

**MONTANA-DAKOTA UTILITIES CO.  
MONTANA PUBLIC SERVICE COMMISSION  
DATA REQUEST  
DATED DECEMBER 21, 2012  
DOCKET NO. D2012.9.100**

**PSC-019**

**Regarding: Audit reports  
Witness: Applicable Witness**

- a. Please provide copies of all internal audit reports for 2010, 2011, and year-to-date 2012 for MDU and its subsidiaries.**
- b. Please provide copies of all external audit reports for 2010, 2011, and year-to-date 2012 for MDU and its subsidiaries.**

**Response:**

- a-b. Please see Attachment A for a list of audit reports for the referenced timeframe.

**Montana-Dakota Utilities Co./GPNG  
Internal/External Audits  
2009-2012**

<b>MDU - 2009</b>	
MDU/MDUR Journal Entry Audit - December 2008	January-09
Beta/Mid-Management Incentive Review (2008)	February-09
* 2008 MDU FCA/PGA Review	February-09
* 2008 FERC Form I Review	February-09
MDU Hyperion	April-09
Montana Oilfield Electric Meter Billing	April-09
* Heskett/Coyote Waste Disposal Facility Costs	July-09
MDU & CNGC IT General Controls Audit	August-09
MDU Data Center Analysis	September-09
Coyote Station Coal Agreement Audit	December-09
<b>GPNG - 2009</b>	
* 2008 GPNG-ND PGA Review	February-09
* 2008-2009 GPNG-MN PGA Review	August-09
<b>External Audits - 2009</b>	
<b>All Reviewed or Audited by Deloitte &amp; Touche</b>	
Form 10-Q for Quarters	
Form 10-K	
Form 11-K	
Health & Welfare Plans	

**Montana-Dakota Utilities Co./GPNG  
Internal/External Audits  
2009-2012**

Response No. 2  
Attachment A  
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<b>MDU - 2010</b>	
MDU/MDUR Journal Entry Audit - January - August 2009	January-10
Beta/Mid-Management Incentive Review (2009)	February-10
MDU/GPNG 1% Profit Sharing Plan Review (2009)	February-10
MDU/MDUR Journal Entry Audit - September - December 2009	February-10
* 2009 FERC Form I Review	February-10
* 2009 MDU FCA/COG Adjustment	March-10
* 2010 Heskett/Coyote Waste Disposal Facility Costs	July-10
Wygen III Facility Audit	September-10
MDU/GPNG JDE SOD/User Access	September-10
Utility Group IT General Controls Audit	December-10
Big Stone II Project - 2010 Joint Interest Audit	December-10
Coyote Coal Contract Audit Report	December-10
<b>GPNG - 2010</b>	
* 2009 GPNG - ND COG Review	March-10
* 2009-2010 GPNG-MN PGA Review	August-10
<b>External Audits - 2010</b>	
<b>All Reviewed or Audited by Deloitte &amp; Touche</b>	
Form 10-Q for Quarters	
Form 10-K	
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Health & Welfare Plans	

**Montana-Dakota Utilities Co./GPNG  
Internal/External Audits  
2009-2012**

Response No. 2  
Attachment A  
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<b>MDU - 2011</b>	
1st, 2nd, 3rd,4th Quarter Bank Reconciliation Reviews	2011
MDU/GPNG & CNG 1% Profit Sharing Plan (2010)	February-11
Utility Incentive Plan Review (2010)	February-11
Cash Management - Operating Company Bank Accounts	March-11
401K Retirement Contributions Feature	April-11
* 2010 FERC Form I Review	March-11
* 2010 MDU FCA/COG Adjustment	March-11
Big Stone Plant Operations Audit	April-11
Coyote Station Operations Audit	April-11
* 2011 Heskett/Coyote Waste Disposal Facility Costs	July-11
MDUG IT General Controls Audit	November-13
<b>GPNG - 2011</b>	
GPNG 4% Retirement Contribution Plan (2010)	February-11
* 2010 GPNG - ND COG Review	March-11
* 2010-2011 GPNG-MN PGA Review	August-11
<b>External Audits - 2011</b>	
<b>All Reviewed or Audited by Deloitte &amp; Touche</b>	
Form 10-Q for Quarters	
Form 10-K	
Form 11-K	
Health & Welfare Plans	

**Montana-Dakota Utilities Co./GPNG  
Internal/External Audits  
2009-2012**

<b>MDU - 2012</b>	
Utility Group Accounts Payable Process Internal Controls Audit	January-12
Utility Incentive Plan Review (2011)	February-12
MDU JDE & CIS SOD/User Access	February-12
* 2011 FERC Form I Review	March-12
MDU/GPNG Profit Sharing and Retirement Contribution Plan (2011)	March-12
* 2011 MDU FCA/COG Adjustment	March-12
1st & 2nd Quarter Bank Reconciliation Review	April-12 August-12
Wygen III Audit	June-12
* 2012 Heskett/Coyote Waste Disposal Facility Costs	July-12
Oilfield Electric Billing Audit	August-12
MDU Internal Control Audit	August-12
401K Retirement Contribution Plans	August-12
1st Quarter Expense Report Review	August-12
Coyote Coal Contract	3rd Qtr.
Background Check Review - MDUG	November-12
MDUG IT General Controls Audit	November-12
<b>GPNG - 2012</b>	
* 2011 GPNG - ND COG Review	March-12
* 2011-2012 GPNG--MN PGA Review	August-12
<b>External Audits - 2012</b>	
<b>All Reviewed or Audited by Deloitte &amp; Touche</b>	
Form 10-Q for Quarters	
Form 10-K	
Form 11-K	
Health & Welfare Plans	
* Performed on behalf of D&T	

**MONTANA-DAKOTA UTILITIES CO.  
MONTANA PUBLIC SERVICE COMMISSION  
DATA REQUEST  
DATED DECEMBER 21, 2012  
DOCKET NO. D2012.9.100**

**PSC-020**

**Regarding: Special project reports  
Witness: Applicable Witness**

**Please provide copies of all special project reports prepared in-house  
for 2010, 2011, and year-to-date 2012.**

**Response:**

Please see Attachment A for a copy of the Integration Project, Call Center Consolidation report.

## Integration Project

### Call Center Consolidation

We reviewed the current operating situations meter to cash for the three companies and agreed the 5 call centers and other Customer Service functions can be consolidated. We have outlined the current situation that exists in each company as well as the aggregate. In addition, a recommended combined structure is also outlined with staffing methodology.

Current situational analysis:

#### 1. Inbound Call Center

##### **Cascade**

Customers	252,000
Call Center in Bellingham	36*
Call Center in Sunnyside (Sales, support & conservation)	5*
Annual Calls-Bellingham	409,951
Sales Tech. Calls -Sunnyside	30,000
Cost Per Call-Bellingham	4.92 (11/08)
Cost per call – Sunnyside	12.30 (11/08)
Inbound Web Transactions	720

##### **Intermountain Gas Company**

Customers	302,000
Call Center in Boise	28*
Call Center in Soda Springs	13*
Annual Calls	653,784
Cost per Call	\$3.51 (09 Budget)
Inbound Web Transactions (web requests, web orders, E-comm. calls)	23,533

##### **Montana – Dakota Utilities / Great Plains**

Customers	310,801
Call Center in Bismarck	36.5
Annual Calls	451,172
Cost Per Call(inbound)	\$4.09 (10/08)**
Cost per call (inbound & outbound)	\$3.75**
Inbound Web Transactions	0

\*\* O&M expenses includes costs for outbound

\*Includes Managers, Team Leaders and Supervisors

### Combined Statistics

**Current Combined total for inbound:** 1,524,907

**Current Combined total for credit / outbound:**

- |  |           |
|--|-----------|
| • Customers Served                     | 864,801   |
| • Call Centers                         | 5         |
| • Call Center Reps.                    | 118.5     |
| • Annual Calls (07)                    | 1,544,907 |
| • Inbound web transactions             | 23,533    |
| • Customers Served                     | 864,801   |
| • Credit Reps/ Clerks                  | 19.5*     |
| (*14.5 are local office MDU employees) |           |

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**Types of Transactions**

**Cascade**

- Turn on/off requests
- Sales / Marketing calls
- Billing/statement questions
- High Bill Complaints
- Third Party payments
- Payment arrangements (if no outbound, credit call made)
- Conservation program information
- Rate Information
- Emergencies
- Program related questions
- Web questions

**Intermountain Gas Company**

- Turn on/off requests
- Billing / Statement questions
- Third party payments
- Payment arrangements
- Emergencies
- Program related questions
- Web service issues

**Montana - Dakota Utilities / Great Plains**

- Turn on/off requests
- Billing/statement questions

- Payment arrangements (only if payment will be received within in 60 days). All other credit referred to Local Office.
  - Non-utility program requests
  - Third Party payments
  - Web questions & web chat
  - Payment arrangements except new hires
  - Emergencies
  - Program related questions
- 

## 2. Dispatch Operation

### **Cascade**

- Manual process
- Calls are dispatched and printed in the Districts by the Call Center Rep.
- Emergency orders are printed in the district and followed up with phone contact
- Employee in Local Office distributes the orders
- Manual audit and completion done in the local office and returned to the call center who completes the orders (2 CCRS)

### **Intermountain Gas Company**

- Automatic & centralized process
- Staff of three (3)

### **Montana-Dakota Utilities / Great Plains**

- Mobile data dispatch (divided by area automatically then manually adjusted)
- Manual audit and completion done in Local Offices for after-hours calls received when CIS system is down for daily batch and bill production
- Staff of nine (9) – 3 schedulers and 6 handle day to day transactions

**Combined dispatch totals: 14**

Cascade dispatches thru their local offices currently, so the only staff included in the 14 would be the 2 CCR's who complete the orders.

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## 3. Web / IVR Services

### **Cascade**

- No interactive Web services
- Annual inbound emails - 720 estimated
- No interactive IVR services

**Intermountain Gas Company**

- Interactive Web services
- Annual Inbound emails - 4422
- Interactive IVR services:  
Transactions: Payment arrangements  
Request histories

**Montana – Dakota Utilities / Great Plains**

- No interactive Web services
  - Annual inbound emails 1300 (includes request for service)
  - No interactive IVR
  - Chat service with agents – 2 a day
- 

**4. Collections****Cascade**

- Centralized
- Staff of seven(7) (includes management)
- Makes outbound calls active/ inactive and processes disconnects for non payment
- Includes Corporate Credit Analysis, report coordination and collection for large volume and miscellaneous billings
- Third Party automated dialer for collection reminder calls (Televox)

**Intermountain Gas Company**

- Centralized
- Staff of eight (8) (includes management)
- Makes outbound calls / inactive – active
- Audits scheduled disconnects for non payment
- Third party automated outbound dialer for collection calls (Televox)
- Includes Corporate Analysis

**Montana – Dakota Utilities / Great Plains**

- Decentralized
  - Staff of fourteen and one-half (14.5)
  - Twelve (12) locations
  - Makes outbound calls / inactive – active
-

## 5. Programs

### **Cascade**

- No updates currently due to CIS implementation
- Normally handled in the Customer Service Department by a staff of one who also has other management responsibilities.
- Develops and maintains customer programs i.e.; level pay and autopay

### **Intermountain Gas Company**

- Staff of four (4) (includes management)  
Develops and maintains customer programs i.e.; level pay, autopay, Landlord Continuous Service and Summary Bill

### **Montana – Dakota Utilities / Great Plains**

- Programs are developed within the Marketing area with customer service input
  - Landlord service done in call center – forms maintained in local office
- 

## 6. Consumer / Communications

### **Cascade**

- Staff of two (2)
- No Sales and Marketing
- Bill inserts, bill messages, statement design, web design and maintenance (3<sup>rd</sup> party print and inserts included with statement – BIT)
- Corporate Contribution Program

### **Intermountain Gas Company**

- Staff of two (2)
- No Sales and Marketing (under different areas)  
Bill inserts, statement design, bill messages, and web design (Office Services and 3<sup>rd</sup> parties print – Office Services then

inserts and mails)

### **Montana-Dakota Utilities / Great Plains**

- Bill inserts are created by Marketing, approved by regulatory, printed by office services and inserted by office services
  - Quarterly newsletter created by corporate communication, printed by third party, and distributed to local newspapers as inserts
- 

## **7. Training**

### **Cascade**

- Q.A. Trainer in each call center– 3 calls per agent per month  
Monitoring, training and coaching – uses Nice System for call recordings.  
2 week training time for new hires with side by side prior to taking live calls.  
Refresher training as needed
- Credit Group – is not part of the call center, but located in the same building as the central call center in Bellingham - one Supervisor does training.

