoming.

2. To my knowledge after due inquiry, there is no judgment, order, action, suit, proceeding, inquiry or investigation, at law or in equity, before any court or Governmental Authority, arbitration board or tribunal, pending or threatened against the Company that questions the validity of the Note Purchase Agreement or the Notes.

3. Neither (a) the execution, delivery and performance by the Company of the Note Purchase Agreement nor (b) the issuance and sale by the Company of the Notes or the performance by the Company of the Notes (i) will violate any provision of any law, rule or regulation or, to my knowledge after due inquiry, any order, writ or decree currently in effect applicable to the Company, or (ii) to my knowledge after due inquiry, will violate or conflict with, constitute a violation of, result in a breach of any provision of, or constitute a default under any agreement or instrument to which the Company is a party or by which its properties may be bound.

4. All consents, approvals and authorizations of, and all designations, declarations, filings, registrations, qualifications and recordations with, Governmental Authorities required on the part of the Company have been obtained or made in connection with the execution and delivery of the Note Purchase Agreement and the Notes and the issuance and sale of the Notes and the intended use of the proceeds thereof, other than the delivery by the Company of a Report of Securities Issued to the Federal Energy Regulatory Commission (the "*FERC*") of the issuance of the Notes, which Report is required to be delivered not later than 30 days after the Closing. The validity and enforceability of the Note Purchase Agreement and the Notes against the Company is not conditioned upon the delivery of a Report of Securities Issued to the FERC.

I am a member of the North Dakota Bar and do not hold myself out as an expert on the laws of any other state, but I have made a study of the laws of such other jurisdictions insofar as such laws are involved in the conclusions expressed in this opinion. Insofar as the opinions expressed herein relate to the General Corporation Law of the State of Delaware or the federal

laws of the United States of America, I have relied with your consent on the opinion, dated the date hereof, of Cohen Tauber Spievack & Wagner P.C., special counsel to the Company.

This opinion is intended solely for your use and is rendered solely in connection with the Note Purchase Agreement, and without my written consent may not be (a) relied on by you for any other purpose or (b) relied upon by any other Person or entity for any purpose, except that (i) this opinion may be delivered to each subsequent institutional holder of the Notes and each subsequent institutional holder of the Notes may rely upon this opinion as of the date hereof, (ii) Cohen Tauber Spievack & Wagner P.C., special counsel to the Company, shall be entitled to rely upon this opinion in rendering its opinion dated the date hereof, pursuant to Section 4.4(a) of the Note Purchase Agreement, and (iii) your special counsel, Chapman and Cutler LLP, shall be entitled to rely upon this opinion for the sole purpose of rendering their opinion to be rendered pursuant to Section 4.4(b) of the Note Purchase Agreement. The opinions expressed above are limited to the law and facts in effect on the date hereof. I disclaim any obligation to advise you of facts, circumstances, events or developments which hereafter may be brought to my attention that might alter, affect or modify the opinions expressed herein.

Very truly yours,

Daniel S. Kuntz

General Counsel and Secretary

Schedule 4.4(c)

**FORM OF OPINION OF SPECIAL COUNSEL  
TO THE PURCHASERS**

[To Be Provided on a Case by Case Basis]

SCHEDULE 4.4(c)

{00386142.DOC; 11} (To Note Purchase Agreement)