### **Intermountain Gas Company**

- Staff of two (2)  
8 week total training time for new hires  
Minimum 4 classes per year – 2-3 per class  
Team leaders do 3 calls per agent per month  
Monitoring and Coaching  
Refresher training

### **Montana-Dakota Utilities / Great Plains**

- Staff of two (2) (combination Trainer and Q.A.)  
Use the Nice System – captures screen shots  
Coaching and Monitoring 5 calls per agent per month  
2-3 classes per year, average of 3-4 per class  
8 week new hire training class, refresher training classes, on line  
Soft skills training and other related responsibilities
-

## 8. Marketing / Sales

### **Cascade:**

Sales support position works within the Sunnyside Call Center (NCSC)  
 They process new service requests for developments, conversions  
 and calculate the estimated costs and requirements.  
 Determine the rate, read schedule, service address assigned.  
 The order is then sent to the field facilitator for measurements and  
 signatures.

### **Montana Dakota Utilities:**

Marketing Reps. work out of the local offices  
 Responsibilities include special projects and direct selling and marketing  
 utility and non-utility services.  
 Sales Tech (Engineering Assoc) position determines what the require-  
 ments will be for the new service.

### **Intermountain Gas Co:**

Sales Tech. positions are located in the field offices  
 They do the physical measurements, determine the cost  
 requirements, etc. They also do the measurements and get  
 signatures.

### Current Staffing:

Cascade:	Vice-President	1
	Customer Service Manager	1
	Customer Service Specialist	1
	Customer Service Rep. New Business	4
	QA Lead Trainer	1
	Customer Service Rep. Call Center	30
	NCSC Manager	1
	Call Center Manager	1
	Call Center Supervisors	3
	QA Lead Trainer	1
	Call Center Coordinator	1
	Credit & Collection Reps.	4
	Credit Supervisor	1
	Credit Specialists	2

Customer Relations	2
Total Staff:	54

## Montana-Dakota Utilities:

Credit Reps. – Local offices	14.5*
Call Center agents	29.5
Manager	1
Call Center Operations Supervisor	1
Call Center Coordinator (supervisor)	3
QA Coordinator	1
Resource Coordinator/agent	2
Call Center Agent (Admin.)	1
P.T. Call Scheduler (2 p.t.)	1
Total Staff:	54

- Credit Reps may also work in other areas of local office

## Intermountain Gas Co.

Director	1
Administrative Assistant	1
Managers	5
Soda Call Center Team Lead	2
Soda Call Center Reps.	11
Support	1.5
Boise Call Center Team Lead	3
Dispatchers	3
Support Staff	6
Boise Call Center Reps.	23.5
Credit Analyst	1
Credit Team Lead	1
Collection Reps.	5
Trainers	2
Documentation Spec.	1
Program Coordinator	1
Meter Read Administrator	1
Total Staff:	69

**Total combined staff for current Customer Services 177**

The Difficulty in comparing total staff numbers is with the various differences in operation. As an example; MDU numbers include employees in local offices, Intermountain Includes some local office support in their numbers along with the program area, which at MDU the position is within the marketing and engineering area. Cascade Includes employees who handle new business calls.

As we looked at all of the customer based processes, we agreed that the “ideal” Customer Service business unit should be divided into four departments.

They are as follows:

1. Customer Contact Center

This center would include the following functions:

- Receiving inbound customer calls

Connect / Disconnect requests

Sales / Marketing- administrative

Bill Inquiries

Payment Processing – 3<sup>rd</sup> Party

Conservation Program Information

(Eliminate the Safe and Secure Program)

Payment Arrangements

Program sign up or general information

Emergency Response

- E-Commerce web transactions

Self-Service – all of the same functions as stated above

- Interactive Voice Response transactions

Self Service – all of the same functions located on the website

- Centralized Dispatch

Connects the call center to the field workforce – Centralized with 6-7 Dispatchers for 24/7 coverage

- Support Services

Training

Coaching & QA Monitoring

Research

Scheduling/forecasting/reporting

Help Desk Activity

Review and process billing disputes

**Staffing Methodology:**

Inbound call centers (assumptions)

Each customer generates 1.5 calls per year  
 Each new customer generates 2 calls the first year  
 1 FTE Call Center Rep. = 7.5 calls per hour  
 1 FTE Call Center Rep. = 15,600 calls per year

2007/ 08 calls for the 3 utilities = 1,524,907 calls

15,600 divided into 1,544,907 = 99 CCR's

1.5 FTE's per company for e-web processing = 4.5 Web-Reps

Team Leaders – based on 1 team lead for 10 reps. = 11

Administrative Back Office Support = 5  
 This area needs further study to determine what can be automated, reduced and/or eliminated.

Trainers and Q. A. = 5  
 This area is handled differently in all 3 companies; further review is needed to determine the most effective methods.

Scheduling/Forecasting/Reporting = 2

Dispatch 6

Total estimated staffing requirement 132.5

**2. Credit / Support Center**

This credit and support center would focus on the following functions:

- Specialized credit & collections group making outbound collection calls for:

Active past due collection calls  
 Inactive past due collection calls  
 Unauthorized usage contacts

- Review and process billing disputes

Disconnection dates  
Fraud

- Process written off accounts

Collection Agency activity  
Bankruptcy Issues

- Receiving inbound collection calls

Customer contacts when disconnected or scheduled for disconnection  
Emergency Response backup  
Payment Arrangements

- Additional CCR group to handle support services

Low income program administration  
Training  
Coaching & QA Monitoring  
Research  
Help Desk Activity  
Return Mail  
Overflow coverage from primary call center and/or emergency backup

**Staffing Methodology:**

Outbound call center assumptions

Based on Intermountain Gas Company's outbound credit calls where an average of 27% of the customers require an outbound call, the following assumption can be made:

- Cascade 68,040 credit calls would be made (27% of 252,000)
- MDU 83,916 credit calls would be made (27% of 310,801)
- Intermountain 81,540 credit calls would be made (27% of 302,000)
- Total credit calls made = 233,496 calls per year

Credit Rep. can make an average of 8 calls per hour or 16,640 calls per year.

16,640 divided into 233,496 = 14 credit reps. would be needed for outbound calls.

Credit Analyst positions needed =	2
Team Lead based on 1 team leader for 10 Collection Reps =	1.5
Administrative back office support =	
Trainer & Q.A =	1
Total estimated staffing requirements =	18.5

Cost efficiencies can be realized through use of a predictive dialer, which could mean less staff requirements.

### **3. Customer Development and Programs**

This department would focus on the following functions:

- Development of bill inserts and program brochures
- Customer communications
- Marketing/Sales
- Website
- Customer Program development/maintenance/documentation

Total estimated staffing requirements = 7

The utility organization would develop one program for all utilities, analysts who work with Information Services would make up 3 positions, 1-2 employees would work on bill inserts, etc. working with MDU Resources. Additional review is needed to identify the processes included with the sales support and marketing functions.

### **4. Billing and Cash Processing or Revenue Services**

This department would focus on the following functions:

- Statement Design
- Summary Billing
- Large Industrial Billing
- Billing processing
- Adjustments – Cancel and rebilling
- Cash processing
- Payment Programs

The connection between Customer Service and Billing/Cash Processing is a strong one. The billing and cash processing areas drive so much customer contact that we think it should be within the same business unit. A large percentage, roughly 25% of inbound customer calls, are connected to this area.

Staffing for the proposed structure will take additional time.

**Total combined positions without Billing and Cash Processing = 148**

We are unable to determine an exact number of decreased positions until we can evaluate the suggested changes we have recommended.

**Challenges:**

Companies are operating with 3 separate CIS systems.  
Suggest the consolidation be done in phases. How we move forward will depend on locations, CIS System implementation and I.T. support.

Phase 1            Consolidate in 2010

This approach would mean Cascade would be running on CC & B, MDU would still be running on 2 legacy systems and Intermountain Gas would be on Customer Watch. All 4 systems could be put on 1 desktop and thru skills based routing; calls could be redirected to specialized agents based on company. This would apply to both contact and credit centers. Close MDU local offices to walk-in traffic.

Phase 2            Consolidate in 2011

Move specialized MDU staff with Cascade after CC & B is implemented at MDU.

Phase 3            Consolidate in 2013

Move specialized Intermountain Gas staff with MDU and Cascade after CC & B is implemented at Intermountain Gas.

**MONTANA-DAKOTA UTILITIES CO.  
MONTANA PUBLIC SERVICE COMMISSION  
DATA REQUEST  
DATED DECEMBER 21, 2012  
DOCKET NO. D2012.9.100**

**PSC-021**

**Regarding: Board of Directors**

**Witness: Applicable Witness**

- a. **Please provide the MDU Compensation Rate Schedule for non-employee Directors for 2011-2012.**
- b. **Please provide total by year, the compensation and per diem paid to each non-employee board member.**
- c. **Please explain and show how board expenses are allocated.**

**Response:**

- a-b. Please see Attachment A.
- c. Board expenses are allocated to the business units pursuant to MDU Resources Policy No. 50.9 Allocation of Administrative costs and general expenses to MDU Resources' business units, provided as Attachment B.

**Director Compensation for 2011**

Name (a)	Fees Earned or Paid in Cash (\$) (b)	Stock Awards (\$) (c)(1)	Option Awards (\$) (d)	Non-Equity Incentive Plan Compensation (\$) (e)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) (f)	All Other Compensation (\$) (g)(2)	Total (\$) (h)
Thomas Everist	62,917	110,000	— (3)	—	—	174	173,091
Karen B. Fagg	62,917	110,000	—	—	—	174	173,091
A. Bart Holaday	55,000 (4)	110,000	—	—	—	174	165,174
Dennis W. Johnson	67,917	110,000	—	—	—	174	178,091
Thomas C. Knudson	55,000	110,000	—	—	—	674	165,674
Richard H. Lewis	55,000	110,000	—	—	—	174	165,174
Patricia L. Moss	55,000 (5)	110,000	—	—	—	174	165,174
Harry J. Pearce	130,000	110,000	—	—	—	174	240,174
John K. Wilson	55,000 (6)	110,000	—	—	—	174	165,174

- (1) This column reflects the aggregate grant date fair value of 5,450 shares of MDU Resources Group, Inc. stock purchased for our non-employee directors measured in accordance with Financial Accounting Standards Board generally accepted accounting principles for stock based compensation in FASB Accounting Standards Codification Topic 718. The grant date fair value is based on the purchase price of our common stock on the grant date on November 21, 2011, which was \$20.181. The \$14 in cash paid to each director for the fractional shares is included in the amounts reported in column (c) to this table.
- (2) Group life insurance premium of \$174 and a matching charitable contribution of \$500 for Mr. Knudson.
- (3) Mr. Everist had 6,750 stock options outstanding as of December 31, 2011.
- (4) Includes \$14,997 that Mr. Holaday received in our common stock in lieu of cash.
- (5) Includes \$54,983 that Ms. Moss received in our common stock in lieu of cash.
- (6) Includes \$54,983 that Mr. Wilson received in our common stock in lieu of cash.

Effective June 1, 2011, the board approved changes to the MDU Resources Group, Inc. Directors' Compensation Policy. The following table shows the cash and stock retainers payable to our non-employee directors.

	Effective June 1, 2011	Prior to June 1, 2011
Base Retainer	\$ 55,000	\$ 55,000
Additional Retainers:		
Non-Executive Chairman	75,000	75,000
Lead Director, if any	33,000	33,000
Audit Committee Chairman	15,000	10,000
Compensation Committee Chairman	10,000	5,000
Nominating and Governance Committee Chairman	10,000	5,000
Annual Stock Grant(1)	110,000	4,050 shares

- (1) Effective for 2011, the annual stock grant was changed from a fixed number of shares to a grant of shares equal in value to \$110,000.

There are no meeting fees.

In addition to liability insurance, we maintain group life insurance in the amount of \$100,000 on each non-employee director for the benefit of each director's beneficiaries during the time each director serves on the board. The annual cost per director is \$174.

Directors may defer all or any portion of the annual cash retainer and any other cash compensation paid for service as a director pursuant to the Deferred Compensation Plan for Directors. Deferred amounts are held as phantom stock with dividend accruals and are paid out in cash over a five-year period after the director leaves the board.

Directors are reimbursed for all reasonable travel expenses including spousal expenses in connection with attendance at meetings of the board and its committees. All amounts together with any other perquisites were below the disclosure threshold for 2011.

Our post-retirement income plan for directors was terminated in May 2001 for current and future directors. The net present value of each director's benefit was calculated and converted into phantom stock. Payment is deferred pursuant to the Deferred Compensation Plan for Directors and will be made in cash over a five-year period after the director's retirement from the board.

The board revised our stock ownership policy for directors in November 2010. Each director is required, rather than expected, to own our common stock equal in value to five times the director's base retainer. Shares acquired through purchases on the open market and participation in our director stock plans will be considered in ownership calculations as will ownership of our common stock by a spouse. A director is allowed five years commencing January 1 of the year following the year of that director's initial election to the board to meet the requirements. The level of common stock ownership is monitored with an annual report made to the compensation committee of the board. For stock ownership, please see "Security Ownership."

In our Director Compensation Policy, we prohibit our directors from hedging their ownership of company common stock. Directors may not enter into transactions that allow the director to benefit from devaluation of our stock or otherwise own stock technically but without the full benefits and risks of such ownership.

Director Compensation for 2012

Name (a)	Fees Earned or Paid in Cash (\$) (b)	Stock Awards (\$) (c)(1)	Option Awards (\$) (d)	Non-Equity Incentive Plan Compensation (\$) (e)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) (f)	All Other Compensation (\$) (g)(2)	Total (\$) (h)
Thomas Everist	65,000	110,000	—	—	—	174	175,174
Karen B. Fagg	65,000	110,000	—	—	—	174	175,174
A. Bart Holaday	55,000 (3)	110,000	—	—	—	174	165,174
Dennis W. Johnson	70,000	110,000	—	—	—	174	180,174
Thomas C. Knudson	55,000	110,000	—	—	—	674	165,674
Richard H. Lewis	55,000	110,000	—	—	—	174	165,174
Patricia L. Moss	55,000 (4)	110,000	—	—	—	174	165,174
Harry J. Pearce	130,000	110,000	—	—	—	174	240,174
John K. Wilson	55,000 (5)	110,000	—	—	—	174	165,174

- (1) This column reflects the aggregate grant date fair value of 5,467 shares of MDU Resources Group, Inc. stock purchased for our non-employee directors measured in accordance with Financial Accounting Standards Board generally accepted accounting principles for stock based compensation in FASB Accounting Standards Codification Topic 718. The grant date fair value is based on the purchase price of our common stock on the grant date on November 19, 2012, which was \$20.118. The \$15 in cash paid to each director for the fractional shares is included in the amounts reported in column (c) to this table.
- (2) Group life insurance premium of \$174 and a matching charitable contribution of \$500 for Mr. Knudson.
- (3) Includes \$14,999 that Mr. Holaday received in our common stock in lieu of cash.
- (4) Includes \$27,481 that Ms. Moss received in our common stock in lieu of cash.
- (5) Includes \$54,982 that Mr. Wilson received in our common stock in lieu of cash.

The following table shows the cash and stock retainers payable to our non-employee directors.

Base Retainer	\$ 55,000
Additional Retainers:	
Non-Executive Chairman	75,000
Lead Director, if any	33,000
Audit Committee Chairman	15,000
Compensation Committee Chairman	10,000
Nominating and Governance Committee Chairman	10,000
Annual Stock Grant(1)	110,000

There are no meeting fees.

In addition to liability insurance, we maintain group life insurance in the amount of \$100,000 on each non-employee director for the benefit of each director's beneficiaries during the time each director serves on the board. The annual cost per director is \$174.

Directors may defer all or any portion of the annual cash retainer and any other cash compensation paid for service as a director pursuant to the Deferred Compensation Plan for Directors. Deferred amounts are held as phantom stock with dividend accruals and are paid out in cash over a five-year period after the director leaves the board.

Directors are reimbursed for all reasonable travel expenses including spousal expenses in connection with attendance at meetings of the board and its committees. All amounts together with any other perquisites were below the disclosure threshold for 2012.

Our post-retirement income plan for directors was terminated in May 2001 for current and future directors. The net present value of each director's benefit was calculated and converted into phantom stock. Payment is deferred pursuant to the Deferred Compensation Plan for Directors and will be made in cash over a five-year period after the director's retirement from the board.

The board revised our stock ownership policy for directors in November 2010. Each director is required, rather than expected, to own our common stock equal in value to five times the director's base retainer. Shares acquired through purchases on the open market and participation in our director stock plans will be considered in ownership calculations as will ownership of our common stock by a spouse. A director is allowed five years commencing January 1 of the year following the year of that director's initial election to the board to meet the requirements. The level of common stock ownership is monitored with an annual report made to the compensation committee of the board. For stock ownership, please see "Security Ownership."

In our Director Compensation Policy, we prohibit our directors from hedging their ownership of company common stock. Directors may not enter into transactions that allow the director to benefit from devaluation of our stock or otherwise own stock technically but without the full benefits and risks of such ownership.



**POLICY STATEMENTS**  
**Policy No. 50.9**

**Allocation of Administrative Costs and General Overheads to Business Units**

Effective Date:  
July 1, 2011

I. PURPOSE

- A. It is the policy of the Company to allocate MDU Resources Group, Inc.'s (MDU) administrative costs and general expenses to MDU's business units.

II. SCOPE

- A. The allocation procedures described herein are intended to allocate only those MDU administrative and general expenses applicable to multiple business unit operations. In those instances where administrative and general expenses incurred relate only to a specific business unit, that expense will be assigned directly to the applicable business unit with no allocation to other business units.
- B. The allocation policy and procedure implemented by this Statement is intended to utilize those allocation methodologies which appropriately allocate MDU's general and administrative expenses to the applicable business units. General and administrative expenses shall also include the costs of the facilities and other property used in providing services to the business units. Ownership and operating costs for these facilities and other property shall be based on a cost of service calculation. Such cost of service methodology provides for an annual return on the value of property used and useful in providing service plus necessary and proper annual operating expenses, taxes and depreciation.

III. PROCEDURE

- A. The allocation factors developed to apportion MDU's unassigned general and administrative costs, including payroll, shall be based on the corporate capitalization factor which is based on 12 month average capitalization at March 31, effective July 1 and at September 30, effective January 1. Capitalization includes total equity and current and non-current long-term debt (including capital lease obligations).
- B. Business unit employees who perform services for affiliated business units on a noncompetitive basis shall determine the time devoted to those other business units and shall recover the payroll costs through an administrative fee to be charged to and recovered from such other business units.



## POLICY STATEMENTS

## Policy No. 50.9

## Allocation of Administrative Costs and General Overheads to Business Units

Effective Date:  
July 1, 2011

- C. As indicated in paragraph II.B., the ownership and operating costs related to providing services to the business units shall be assigned directly where so determinable or otherwise allocated using the appropriate factor. Facilities and other property utilized in providing services include the corporate office, computers, telephones and furniture and fixtures. Components included in cost of service for these facilities and other property include operation and maintenance expense, depreciation, property taxes, income taxes and a pretax return on the investment.
- D. MDU allocable general and administrative costs shall be charged to the business units on a monthly basis.

IV. ADMINISTRATION

- A. The President and Chief Executive Officer of MDU Resources Group, Inc. has the responsibility and authority for the overall administration of this policy and procedure. Establishment and implementation of procedures to administer the policy and procedure is the responsibility of MDU's Vice President, Controller and Chief Accounting Officer.

Prepared and  
Reviewed By: Nicole A. Kivisto  
Nicole A. Kivisto  
Vice President, Controller and  
Chief Accounting Officer

Approved By: Terry D. Hildestad  
Terry D. Hildestad  
President and Chief  
Executive Officer

Date: July 1, 2011

**MONTANA-DAKOTA UTILITIES CO.  
MONTANA PUBLIC SERVICE COMMISSION  
DATA REQUEST  
DATED DECEMBER 21, 2012  
DOCKET NO. D2012.9.100**

**PSC-022**

**Regarding: Board of Directors**

**Witness: Applicable Witness**

- a. Please provide date, location, cost of all board and board committee meetings individually, including and designating conference calls.**
- b. Are the board members compensated if they attend a meeting via conference call?**
- c. Are the board members compensated if attending a meeting of a committee of which they are not members?**
- d. Is it compulsory that they attend the meeting? Why or why not?**
- e. Are the per diem and/or travel costs paid for attendance of those meetings?**
- f. If there are meetings that run consecutively on a day, is the board member paid fees for both the board and committee meetings?**

**Response:**

- a. Please see Attachment A.
- b. Each Director who is not a full-time employee of the Company receives an annual retainer. No meeting fees are paid to the MDU Resources Group, Inc. Board of Directors.
- c. Please see Response No. PSC-022b.
- d. Section 5 of MDU Resources Group, Inc. Corporate Governance Guidelines provides "Directors are expected to attend meetings of the Board and of committees on which they serve, and to spend whatever time is necessary, including time to review materials distributed in advance of Board or committee meetings, to properly discharge their responsibilities." Board members comply with the above provisions and the MDU Resources annual Proxy reports on whether each director attended at least 75 percent of the combined total meetings of the board and the committees on which the board member served during the prior year.

**MONTANA-DAKOTA UTILITIES CO.  
MONTANA PUBLIC SERVICE COMMISSION  
DATA REQUEST  
DATED DECEMBER 21, 2012  
DOCKET NO. D2012.9.100**

e. Yes.

f. No.