**SCHEDULE 5.3**

**DISCLOSURE MATERIALS**

NONE

## SCHEDULE 5.4

### AFFILIATES, DIRECTORS AND OFFICERS

#### **I. Affiliates (other than Subsidiaries)**

1. 1250 Gladding Road, LLC, a Delaware limited liability company
2. Alaska Basic Industries, Inc., an Alaska corporation
3. Ames Sand & Gravel, Inc., a North Dakota corporation
4. Anchorage Sand and Gravel Company, Inc., an Alaska corporation
5. ARC Fabricators, L.L.C., a South Dakota limited liability company
6. Baldwin Contracting Company, Inc., a California corporation
7. Bell Electrical Contractors, Inc., a Missouri corporation
8. Bombard Electric, LLC, a Nevada limited liability company
9. Bombard Mechanical, LLC, a Nevada limited liability company
10. Capital Electric Construction Company, Inc., a Kansas corporation
11. Capital Electric Line Builders, Inc., a Kansas corporation
12. Cascade Natural Gas Corporation, a Washington corporation
13. Centennial Energy Holdings, Inc., a Delaware corporation
14. Centennial Energy Resources International, Inc., a Delaware corporation
15. Centennial Energy Resources LLC, a Delaware limited liability company
16. Centennial Holdings Capital LLC, a Delaware limited liability company
17. Central Oregon Redi-Mix, L.L.C., an Oregon limited liability company
18. Concrete, Inc., a California corporation
19. Connolly-Pacific Co., a California corporation
20. Desert Fire Holdings, Inc., a Nevada corporation
21. Desert Fire Protection, a Nevada Limited Partnership
22. Desert Fire Protection, Inc., a Nevada corporation
23. Desert Fire Protection, LLC, a Nevada limited liability company
24. D S Company, a California corporation
25. Duro Electric Company, a Colorado corporation
26. E & ER Company, a South Dakota corporation
27. Ellis & Eastern Company, a South Dakota corporation
28. E.S.I., Inc., an Ohio corporation
29. Fairbanks Materials, Inc., an Alaska corporation
30. Fidelity Exploration & Production Company, a Delaware corporation
31. Fidelity Oil Co., a Delaware corporation
32. Frebco, Inc., an Ohio corporation
33. FutureSource Capital Corp., a Delaware corporation
34. Granite City Ready Mix, Inc., a Minnesota corporation
35. Hawaiian Cement, a Hawaii partnership
36. Independent Fire Fabricators, LLC, a Nevada limited liability company

37. Intermountain Gas Company, an Idaho corporation
38. International Line Builders, Inc., a Delaware corporation
39. InterSource Insurance Company, a Vermont corporation
40. Jebro Incorporated, an Iowa corporation
41. JTL Group, Inc., a Montana corporation
42. JTL Group, Inc., a Wyoming corporation
43. Kent's Oil Service, a California corporation
44. Knife River Corporation, a Delaware corporation
45. Knife River Corporation – Mountain West, a Delaware corporation
46. Knife River Corporation – North Central, a Minnesota corporation
47. Knife River Corporation – Northwest, an Oregon corporation
48. Knife River Corporation – South, a Texas corporation
49. Knife River Dakota, Inc., a Delaware corporation
50. Knife River Hawaii, Inc., a Delaware corporation
51. Knife River Marine, Inc., a Delaware corporation
52. Knife River Midwest, LLC, a Delaware limited liability company
53. KRC Holdings, Inc., a Delaware corporation
54. Lone Mountain Excavation & Utilities, LLC, a Nevada limited liability company
55. Loy Clark Pipeline Co., an Oregon corporation
56. LTM, Incorporated, an Oregon corporation
57. MDU Construction Services Group, Inc., a Delaware corporation
58. MDU Energy Capital, LLC, a Delaware limited liability company
59. MDU Industrial Services, Inc., a Delaware corporation
60. MDU Resources Group, Inc., a Delaware corporation
61. MDU Resources International LLC, a Delaware limited liability company
62. MDU Resources Luxembourg I LLC S.a.r.l., a Luxembourg limited liability company
63. MDU Resources Luxembourg II LLC S.a.r.l., a Luxembourg limited liability company
64. MDU United Construction Solutions, Inc., a Delaware corporation
65. Nevada Solar Solutions, LLC, a Delaware limited liability company
66. Nevada Valley Solar Solutions I, LLC, a Delaware limited liability company
67. Northstar Materials, Inc., a Minnesota corporation
68. OEG, Inc., an Oregon corporation
69. Prairie Cascade Energy Holdings, LLC, a Delaware limited liability company
70. Prairie Intermountain Energy Holdings, LLC, a Delaware limited liability company
71. Rail to Road, Inc., a South Dakota corporation
72. Rocky Mountain Contractors, Inc., a Montana corporation
73. Sweetman Const. Co., a South Dakota corporation
74. USI Industrial Services, Inc., a Delaware corporation
75. The Wagner Group, Inc., a Delaware corporation
76. The Wagner-Smith Company, an Ohio corporation
77. Wagner-Smith Equipment Co., a Delaware corporation
78. WBI Canadian Pipeline, Ltd., a Canadian corporation
79. WBI Energy, Inc., a Delaware corporation

- 80. WBI Energy Midstream, LLC, a Colorado limited liability company
- 81. WBI Energy Transmission, Inc., a Delaware corporation
- 82. WBI Holdings, Inc., a Delaware corporation
- 83. WHC, Ltd., a Hawaii corporation

**II. Company's Directors and Officers**

Directors:

David L. Goodin  
Nicole A. Kivisto  
Daniel S. Kuntz  
Jason L. Vollmer

Officers:

Mark A. Chiles, Vice President – Customer Service  
Patrick C. Darras, Vice President – Engineering and Operations Services  
Hart Gilchrist, Vice President – Safety, Process Improvement and Operations Systems  
David L. Goodin, Chairman of the Board  
Kirsti B. Hourigan, Assistant Secretary  
Anne M. Jones, Vice President – Human Resources  
Nicole A. Kivisto, President and Chief Executive Officer  
Julie A. Krenz, Assistant Secretary  
Daniel S. Kuntz, General Counsel and Secretary  
Karl A. Liepitz, Assistant Secretary  
Margaret (Peggy) A. Link – Chief Information Officer  
Scott W. Madison, Executive Vice President – Business Development and Gas Supply  
Eric P. Martuscelli, Vice President – Field Operations  
Tammy J. Nygard, Controller  
Garret Senger, Executive Vice President – Regulatory Affairs, Customer Service and Administration  
Jay Skabo, Vice President – Electric Supply  
Jason L. Vollmer, Treasurer

## **SCHEDULE 5.7**

### **GOVERNMENTAL AUTHORIZATION**

1. Order, dated October 16, 2018, from the Federal Energy Regulatory Commission (FERC) in Docket No. ES18-57-000.
2. Order, dated December 11, 2018, from the Public Service Commission of Montana in Docket No. D2018.11.79, Order No. 7654
3. Order, dated September 21, 2018, from the Public Service Commission of Wyoming in Docket No. 30013-340-GS-18, Record No. 15081.

## SCHEDULE 5.15

### EXISTING INDEBTEDNESS

a) All outstanding Indebtedness of the Company as of the date of this Agreement.

	5/31/2019
	(dollars in thousands)
Commercial Paper	39,500
Term Loan due October 2019	100,000
Term Loan due November 2019	100,000
4.24% Senior Notes due July 2024	60,000
3.78% Senior Notes due October 2025	87,000
4.34% Senior Notes due July 2026	40,000
6.33% Senior Notes due August 2026	100,000
4.03% Senior Notes due December 2030	52,000
3.36% Senior Notes due March 2032	20,000
5.98% Senior Notes due December 2033	30,000
5.18% Senior Notes due April 2044	50,000
3.73% Senior Notes due March 2037	40,000
4.87% Senior Notes due October 2045	11,000
4.15% Senior Notes due November 2046	40,000
Term Loan due September 2032	9,800
Minot Air Force Base Note Payable – Due 2038	421
	<hr/>
Total debt	\$ 779,721

b) Agreements limiting Indebtedness:

- 1) Note Purchase Agreement, dated August 24, 2006, among the Company and the holders of the notes issued thereunder, as amended.
- 2) Note Purchase Agreement, dated January 28, 2014, among the Company and the holders of the notes issued thereunder, as amended.
- 3) Note Purchase Agreement, dated October 29, 2015, among the Company and the holders of the notes issued thereunder, as amended

### SCHEDULE 5.15

{00386142.DOC; 11} (To Note Purchase Agreement)

- 4) Note Purchase Agreement, dated November 21, 2016, among the Company and the holders of the notes issued thereunder, as amended.
- 5) Credit Agreement, dated June 8, 2018, among the Company, Wells Fargo Bank, National Association, as Administrative Agent, and various Lenders party thereto.
- 6) Indenture, dated as of December 15, 2003, between the Company and The Bank of New York, as trustee.
- 7) Term Loan Agreement, dated as of September 5, 2017, among the Company, US Bank National Association, as Administrative Agent, and the various Lenders party thereto.
- 8) Term Loan Agreement, dated as of September 17, 2018, among the Company, KeyBank National Association, as Administrative Agent, and the various Lenders party thereto.
- 9) Term Loan Agreement, dated as of October 18, 2018, among the Company, PNC Bank, National Association, as Administrative Agent, and the various Lenders party thereto.

## SCHEDULE 10.5

### EXISTING LIENS

NONE

SCHEDULE 10.5

(00386142.DOC; 11) (To Note Purchase Agreement)

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## Section 3: EX-10.A (MDU RESOURCES 401 K RETIREMENT PLAN 8-22-2019)

### INSTRUMENT OF AMENDMENT TO THE MDU RESOURCES GROUP, INC. 401(k) RETIREMENT PLAN

The MDU Resources Group, Inc. 401(k) Retirement Plan (as amended and restated January 1, 2017) (the "K-Plan"), is hereby further amended effective as of January 1, 2019, as follows:

By adding the following paragraph in Section D-2-2 Eligibility to Share in the Retirement Contribution of Supplement D-2 Provisions Relating to the Retirement Contribution Feature for Certain Participating Affiliates:

Notwithstanding the foregoing, eligible employees of Intermountain Gas Company who are compensated for 960 hours or more through June 30, 2019 will receive a pro-rata allocation mid-year based on compensation paid through June 30, 2019.