As of: 8/22/11

MDU Resources Group, Inc.  
Board of Directors Expenses  
February 15-17, 2011  
Palm Springs, CA

<u>Name</u>	<u>Travel Expenses</u>	<u>Meal Expenses</u>	<u>Hotel</u>	<u>Misc.</u>	<u>Total</u>
Everist, Tom	\$2,919.06 (a,c)		\$1,588.74 (2)		\$4,507.80
Fagg, Karen	\$5,931.37 (e)		1,608.32 (2)		7,539.69
Hildestad, Terry	1,764.97 (a,c,g)		2,118.32 (2)		3,883.29
Holiday, Bart	3,227.39 (d,e)		1,287.78 (2)		4,515.17
Johnson, Dennis	3,324.93 (a,d)		1,287.78 (2)		4,612.71
Knudson, Tom	3,638.43 (a,c,d,e,f)	20.00	1,597.35 (2)		5,255.78
Lewis, Dick	0.00		1,588.74 (2)		1,588.74
Moss, Patti	1,063.17 (a,b,c,g)	58.17	1,588.74 (2)		2,710.08
Pearce, Harry	16,422.95 (d)		1,287.78 (2)		17,710.73
Wilson, John	904.60 (c)		1,623.00 (2)		2,527.60
	<u>\$ 39,196.87</u>	<u>\$78.17</u>	<u>\$15,576.55</u>	<u>\$0.00</u>	<u>\$54,851.59</u>
<u>Other Expenses:</u>					
Mary Peters (outside speaker)	179.40 (c)		429.26 (2)		608.66
Gifts				426.65	426.65
<u>Smoke Tree Ranch</u>					
Set Up Audio Visual					
2/14				250.00	250.00
2/15				125.00	125.00
2/16				125.00	125.00
2/17				125.00	125.00
Room Rental					
2/15				85.00	85.00
2/16				85.00	85.00
Reception/Food Catering					
2/14		1,697.87 (1)			1,697.87
2/15		1,096.47 (1)			1,096.47
2/16		3,200.53 (1)			3,200.53
2/17		307.23 (1)			307.23
Guest Lunches/Beverages					
2/13		816.73 (1)			816.73
Misc. Printing/Faxes				5.70	5.70
Beverage 2/17		7.61 (1)			7.61
Reception 2/15		1,088.04 (1)			1,088.04
	<u>\$179.40</u>	<u>\$8,214.48</u>	<u>\$429.26</u>	<u>\$1,227.35</u>	<u>\$10,050.49</u>
<b>TOTAL</b>	<u><b>\$39,376.27</b></u>	<u><b>\$8,292.65</b></u>	<u><b>\$16,005.81</b></u>	<u><b>\$1,227.35</b></u>	<u><b>\$64,902.08</b></u>

(a) Automobile (b) Baggage Fees (c) Commercial flight (d) Encore plane (e) Bravo plane (f) Taxi/Car Service (g) Airport Parking

(1) Includes Management Policy Committee members and other external auditors.

(2) Includes room and meals.

As of: 12/7/11

MDU Resources Group, Inc.  
Board of Directors Expenses  
May 10-12, 2011  
Bismarck, North Dakota

<u>Name</u>	<u>Travel Expenses</u>	<u>Meal Expenses</u>	<u>Hotel</u>	<u>Misc.</u>	<u>Total</u>
Everist, Tom	7,449.61 (c,d)	56.22	\$194.02	\$15.89	\$7,715.74
Fagg, Karen	4,479.73 (e)		\$194.02		4,673.75
Hildestad, Terry					0.00
Holiday, Bart	2,165.40 (c,d,f)	14.06	\$194.02		2,373.48
Johnson, Dennis	102.00 (a)		\$194.02		296.02
Knudson, Tom	6,417.95 (c,d,f)	62.00	\$194.02		6,673.97
Lewis, Dick	956.00 (a,c,g)		\$194.02		1,150.02
Moss, Patti	10,751.35 (e)	13.20	\$194.02		10,958.57
Pearce, Harry	13,350.00 (d,e)				13,350.00
Wilson, John	3,492.54 (c,d)		\$194.02		3,686.56
	<u>\$49,164.58</u>	<u>\$145.48</u>	<u>\$1,552.16</u>	<u>\$15.89</u>	<u>\$50,878.11</u>
<u>Other Expenses:</u>					
Lady J's Catering					
5/11 & 5/12 Lunch/Breakfast		400.75 (1)			400.75
Walmart					
Snacks for Bd. Mtg		92.97 (1)			92.97
Sonnets					
5/12 Breakfast		19.77			19.77
East 40					
5/11 Dinner		4,199.18 (1)			4,199.18
Starbucks					
5/12 Breakfast		41.57 (1)			41.57
Seven Seas					
5/10 Dinner		1,811.63 (1)			1,811.63
	<u>\$0.00</u>	<u>\$6,565.87</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$6,565.87</u>
<b>TOTAL</b>	<u><u>\$49,164.58</u></u>	<u><u>\$6,711.35</u></u>	<u><u>\$1,552.16</u></u>	<u><u>\$15.89</u></u>	<u><u>\$57,443.98</u></u>

(a) Automobile (b) Baggage Fees (c) Commercial flight (d) Encore plane (e) Bravo plane  
(f) Taxi/Car Service (g) Airport Parking

As of: 12/7/11

MDU Resources Group, Inc.  
Board of Directors Expenses  
August 9-11, 2011  
Bismarck, North Dakota

<u>Name</u>	<u>Travel Expenses</u>	<u>Meal Expenses</u>	<u>Hotel</u>	<u>Misc.</u>	<u>Total</u>
Everist, Tom	\$4,584.07 <sup>(d,i)</sup>		\$291.03		\$4,875.10
Fagg, Karen	4,586.85 <sup>(d,e,i)</sup>		291.03		4,877.88
Hildestad, Terry					0.00
Holiday, A. Bart	565.29 <sup>(a,h,i)</sup>	37.58	291.03		893.90
Johnson, Dennis	111.00 <sup>(a)</sup>		194.02		305.02
Knudson, Tom	7,780.09 <sup>(a,c,d,g)</sup>		194.02	20.00 <sup>(f)</sup>	7,994.11
Lewis, Dick	958.91 <sup>(a,c,i)</sup>		291.03		1,249.94
Moss, Patti	11,120.82 <sup>(d,e,i)</sup>		291.03		11,411.85
Pearce, Harry	14,100.00 <sup>(e)</sup>				14,100.00
Wilson, John	999.07 <sup>(c,i)</sup>		291.03		1,290.10
	<u>\$44,806.10</u>	<u>\$37.58</u>	<u>\$2,134.22</u>	<u>\$20.00</u>	<u>\$46,997.90</u>
<u>Other Expenses:</u>					
Harlows Bus Service					
6/20 Deposit	63.00				\$ 63.00
8/10 Coyote Station Trip	562.00				\$ 562.00
Country House Deli					
8/9 Lunch		75.27 <sup>(1)</sup>			\$ 75.27
Pirogue Grille					
8/10 Dinner		2,747.81 <sup>(1)</sup>			\$ 2,747.81
Hawktree					
8/9 Dinner		2,440.03 <sup>(1)</sup>			\$ 2,440.03
Central Market					
8/10 & 8/11 Snacks		54.05 <sup>(1)</sup>			\$ 54.05
8/11 Breakfast		30.99 <sup>(1)</sup>			\$ 30.99
8/10 Snacks		49.99 <sup>(1)</sup>			\$ 49.99
Ramkota Hotel					
8/10 Breakfast		257.79 <sup>(1)</sup>			\$ 257.79
8/10 Social		623.59 <sup>(1)</sup>			\$ 623.59
Bread Poets					
8/11 Cinnamon Logs		34.95 <sup>(1)</sup>			\$ 34.95
Toasted Frog					
8/8 Dinner		292.87 <sup>(1)</sup>			\$ 292.87
Captain Jack's					
8/9 Dinner Beverages		597.05 <sup>(1)</sup>			\$ 597.05
	<u>\$625.00</u>	<u>\$7,204.39</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$7,829.39</u>
<b>TOTAL</b>	<u><b>\$45,431.10</b></u>	<u><b>\$7,241.97</b></u>	<u><b>\$2,134.22</b></u>	<u><b>\$20.00</b></u>	<u><b>\$54,827.29</b></u>

(a) Automobile (b) Baggage Fees (c) Commercial flight (d) Encore plane (e) Bravo plane (f) Taxi (g) Airport parking  
(h) Gas for rental car (i) Tip to driver (j) Bakken Tour  
(1) Includes Management Policy Committee members and other external auditors.

As of: 01/17/11

MDU Resources Group, Inc.  
Board of Directors Expenses  
November 15-17, 2011  
Bismarck, North Dakota

<u>Name</u>	<u>Travel Expenses</u>	<u>Meal Expenses</u>	<u>Hotel</u>	<u>Misc.</u>	<u>Total</u>
Everist, Tom	\$ 1,276.39 <sup>(b,c)</sup>	6.01	\$291.03		\$ 1,573.43
Fagg, Karen	4,372.50 <sup>(e)</sup>		194.02		4,566.52
Hildestad, Terry					0.00
Holaday, A. Bart	666.80 <sup>(b,c)</sup>	59.02	194.02		919.84
Johnson, Dennis	102.00 <sup>(a)</sup>		194.02		296.02
Knudson, Tom	1,590.29 <sup>(a,c,g)</sup>		194.02		1,784.31
Lewis, Dick	1,023.10 <sup>(a,b,c,g)</sup>		194.02		1,217.12
Moss, Patti	8,467.50 <sup>(e)</sup>		194.02		8,661.52
Pearce, Harry	10,680.00 <sup>(d)</sup>				10,680.00
Wilson, John	2,208.60 <sup>(c)</sup>		194.02		2,402.62
	<u>\$30,387.18</u>	<u>\$65.03</u>	<u>\$1,649.17</u>	<u>\$0.00</u>	<u>\$32,101.38</u>
<u>Other Expenses:</u>					
Country House Deli					
11/15 Lunch		105.40 <sup>(1)</sup>			105.40
Central Market					
11/15 Snacks		15.24 <sup>(1)</sup>			15.24
11/16 Snacks		40.67 <sup>(1)</sup>			40.67
Sonnets					
11/15 Cookies		17.79 <sup>(1)</sup>			17.79
Bistro					
11/15 Dinner		2,947.88 <sup>(1)</sup>			2,947.88
East 40					
11/16 Dinner		3,452.40 <sup>(1)</sup>			3,452.40
Ramkota					
11/17 Breakfast		128.59 <sup>(1)</sup>			128.59
Lady J's Catering					
11/16 Lunch		195.77 <sup>(1)</sup>			195.77
Ebert & Gerbert's					
11/15 Lunch		46.20 <sup>(1)</sup>			46.20
	<u>\$0.00</u>	<u>\$6,949.94</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$6,949.94</u>
<b>TOTAL</b>	<u><b>\$30,387.18</b></u>	<u><b>\$7,014.97</b></u>	<u><b>\$1,649.17</b></u>	<u><b>\$0.00</b></u>	<u><b>\$39,051.32</b></u>

(a) Automobile (b) Baggage Fees (c) Commercial flight (d) Encore plane (e) Bravo plane (f) Taxi (g) Airport parking  
(1) Includes Management Policy Committee members and other external auditors.

**MDU Resources Group, Inc.  
Board of Directors  
2011 Director's Conference Calls**

2/1 Audit Committee Conf. Call	\$ 14.46
2/16-2/17 February Board Mtg. Conf. Call	\$ 17.50
2/22 Compensation Committee Conf. Call	\$ 1.09
5/2 Audit Committee Conf. Call	\$ 13.33
8/1 Audit Committee Conf. Call	\$ 14.59
8/11 August Board Mtg. Conf. Call	\$ 10.28
10/31 Audit Committee Conf. Call	\$ 12.98
Total	<u>\$ 84.23</u>

As of: 1/03/13

MDU Resources Group, Inc.  
Board of Directors Expenses  
February 14-16, 2012  
Palm Springs, CA

<u>Name</u>	<u>Travel Expenses</u>	<u>Meal Expenses</u>	<u>Hotel</u>	<u>Misc.</u>	<u>Total</u>
Everist, Tom	\$2,143.16 (a,c,g)		\$1,681.50 (2)		\$3,824.66
Fagg, Karen	5,942.00 (d,e)		1,285.32 (2)		7,227.32
Hildestad, Terry	2,447.20 (a,b,c,d,f)		2,111.76 (2)		4,558.96
Holaday, Bart	3,893.87 (a,d,e)		1,292.86 (2)		5,186.73
Johnson, Dennis	2,583.63 (a,d,e)		1,285.32 (2)		3,868.95
Knudson, Tom	1,990.48 (c,d,e)		1,583.82 (2)		3,574.30
Lewis, Dick			1,583.82 (2)		1,583.82
Moss, Patti	1,052.80 (a,c,g)		1,583.82 (2)		2,636.62
Pearce, Harry	12,680.63 (d,e)		1,285.32 (2)		13,965.95
Wilson, John	733.40 (c)		1,583.82 (2)		2,317.22
	<u>\$ 33,467.17</u>	<u>\$0.00</u>	<u>\$15,277.36</u>	<u>\$0.00</u>	<u>\$48,744.53</u>
<u>Other Expenses:</u>					
Gifts				479.49	479.49
Gift Bags				32.04	32.04
Las Casuelas Terraza					
Spouse Lunch		93.29			93.29
Tommy Bahama's					
Spouse Lunch		299.91			299.91
Smoke Tree Ranch					
Set Up Audio Visual					
2/13-2/16				795.00	795.00
Catering					
2/13-2/16		8,057.76 (1)			8,057.76
Country House Deli					
1/27 Pre-Bd Mtg Discussion		101.12 (1)			101.12
	<u>\$0.00</u>	<u>\$8,552.08</u>	<u>\$0.00</u>	<u>\$1,306.53</u>	<u>\$9,858.61</u>
<b>TOTAL</b>	<u><b>\$33,467.17</b></u>	<u><b>\$8,552.08</b></u>	<u><b>\$15,277.36</b></u>	<u><b>\$1,306.53</b></u>	<u><b>\$58,603.14</b></u>

(a) Automobile (b) Baggage Fees (c) Commercial flight (d) Encore plane (e) Bravo plane (f) Taxi/Car Service (g) Airport Parking

(1) Includes Management Policy Committee members and other external auditors.

(2) Includes room and meals.

As of: 12/4/12

MDU Resources Group, Inc.  
Board of Directors Expenses  
May 15-17, 2012  
Bismarck, North Dakota

<u>Name</u>	<u>Travel Expenses</u>	<u>Meal Expenses</u>	<u>Hotel</u>	<u>Misc.</u>	<u>Total</u>
Everist, Tom	3,200.00 <sup>(d,e)</sup>		\$194.02		\$3,394.02
Fagg, Karen	3,290.09 <sup>(d,e)</sup>		\$194.02		3,484.11
Hildestad, Terry					0.00
Holaday, Bart	626.55 <sup>(c,l)</sup>	10.80	\$194.02		831.37
Johnson, Dennis	103.00 <sup>(a)</sup>		\$194.02		297.02
Knudson, Tom	1,397.59 <sup>(c,t,h)</sup>		\$194.02		1,591.61
Lewis, Dick	1,062.50 <sup>(a,b,c,g)</sup>		\$194.02		1,256.52
Moss, Patti	8,709.91 <sup>(d,e)</sup>		\$194.02		8,903.93
Pearce, Harry	8,920.00 <sup>(d)</sup>				8,920.00
Wilson, John	1,621.06 <sup>(c)</sup>		\$194.02		1,815.08
	<u>\$28,930.70</u>	<u>\$10.80</u>	<u>\$1,552.16</u>	<u>\$0.00</u>	<u>\$30,493.66</u>
<u>Other Expenses:</u>					
Bistro					
5/17 Social & Dinner		3,299.73 <sup>(1)</sup>			3,299.73
Starbucks					
5/17 Coffee		13.86 <sup>(1)</sup>			13.86
Sonnets					
5/14 Snack		35.67 <sup>(1)</sup>			35.67
Central Market					
5/8 Snacks		35.32 <sup>(1)</sup>			35.32
5/16 Lunch		177.50 <sup>(1)</sup>			177.50
Pirogue Grille					
5/17 Dinner		2,527.50 <sup>(1)</sup>			2,527.50
Ramkota Hotel					
5/15 Social		884.33 <sup>(1)</sup>			884.33
5/16 Breakfast		122.44 <sup>(1)</sup>			122.44
5/17 Breakfast		129.20 <sup>(1)</sup>			129.20
	<u>\$0.00</u>	<u>\$7,225.55</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$7,225.55</u>
<b>TOTAL</b>	<u><u>\$28,930.70</u></u>	<u><u>\$7,236.35</u></u>	<u><u>\$1,552.16</u></u>	<u><u>\$0.00</u></u>	<u><u>\$37,719.21</u></u>

(a) Automobile (b) Baggage Fees (c) Commercial flight (d) Encore plane (e) Bravo plane  
(f) Taxi/Car Service (g) Airport Parking (h) Flight change fee

As of: 12/4/12

MDU Resources Group, Inc.  
Board of Directors Expenses  
August 14-12, 2012  
Bay Harbor, Michigan

<u>Name</u>	<u>Travel Expenses</u>	<u>Meal Expenses</u>	<u>Hotel</u>	<u>Misc.</u>	<u>Total</u>
Everist, Tom	\$2,353.33 <sup>(d,e)</sup>	\$89.76	\$768.70		\$3,211.79
Fagg, Karen	5,811.20 <sup>(d,e)</sup>		627.88		6,439.08
Hildestad, Terry	1,831.72 <sup>(a,c)</sup>	283.37	1,537.40		3,652.49
Holiday, A. Bart	3,034.64 <sup>(a,b,c,f)</sup>	76.86	627.88		3,739.38
Johnson, Dennis	3,220.37 <sup>(a,d,e)</sup>	129.22	724.89		4,074.48
Knudson, Tom	1,651.98 <sup>(a,c,d)</sup>	17.50	627.88		2,297.36
Lewis, Dick	2,899.74 <sup>(d)</sup>	61.82	768.70		3,730.26
Moss, Patti	8,426.67 <sup>(d,e)</sup>	97.56	768.70		9,292.93
Pearce, Harry					0.00
Wilson, John	1,377.70 <sup>(c,d)</sup>	25.14	768.70		2,171.54
	<u>\$30,607.35</u>	<u>\$781.23</u>	<u>\$7,220.73</u>	<u>\$0.00</u>	<u>\$38,609.31</u>

Other Expenses:

Bay Harbor Yacht Club					
3/29 Deposit		2,500.00 <sup>(1)</sup>			\$ 2,500.00
8/13 Social & Dinner		797.55 <sup>(1)</sup>			\$ 797.55
8/14 Social & Dinner		2,225.81 <sup>(1)</sup>			\$ 2,225.81
8/15 Social & Dinner		7,901.52 <sup>(1)</sup>			\$ 7,901.52
8/16 Dinner		65.30 <sup>(1)</sup>			\$ 65.30
Stafford's Weathervane					
8/14 Lunch		138.72 <sup>(1)</sup>			\$ 138.72
Inn at Bay Harbor					
8/15 Spouse Lunch		126.76			\$ 126.76
8/12 Dinner		472.18 <sup>(1)</sup>			\$ 472.18
Copies				2.70	\$ 2.70
8/16 Lunch		272.14 <sup>(1)</sup>			\$ 272.14
8/14 Snack		87.04 <sup>(1)</sup>			\$ 87.04
8/14 Social		264.00 <sup>(1)</sup>			\$ 264.00
8/15 Breakfast & Lunch		1,625.60 <sup>(1)</sup>			\$ 1,625.60
8/15 Social		131.04 <sup>(1)</sup>			\$ 131.04
8/16 Breakfast		1,107.20 <sup>(1)</sup>			\$ 1,107.20
8/15 Audio Visual				288.00	\$ 288.00
8/16 Audio Visual				288.00	\$ 288.00
Sonnets					
7/31 Pre-Bd Mtg Discussion Snack		7.59 <sup>(1)</sup>			\$ 7.59
7/31 Pre-Bd Mtg Discussion Lunch		44.56 <sup>(1)</sup>			\$ 44.56
Glen's Market					
Refreshments		72.67 <sup>(1)</sup>			\$ 72.67
Wolverine Stages					
Airport Transportation	1,285.00 <sup>(a)</sup>				\$ 1,285.00
	<u>\$1,285.00</u>	<u>\$17,839.68</u>	<u>\$0.00</u>	<u>\$578.70</u>	<u>\$19,703.38</u>
<b>TOTAL</b>	<u><b>\$31,892.35</b></u>	<u><b>\$18,620.91</b></u>	<u><b>\$7,220.73</b></u>	<u><b>\$578.70</b></u>	<u><b>\$58,312.69</b></u>

(a) Automobile (b) Baggage Fees (c) Commercial flight (d) Encore plane (e) Bravo plane (f) Taxi (g) Airport parking  
(h) Gas for rental car (i) Tip to driver  
(1) Includes Management Policy Committee members and other external auditors.

As of: 12/27/12

MDU Resources Group, Inc.  
Board of Directors Expenses  
November 13-15, 2012  
Denver, Colorado

<u>Name</u>	<u>Travel Expenses</u>	<u>Meal Expenses</u>	<u>Hotel</u>	<u>Misc.</u>	<u>Total</u>
Everist, Tom	\$ 1,139.40 <sup>(c)</sup>				\$ 1,139.40
Fagg, Karen	431.10 <sup>(b,c,f,h)</sup>		332.78		763.88
Hildestad, Terry	1,170.49 <sup>(b,d)</sup>	127.66	499.17		1,797.32
Holiday, A. Bart	253.00 <sup>(f,i)</sup>		332.78		585.78
Johnson, Dennis	429.15 <sup>(a,c,f)</sup>	52.88	332.78		814.81
Knudson, Tom	854.75 <sup>(a,c,h,f)</sup>		332.78		1,187.53
Lewis, Dick			166.39		166.39
Moss, Patti	1,069.95 <sup>(b,c,f,h,i)</sup>	92.12	499.17		1,661.24
Pearce, Harry	8,998.53 <sup>(d)</sup>		332.78		9,331.31
Wilson, John	564.70 <sup>(c,f)</sup>		332.78		897.48
	<u>\$14,911.07</u>	<u>\$272.66</u>	<u>\$3,161.41</u>	<u>\$0.00</u>	<u>\$18,345.14</u>
<u>Other Expenses:</u>					
Minvervas					
9/26 Pre-Bd Mtg Discussion		51.60 <sup>(1)</sup>			\$ 51.60
Carey Car Service					
11/12	394.56				\$ 394.56
11/13	175.70				\$ 175.70
11/15	240.70				\$ 240.70
Country House Deli					
10/25 Pre-BD Mtg Discussion		105.93 <sup>(1)</sup>			\$ 105.93
Premier Charters					
11/12 Bus Transportation	550.00				\$ 550.00
Four Seasons					
Deposit		2,800.00 <sup>(1)</sup>			\$ 2,800.00
Dinner		4,100.28 <sup>(1)</sup>			\$ 4,100.28
Avenue Grill					
11/12 Dinner		430.61 <sup>(1)</sup>			\$ 430.61
The Brown Palace Hotel					
11/14 High Tea - Spouses		327.68			\$ 327.68
Warwick Hotel					
11/13 Lunch		410.19 <sup>(1)</sup>			\$ 410.19
11/13 Dinner		6,318.42 <sup>(1)</sup>			\$ 6,318.42
11/14 Breakfast		240.00 <sup>(1)</sup>			\$ 240.00
11/15 Break Snack		696.37 <sup>(1)</sup>			\$ 696.37
1/15 Breakfast		988.60 <sup>(1)</sup>			\$ 988.60
Set-up for mtgs/meals				599.30	\$ 599.30
	<u>\$1,360.96</u>	<u>\$16,469.68</u>	<u>\$0.00</u>	<u>\$599.30</u>	<u>\$18,429.94</u>
<b>TOTAL</b>	<u><u>\$16,272.03</u></u>	<u><u>\$16,742.34</u></u>	<u><u>\$3,161.41</u></u>	<u><u>\$599.30</u></u>	<u><u>\$36,775.08</u></u>

(a) Automobile (b) Baggage Fees (c) Commercial flight (d) Encore plane (e) Bravo plane (f) Taxi (g) Airport parking  
(1) Includes Management Policy Committee members and other external auditors.