IN WITNESS WHEREOF, MDU Resources Group, Inc., as Sponsoring Employer of the Plan, has caused this amendment to be duly executed by a member of the MDU Resources Group, Inc. Employee Benefits Committee on this day 22nd of August, 2019.

MDU RESOURCES GROUP, INC.  
EMPLOYEE BENEFITS COMMITTEE

By: /s/ Jason L. Vollmer  
Jason L. Vollmer, Chairman

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## Section 4: EX-31.A (MDU RESOURCES CERTIFICATION OF CHIEF EXECUTIVE OFFICER)

### CERTIFICATION

I, David L. Goodin, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: November 1, 2019

/s/ David L. Goodin  
David L. Goodin  
President and Chief Executive Officer

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## Section 5: EX-31.B (MDU RESOURCES CERTIFICATION OF CHIEF FINANCIAL OFFICER)

### CERTIFICATION

I, Jason L. Vollmer, certify that:

- I have reviewed this quarterly report on Form 10-Q of MDU Resources Group, Inc.;
- 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;
- 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;
- 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:
  - 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;
  - 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;
  - 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
  - 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
- 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):
  - 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
  - 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: November 1, 2019

/s/ Jason L. Vollmer  
Jason L. Vollmer  
Vice President, Chief Financial Officer and Treasurer

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## Section 6: EX-32 (MDU RESOURCES CERTIFICATION OF CEO AND CFO)

### 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, Chief Financial Officer and Treasurer of MDU Resources Group, Inc. (the "Company"), DOES HEREBY CERTIFY that:

- The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 (the "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHERE OF, each of the undersigned has executed this statement this 1st day of November, 2019.

/s/ David L. Goodin  
David L. Goodin  
President and Chief Executive Officer

/s/ Jason L. Vollmer  
Jason L. Vollmer  
Vice President, Chief Financial Officer and Treasurer

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.

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## **Section 7: EX-95 (MDU RESOURCES MINE SAFETY DISCLOSURES)**

### **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 three months ended September 30, 2019, none of the Company's operating subsidiaries received citations or orders under the following sections of the Mine Safety Act: 104(b), 104(d), 110(b)(2), 107(a) or 104(e). The Company did not have any mining-related fatalities during this period.

MSHA Identification Number/Contractor ID	Section 104 S&S Citations (#)	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	—	\$ 121	—	—	—
10-02088	—	121	—	—	—
10-02089	1	1,776	—	—	2
13-02222	—	363	—	—	—
21-02702	—	363	—	—	—
21-03096	—	214	—	—	—
21-03133	—	242	—	—	—
21-03358	—	263	—	—	—
21-03419	—	214	—	—	—
21-03502	—	121	—	—	—
21-03572	—	121	—	—	—
21-03732	—	121	—	—	—
21-02936	—	121	—	—	—
21-03215	—	242	—	—	—
24-00462	1	3,267	—	—	—
24-00459	—	474	—	—	—
24-00478	—	242	—	—	—
32-00774	—	121	—	—	—
32-00777	—	726	—	—	—
32-00950	—	1,079	—	—	—
35-00512	—	242	—	—	—
35-02968	—	363	1	—	—
35-03131	—	—	3	2	—
35-03496	—	363	—	—	—
35-03527	—	616	—	—	—
35-03581	—	—	2	1	—
35-03595	—	121	—	—	—
35-03605	—	242	—	—	—
35-03667	—	363	—	—	—
35-03751	2	1,043	—	—	—
39-00008	1	1,213	—	—	—
48-01383	—	725	—	—	—
50-00883	—	121	—	—	—
51-00036	—	—	—	—	1
51-00192	—	—	—	—	1
	5	\$ 15,724	6	3	4

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 September 30, 2019:

<b>MSHA Identification Number</b>	<b>Contests of Citations and Orders</b>	<b>Contests of Proposed Penalties</b>	<b>Complaints for Compensation</b>	<b>Complaints of Discharge, Discrimination or Interference</b>	<b>Applications for Temporary Relief</b>	<b>Appeals of Judges' Decisions or Orders to the Commission</b>
35-02968	1	—	—	—	—	—
35-03131	3	—	—	—	—	—
35-03581	1	1	—	—	—	—
	5	1	—	—	—	—