**MDU Resources Group, Inc.  
Board of Directors  
2012 Director's Conference Calls**

1/31 Audit Comt Conf Call	\$ 14.28
2/14 & 2/15 Board Mtg Conf Call	\$ 3.55
3/1 Compensation Comt Conf Call	\$ 15.20
3/1 Board of Directors Mtg Conf Call	\$ 13.54
4/30 Audit Comt Conf Call	\$ 13.05
8/1 Audit Comt Conf Call	\$ 14.44
10/11 Special Bd Mtg Conf Call	\$ 17.54
10/31 Audit Comt Conf Call	\$ 15.00
Total	<u>\$ 106.60</u>

**MONTANA-DAKOTA UTILITIES CO.  
MONTANA PUBLIC SERVICE COMMISSION  
DATA REQUEST  
DATED DECEMBER 21, 2012  
DOCKET NO. D2012.9.100**

**PSC-023**

**Regarding: Board of Directors**

**Witness: Applicable Witness**

- a. Have there been any policy changes with regard to the Board's annual self-evaluation process, attendance and participation by directors?**
- b. Please provide a copy of the policy (ies) governing the Board of Directors.**

**Response:**

- a. Please see Attachment A for MDU Resources Corporate Governance Guidelines with regard to Board self-evaluation, attendance, and participation by directors. There have not been any recent changes to the Guidelines regarding Section 15 of the Guidelines regarding approval, adoption, amendment and restatement of the Guidelines.
- a. Please see Attachment A.

**MDU RESOURCES GROUP, INC.**  
**CORPORATE GOVERNANCE GUIDELINES**

**1. Director Independence Standards**

**A. Policy**

The expertise and perspective of independent directors is of great value and benefit to MDU Resources Group, Inc. (“MDU”) and its stockholders. Accordingly, and in keeping with the other high standards of corporate governance which the Board has established, the listing standards of the New York Stock Exchange, and laws and regulations applicable to MDU, the Board has established the following standards on director independence and for determining whether its members are independent.

**B. General**

The Board believes that a substantial majority of its members should satisfy these standards for independence. The Board will review the independence of each non-employee director annually.

No director may be deemed independent unless the Board affirmatively determines, after due deliberation, that the director has no material relationship with MDU either directly or as a partner, shareholder or officer of an organization that has a relationship with MDU. In determining independence, the Board will broadly consider all relevant facts and circumstances, including the commercial, industrial, banking, consulting, legal, accounting, and charitable relationships that a director (or an organization with which the director is affiliated) or his or her immediate family has with MDU. Trivial or *de minimis* affiliations or connections to MDU will not generally be cause for the Board to determine that the director is not independent. In addition a director is not independent if:

- (1) The director is, or has been within the last three years, an employee, or has an immediate family member who is, or has been within the last three years, an executive officer, of MDU; provided, however, that a director’s employment as an interim Chairman or Chief Executive Officer or other executive officer shall not disqualify the director from being considered independent following such employment.
- (2) The director has received, or has an immediate family member who has received, during any twelve month period within the last three years, more than \$120,000 in direct compensation from MDU, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); provided, however, that compensation received by a director for former service as an interim Chairman or Chief Executive Officer or other executive officer and

compensation received by an immediate family member for service as an employee of MDU (other than as an executive officer) need not be considered by the Board in this determination.

- (3) (a) The director is a current partner or employee of a firm that is MDU's internal or external auditor; (b) the director has an immediate family member who is a current partner of such a firm; (c) the director has an immediate family member who is a current employee of such a firm and personally works on MDU's audit; or (d) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on MDU's audit within that time.
- (4) The director or an immediate family member of the director is, or has been within the last three years, employed as an executive officer of another company where any of MDU's present executive officers at the same time serves or served on that company's compensation committee.
- (5) The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, MDU for property or services in an amount which in any of the last three fiscal years exceeds the greater of \$1 million, or 2 percent of such other company's consolidated gross revenues. In applying the foregoing, both the payments and the consolidated gross revenues to be measured will be those reported in the last completed fiscal year. Contributions to tax exempt organizations are not considered "payments" for purposes of this paragraph 5.

Relationships involving a director's affiliation with another company that account for lesser amounts than those specified in this paragraph 5 will not be considered to be material relationships that would impair the director's independence, provided that the related payments for goods or services or in connection with other contractual arrangements (a) are made in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated parties; or (b) involve the rendering of services as a public utility at rates or charges fixed in conformity with law or governmental authority.

- (6) The director (or an immediate family member of the director) serves as an officer, director or trustee of a not-for-profit organization, and, within the organization's preceding three fiscal years, MDU's contributions in any single year to the organization exceed 2 percent of that organization's consolidated gross revenues, or \$1 million, whichever is greater.
- (7) The director is (or is affiliated with an organization that is) a significant advisor, counsel or consultant to MDU.

The ownership of stock of MDU by directors is encouraged and substantial stock ownership (not involving control) will not affect the independence status of a director.

As used in this guideline, the term “immediate family member” includes a person’s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person’s home.

For relationships that are not covered by these guidelines, the determination of whether the relationship is material or not, and therefore whether the director would be independent or not, shall be made by the directors satisfying the independence guidelines.

### **C. Audit Committee**

No director who is a member of the Audit Committee of the Board may accept any consulting, advisory or compensatory fee from MDU, or from any of its subsidiary companies, other than in that director’s capacity as a member of the Board or any of the Board’s several committees.

In addition, no director who is a member of the Audit Committee may be an affiliated person of MDU or any of its subsidiary companies apart from affiliation occasioned by the director’s service as a member of the Board or any of the Board’s several committees. A director would be deemed an affiliated person of MDU if that director directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with MDU.

### **D. Compensation Committee**

Each director serving on the Compensation Committee must satisfy the compensation committee member independence requirements under applicable laws, regulations, New York Stock Exchange listing standards and the Company’s Director Independence Standards in these Corporate Governance Guidelines.

## **2. Director Qualifications**

The Nominating and Governance Committee is responsible for reviewing with the Board the requisite skills and characteristics for Board members, as well as the composition of the Board as a whole. In assessing possible candidates for nomination to the Board, the Nominating and Governance Committee will consider the background, experience, skills, character, individual success in the director’s chosen field, background in public companies, geographic area of residence, diversity, and independence of candidates. In considering diversity, the Nominating and Governance Committee will take into account diversity of business and professional experience, skills, gender and ethnic background, as appropriate in light of the current composition and needs of the Board. Prospective nominees for director will be identified and recommended by the Nominating and Governance Committee in accordance with the policies and criteria established from time to time by the Board.

The policy of the Nominating and Governance Committee is to consider director candidates recommended to it, including candidates recommended by stockholders. Stockholders wishing to make recommendations with respect to director candidates should submit to the Chairman of the Nominating and Governance Committee, in care of the Corporate Secretary at MDU Resources Group, Inc., P.O. Box 5650, Bismarck, ND 58506-5650 the following information: (a) the candidate's name, age, business address, residence address and telephone number; (b) the candidate's principal occupation; (c) the class and number of shares of MDU stock owned by the candidate; (d) a description of the candidate's qualifications to be a director; (e) whether the candidate would be an independent director; and (f) any other information the stockholder deems relevant with respect to the recommendation.

In identifying director candidates, the Nominating and Governance Committee consults with members of the Board, MDU management, consultants, and other individuals likely to possess an understanding of MDU's business and knowledge of suitable director candidates.

In evaluating director candidates, the Nominating and Governance Committee considers an individual's:

- (a) background, character, and experience, including experience relative to MDU's lines of business
- (b) skills and experience which complement the skills and experience of current Board members
- (c) success in chosen field of endeavor
- (d) skill in the areas of accounting and financial management, banking, general management, human resources, marketing, operations, public affairs, law, technology, and operations abroad
- (e) background in publicly traded companies
- (f) geographic area of residence
- (g) diversity of business and professional experience, skills, gender and ethnic background, as appropriate in light of the current composition and needs of the Board
- (h) independence, including any affiliation or relationship with other groups, organizations or entities and
- (i) prior and future compliance with applicable law and all applicable corporate governance, code of conduct and ethics, conflict of interest, corporate opportunities, confidentiality, stock ownership and trading policies, and other policies and guidelines of MDU.

There will be no differences in the manner in which the Nominating and Governance Committee evaluates director candidates recommended by stockholders from those recommended by others. Ultimately, the decision whether to recommend a director candidate is within the discretion of the Nominating and Governance Committee.

These guidelines provide information to stockholders who wish to recommend candidates for director for consideration by the Nominating and Governance Committee. Stockholders who wish to actually nominate persons for election to the Board must follow the procedures set forth in Section 2.08 of MDU's Bylaws. Copies of the Bylaws may be obtained by writing or calling the Corporate Secretary at MDU Resources Group, Inc., P.O. Box 5650, Bismarck, ND 58506-5650, Telephone Number: (701) 530-1000 or on the Internet at [www.mdu.com](http://www.mdu.com).

MDU's Restated Certificate of Incorporation provides that the Board will consist of between six and fifteen members with the exact number being fixed from time to time by the Board.

Each director will reasonably manage his or her commitments in order that they do not preclude devoting adequate time and attention to the performance of his or her duties as a member of the Board and its committees.

A person who is not an officer of MDU will be ineligible to serve as a director beyond the first regular meeting of the Board of Directors after the date he shall have attained the age of 74, and a person who is a "high ranking executive" of MDU (as that term is defined in Section 5.01 of MDU's Bylaws) serving as a director will be ineligible to continue service as a director or officer of MDU beyond the first regular meeting of the Board of Directors after the date he shall have attained the age of 65. No former officer or former employee of MDU will be eligible for election as director.

Although the Board has not established term limits, the Nominating and Governance Committee will review each director's continuation on the Board coincident with that director being considered for re-nomination.

### **3. Policy on Majority Voting for Directors**

Section 2.02 of the MDU Bylaws provides that, except as otherwise provided in the Restated Certificate of Incorporation or the Bylaws, each director shall be elected by the vote of the majority of the votes cast with respect to the director at any meeting for the election of directors at which a quorum is present, provided that if, as of the day next preceding the date MDU first gives its notice of meeting for such meeting of stockholders, the number of nominees (including any nominees stockholders have proposed to nominate by giving notice pursuant to Section 2.08 of the Bylaws) exceeds the number of directors to be elected, the directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at any such meeting and entitled to vote on the election of directors. For purposes of this section, a majority of the votes cast means that the number of votes cast "for" a director's election must exceed the number of votes cast "against" that director's election (with "abstentions" and

“broker nonvotes” not counted as a vote cast either “for” or “against” that director’s election). If directors are to be elected by a plurality of the votes of the shares present in person or represented by proxy at any such meeting and entitled to vote on the election of directors, stockholders shall not be permitted to vote “against” a nominee.

Furthermore, any proposed nominee for re-election as a director shall, before he or she is nominated to serve on the Board, tender to the Board his or her irrevocable resignation that will be effective, in an uncontested election of directors only, upon (i) such nominee’s receipt of a greater number of votes “against” election than votes “for” election at MDU’s meeting of stockholders; and (ii) acceptance of such resignation by the Board of Directors. The resignation letter shall be sent to the Chairman of the Nominating and Governance Committee.

After the stockholder meeting, following certification of the stockholder vote, the Nominating and Governance Committee shall promptly recommend to the Board whether or not to accept the tendered resignation. In considering whether to recommend that the Board accept or reject the tendered resignation, the Nominating and Governance Committee will consider all factors deemed relevant by the members of the Nominating and Governance Committee including, without limitation, the stated reasons why stockholders voted “against” the election of such director, the length of service and qualifications of the director, the director’s contributions to MDU, and these Corporate Governance Guidelines.

The Board will act on the Nominating and Governance Committee’s recommendation no later than 90 days following the date of the stockholders’ meeting where the election occurred. In considering the Nominating and Governance Committee’s recommendation, the Board will consider the factors considered by the Nominating and Governance Committee and such additional information and factors the Board believes to be relevant. Following the Board’s decision on the Nominating and Governance Committee’s recommendation, MDU will promptly publicly disclose the Board’s decision whether to accept the resignation as tendered (providing a full explanation of the process by which the decision was reached and, if applicable, the reasons for not accepting the tendered resignation) in a Form 8-K filed with the Securities and Exchange Commission.

To the extent that one or more directors’ resignations are accepted by the Board, the Nominating and Governance Committee will recommend to the Board whether to fill such vacancy or vacancies or to reduce the size of the Board.

Any director who receives a greater number of votes “against” election than votes “for” election at the same meeting of stockholders will not participate in the Nominating and Governance Committee recommendation or Board consideration regarding whether or not to accept the tendered resignation. If a majority of the members of the Nominating and Governance Committee received a greater number of votes “against” their election than votes “for” their election at the same meeting, then the independent directors on the Board who did not receive a greater number of votes “against” their election than votes “for” their election will appoint a Board committee amongst themselves solely for the purpose of considering the tendered resignations and will recommend to the Board whether to accept or reject them. This Board

committee may, but need not, consist of all the independent directors who did not receive a greater number of votes “against” their election than votes “for” their election.

This majority voting policy will be summarized or included in each proxy statement relating to an election of directors of MDU. The Board shall fill director vacancies and new directorships only with candidates who agree to tender, before their appointment to the Board, the same form of resignation tendered by other directors in accordance with this provision.

#### **4. Director Resignation Upon Change of Job Responsibility**

A director shall tender to the Board an irrevocable resignation within 30 days after (a) a material change in job responsibility from the job responsibility held at the time of such director’s original nomination as a director or (b) the relinquishment, whether by resignation, retirement or otherwise, of the position held in connection with his or her principal occupation at the time of such director’s original nomination as a director. The resignation shall be submitted to the Chairman of the Nominating and Governance Committee. In considering whether to accept or reject the tendered resignation, the Nominating and Governance Committee will consider all factors deemed relevant by the directors on the Nominating and Governance Committee, including, without limitation, the reason for relinquishment of the position and/or the director’s new position (if any), the length of service and qualifications of the director, the director’s contributions to MDU, and these Corporate Governance Guidelines. The Nominating and Governance Committee will promptly recommend to the Board whether or not to accept the resignation. In considering the Nominating and Governance Committee’s recommendation, the Board will consider the factors considered by the Nominating and Governance Committee and such additional information and factors the Board believes to be relevant. The director will be given the opportunity to meet with the Nominating and Governance Committee and the Board, but may not participate in the Nominating and Governance Committee recommendation or Board consideration. If the Board accepts the resignation, the Board shall determine the date on which it becomes effective.

#### **5. Director Responsibilities**

The business and affairs of MDU are under the direction of the Board of Directors. The Board elects a Chief Executive Officer and other officers of MDU who have those powers and duties regarding the day-to-day operations of MDU as are specified in MDU’s Bylaws or as otherwise determined by the Board. In discharging their obligations, directors will be entitled reasonably to rely on MDU’s employees and its outside advisors and auditors. Directors are expected to attend meetings of the Board and of committees on which they serve, and to spend whatever time is necessary, including time to review materials distributed in advance of Board or committee meetings, to properly discharge their responsibilities.

The Chairman of the Board shall be a director who has been determined to be independent by the Board of Directors in accordance with the director independence standards in these Corporate Governance Guidelines. The Chairman shall consult with the Chief Executive Officer regarding the Board’s meeting agendas, the quality and flow of information provided to the Board and the effectiveness of the Board meeting process.

The non-management directors of MDU shall meet in executive session without management on a regularly scheduled basis. "Non-management" directors are those directors who are not executive officers, and include directors who are not independent. If any of MDU's non-management directors are not independent directors, an executive session will be held at least once each year with only those non-management directors who are independent directors. The Chairman of the Board shall preside at executive sessions of the non-management directors. The Chairman of the Board or another independent director shall preside at executive sessions of the independent directors.

The directors will be entitled to have MDU purchase reasonable directors' liability insurance on their behalf, to the benefits of indemnification to the fullest extent permitted by law and MDU's Restated Certificate of Incorporation, Bylaws and any indemnification agreements, and to exculpation as provided by state law and MDU's Restated Certificate of Incorporation.

## **6. Board Committees**

The Board will have at all times an Audit Committee, a Compensation Committee, and a Nominating and Governance Committee. No employee of MDU will be a member of any of these committees, and all of the members of these committees will meet the independence and other eligibility requirements set forth in Section 1 of these Corporate Governance Guidelines. Committee members will be appointed by the Board upon recommendation of the Nominating and Governance Committee with consideration of the desires of individual directors. It is the sense of the Board that consideration should be given to rotating committee members periodically.

Each committee will have a written charter that sets forth the purposes, goals and responsibilities of the committee, as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations, and process for committee reporting to the Board. Each charter will address annual performance evaluations of the committee.

The chairman of each committee, in consultation with the committee members, will determine the frequency and length of committee meetings, consistent with any requirements of the committee's charter. The chairman of each committee, in consultation with the members of the committee and management, will develop the committee's agenda. The schedule of meetings for each committee will be furnished to all directors.

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of MDU's independent auditors engaged (including resolution of disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing and issuing an audit report or other attest services, and the independent auditors shall report directly to the Audit Committee. The appointment of MDU's independent auditors shall be submitted for stockholder ratification at the next stockholders' annual meeting following the auditors' appointment.

The Compensation Committee will determine if the work of any compensation consultant has raised any conflict of interest and how to address any such conflict. In making its determination, the Compensation Committee will consider the factors set forth in Exchange Act Rule 10C-1(b)(4)(i)-(vi) and such other factors as may be determined by the Compensation Committee.

The Board has ultimate responsibility for the oversight of risk at MDU. The Audit Committee, the Compensation Committee and the Nominating and Governance Committee, respectively, assist the Board in fulfilling its risk oversight responsibilities in the respective committee's areas of responsibility.

The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

The Board and the committees each have the authority to hire and fire independent legal, financial or other advisors as they may deem necessary, and to establish the terms and conditions of the particular engagement.

#### **7. Director Access to Officers, Employees and Outside Advisors**

Directors have full and free access to officers and employees of MDU and, as necessary, outside advisors. In making any contact with an officer, employee or advisor, the director will take into account the potential effect of any such contact on the orderly conduct of MDU's affairs.

The Board welcomes regular attendance at Board meetings of senior executives of MDU. The Chief Executive Officer shall consult with the Chairman with respect to the attendance of other executives, employees or advisors to MDU.

#### **8. Director Compensation**

A director who also is an officer of MDU shall not receive additional compensation for service as a director.

The Compensation Committee will review the directors' compensation policies and recommend changes, as appropriate, from time to time to the Board. The Compensation Committee will consider the relationship of director compensation and perquisites to customary levels for comparable companies. The Compensation Committee will consider director compensation in light of the applicable definitions of "independence."

#### **9. Director Stock Ownership Policy**

Each director is required to own MDU Common Stock equal in value to five (5) times the director's annual cash retainer.

- (a) Shares acquired through purchases on the open market and participation in MDU's director stock plans will be considered in ownership calculations as will ownership of MDU Common Stock by a spouse.
- (b) It is recognized that each director may need up to five (5) years to fulfill target ownership expectations, such five-year period commencing January 1 of the year following the director's initial election to the Board of Directors.
- (c) The level of stock ownership will be monitored annually with a report to the Compensation Committee of the Board of Directors.

#### **10. Director Orientation and Continuing Education**

All new directors are expected to participate in MDU's orientation program. Director orientation will include presentations by senior management to familiarize new directors with MDU's corporate culture, strategic plans, significant financial, accounting and risk management policies and issues, compliance programs, the code of conduct and ethics policy (Leading With Integrity Guide), principal executives, and internal and independent auditors. In addition, director orientation will include visits to MDU's headquarters and, to the extent practicable, the headquarters of MDU's significant business units. Director orientation is open to all directors.

All directors are responsible for keeping current their knowledge of MDU's business and the environment in which it operates.

All directors are encouraged to attend continuing education programs approved by the Nominating and Governance Committee to maintain an appropriate level of expertise and knowledge regarding responsibilities as a director.

#### **11. Chief Executive Officer Evaluation and Management Succession**

The Compensation Committee will conduct an annual review of the Chief Executive Officer's performance and, either as a committee or together with other independent directors (as directed by the Board), determine and approve the compensation level of the Chief Executive Officer based on such review. The Chairman will communicate with the Chief Executive Officer regarding results of the Chief Executive Officer's annual performance review.

The Nominating and Governance Committee will periodically report to the Board on succession planning, including principles and policies for Chief Executive Officer selection and performance review, as well as policies regarding succession planning in the event of an emergency or the retirement of the Chief Executive Officer.

## **12. Annual Performance Evaluation**

The Board of Directors, in coordination with the Nominating and Governance Committee, annually will review and evaluate the performance and functioning of the Board and its committees.

## **13. Board Positions With Other Public Companies**

The number of boards on which a director may sit may be reviewed on a case-by-case basis by the Nominating and Governance Committee. However, as a general rule, each director shall not hold more than three directorships of public companies in total, including MDU. The chief executive officer and other executive officers shall not be members of more than two boards of other public companies. Service on another public company's board of directors should not create a conflict of interest or impair the director's or the executive officer's ability to provide sufficient time to carry out his or her duties as a director of MDU.

## **14. Review of Related Persons Transactions**

Transactions that (a) involve directors, director nominees, executive officers, significant shareholders or other "related persons" in which MDU is or will be a participant; and (b) are of the type required to be reported under Item 404(a) of Regulation S-K of the Securities and Exchange Commission shall be reviewed by the Audit Committee for the purpose of determining whether such transactions are in the best interests of MDU.

"Transactions" for this purpose are any transactions since the beginning of MDU's last fiscal year, or any currently proposed transaction, in which MDU was or is to be a participant, the amount involved exceeds \$120,000, and in which any related person had or will have a direct or indirect material interest, with exceptions as set forth in the Instructions to Item 404(a) of Regulation S-K. "Transactions" include but are not limited to any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements or relationships.

"Executive officer" means any of those persons identified as executive officers in MDU's most recent proxy statement and those persons succeeding into those positions subsequent to the filing of the proxy statement.

"Related person" means any director, director nominee, executive officer, and any holder of five percent or more of MDU's Common Stock and any immediate family member thereof which shall include any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, and any person (other than a tenant or employee) sharing the household of such director, director nominee, executive officer, or security holder.

It shall be the responsibility of the individual directors, director nominees, executive officers, and any holder of five percent or more of MDU's Common Stock to promptly report to the General Counsel of MDU all proposed or existing Transactions in which MDU and they, or

persons related to them, are parties or participants, and to provide such information with respect to such Transactions as MDU may request.

The General Counsel shall furnish to the Chairman of the Audit Committee any such report relating to a Transaction that, in the General Counsel's judgment, may require reporting pursuant to Item 404 of Regulation S-K, together with a memorandum from the General Counsel (or his or her designee) setting forth the material facts and circumstances of the Transaction.

After review of the report and memorandum from the General Counsel, and after consideration of the material facts and circumstances, and such consultation with legal counsel and other advisors as it deems advisable, the Audit Committee shall make such determination or recommendation to the Board of Directors and appropriate officers of MDU with respect to such Transaction as the Audit Committee deems appropriate.

Upon receipt of the Audit Committee's recommendation, the Board of Directors or officers, as the case may be, shall take such action as deemed appropriate in light of their respective responsibilities under applicable laws and regulations.

The provisions of this section of the guidelines do not add to, and are not otherwise intended to affect, application of the provisions of Section 144 of the Delaware General Corporation Law with respect to contracts or transactions entered into by MDU that involve one or more of MDU's directors or officers.

#### **15. Approval, Adoption, Amendment and Restatement**

Approved and adopted August 13, 2003

Amended and restated November 13, 2003

Amended November 11, 2004

Amended and restated February 17, 2005

Amended and restated August 11, 2005

Amended and restated November 17, 2005

Amended and restated February 16, 2006

Amended and restated August 17, 2006

Amended and restated November 16, 2006

Amended and restated May 17, 2007

Amended and restated November 13, 2008

Amended and restated February 11, 2010

Amended and restated November 11, 2010, as to Directors Age, incorporating Majority Voting into the Guidelines, and Director Stock Ownership

Amended and restated May 12, 2011, as to Director Qualifications

Amended and restated August 16, 2012, as to an Independent Chairman of the Board

Amended and restated November 15, 2012, to add language responsive to Regulation S-K Item 407(e)(3)(iv).

MONTANA-DAKOTA UTILITIES CO.  
MONTANA PUBLIC SERVICE COMMISSION  
DATA REQUEST  
DATED DECEMBER 21, 2012  
DOCKET NO. D2012.9.100

PSC-025

Regarding: Real properties  
Witness: Applicable Witness

- a. Please list for all properties that are included in regulated rate base that are not being used for regulated purposes, a property description, original cost book value, depreciation, net book value, and market value, if known.
- b. Please list all properties that are obsolete, listed to be disposed of, or presently being disposed of, the carrying value of the property, status (whether sold or not), and selling price.
- c. Please provide for all disposed of properties since 2008, a property description, original cost book value, depreciation, net book value, and selling price.

Response:

- a. None
- b. None
- c. Land that was adjacent to the Glendive, Montana Service Center was sold in 2011. In January 2012, an additional expense of \$28 reduced the Gain on Sale from the amount reported for 2011. Below is the balance as of December 31, 2012.

	Total	Montana Gas Portion
Original Cost	\$21,559	\$10,050
Sales Price	249,910	116,673
Gain on Sale	<u>\$228,351</u>	<u>\$106,623</u>

**MONTANA-DAKOTA UTILITIES CO.  
MONTANA PUBLIC SERVICE COMMISSION  
DATA REQUEST  
DATED DECEMBER 21, 2012  
DOCKET NO. D2012.9.100**

**PSC-026**

**Regarding: Outside Services**

**Witness: Applicable Witness**

- a. Please provide a listing of all outside firms or individuals retained by MDU during 2010, 2011, and year-to-date 2012, that have provided services and had expenses allocated to the various operating divisions.**
- b. List the amount paid each outside service provided for the years 2010, 2011, and year-to-date 2012.**
- d. Please provide in electronic Excel format if possible.**

**Response:**

- a. Please see Attachment A.**
- b. Please see Attachment A.**
- c. Please see the enclosed CD for an electronic copy of the list of outside firms that provided services in excess of \$75,000.**

Response No. PSC-026  
Attachment A

Response No. PSC-026  
Attachment A

## PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES - GAS

Year: 2010

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1	Able Field Services	Plant Update & Repair	82,487		0.00%
2					
3	ACS Construction	Contractor Services	332,906		0.00%
4					
5	Aevenia Inc.	Transmission line maintenance	842,239		0.00%
6					
7	AFPI	Annual Report Preparation	124,458	1,772	1.42%
8					
9	Agri Industries	Contractor Serv. - Directional Drilling	154,663		0.00%
10					
11	American Gas Association	Industrial Membership	266,190	10,904	4.10%
12					
13	API Construction Co.	Contractor Serv. - Power Plant & Comm.	366,811	582	0.16%
14					
15	Aquilex HydroChem, Inc.	Contractor Services - Power Plant	111,278		0.00%
16					
17	Arvig Communications Sys	Gas Line Construction	128,532		0.00%
18					
19	Associated Legal Group, LLC	Legal Services	76,228	16	0.02%
20					
21	Atlantic Insulco Environmental	Contract Services - Environmental	298,516		0.00%
22					
23	B & B Foundation Service Inc.	Construction Services	547,458		0.00%
24					
25	Babcock & Wilcox	Contractor Services - Power Plant	872,022		0.00%
26					
27	Baker, Tilly, Virchow, Krause, LLP	Professional Audit Services	99,041	3,428	3.46%
28					
29	Barr Engineering Company	Engineering Services	158,953		0.00%
30					
31	Benco Equipment Co.	Vehicle Maintenance	235,581		0.00%
32					
33	Blue Heron Consulting	Consulting Services	1,474,856	243,681	16.52%
34					
35	Broadridge	Contract Services - Shareholder	136,973	1,946	1.42%
36					
37	Bullinger Tree Service	Tree Trimming	497,515	13	0.00%
38					
39	Butler Machinery Co	Equipment maintenance	229,444	18,404	8.02%
40					
41	Butzel Long	Legal Services	76,212	1,072	1.41%
42					
43	Central Trenching	Contractor Services - Trenching	188,899		0.00%
44					
45	Chief Construction	Construction Services	696,633		0.00%
46					
47	Cisco Systems Capital Corp	Software Maintenance	121,222	1,722	1.42%
48					
49	Cohen Tauber Spievack &	Legal Services	76,615	1,497	1.95%
50	Wagner, PC				

## PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES - GAS

Year: 2010

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1	Compucom	Computer Services & Software Maint.	146,526	2,340	1.60%
2					
3	Concentric Energy Advisors, Inc.	Consulting Services	158,607		0.00%
4					
5	Connecting Point	Computer Services & Software Maint.	414,210	4,729	1.14%
6					
7	Cop Construction Co.	Construction Services - Billings Landfill	1,093,572	324,091	29.64%
8					
9	Dell Marketing L.P.	Software Maintenance	418,327	1,809	0.43%
10					
11	Deloitte & Touche LLP	Auditing & Consulting Services	2,172,854	17,133	0.79%
12					
13	Dewey & LeBoeuf	Legal Services	1,067,237	15,327	1.44%
14					
15	DMVW Railroad	Spur Maintenance	99,953		0.00%
16					
17	Edison Electric Institute	Industrial Membership - MDUR Adver.	93,735	155	0.17%
18					
19	Edling Electric Inc.	Contractor Services - GO Generator	399,304	19,752	4.95%
20					
21	Engineered Pump Services	Contractor Services - Plant Maintenance	104,820		0.00%
22					
23	Environmental Plant Services	Contract Services - Environmental	187,925		0.00%
24					
25	EP2M	Consulting Services	647,878	106,283	16.40%
26					
27	Fischer Contracting	Construction Services - Gas	287,576		0.00%
28					
29	Forrester, Gary	Lobbying and Promotion	98,558	1,519	1.54%
30					
31	Franz Construction, Inc.	Contractor Services - Power Plant	97,374		0.00%
32					
33	G E Energy Services	Contractor Services - Power Plant	515,570		0.00%
34					
35	GE International Inc.	Contractor Services	105,025		0.00%
36					
37	G E International Inc.	Contractor Services	156,918		0.00%
38					
39	H. A. Thompson & Sons, Inc.	Contractor Services - Mechanical	206,394	22,165	10.74%
40					
41	Hardy Construction	Contractor Services - Billings Landfill	1,787,796	540,844	30.25%
42					
43	HDR Engineering Inc.	Engineering Services	274,762		0.00%
44					
45	Highmark, Inc.	Construction Services	2,148,963	661	0.03%
46					
47	Impact Mechanical, Inc.	Contractor Services - Power Plant	152,413		0.00%
48					
49	Industrial Contractors, Inc.	Contractor Services - Power Plant	1,095,141		0.00%
50					

PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES - GAS

Year: 2010

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1	Infrasource Construction, LLC	Underground Gas Line Installation	3,269,671		0.00%
2					
3	Intermountain Tree Expert Co	Tree Trimming Service	106,013		0.00%
4					
5	International Business Mach.	Contractor Services - Computer Maint.	219,888	8,501	3.87%
6					
7	ltron Inc	Contractor Services & Software Maint	144,482	31,207	21.60%
8					
9	Kappel tree Service LLC	Tree Trimming Service	108,540		0.00%
10					
11	LFG Technologies Develop., LLC	Contractor Services - Billings Landfill	3,274,719	143,667	4.39%
12					
13	LRN Corporation	Training Services	75,824	1,618	2.13%
14					
15	M C M General Contractors, Inc.	Construction Services - Gas	511,387		0.00%
16					
17	McDermott, Will & Emery, LLP	Legal Services	106,865	2,575	2.41%
18					
19	Microsoft Licensing GP	Software Maintenance	725,847	10,218	1.41%
20					
21	Midwest ISO	Contractor Services	100,600		0.00%
22					
23	Missouri River Contracting	Contractor Services - Substations	87,045		0.00%
24					
25	Moody's Investors Service	Financial Services	147,900	5,132	3.47%
26					
27	Moorhead Machinery & Boiler	Contractor Services - Power Plant	1,176,562		0.00%
28					
29	Morgan, Lewis & Bockius LLP	Legal Services	156,745	2,219	1.42%
30					
31	Nance, Robert L	Deferred Director Payments	152,046	2,219	1.46%
32					
33	New York Life	Consulting Services	422,211	972	0.23%
34					
35	Northern Natural Gas Line	Construction Services - Gas	270,507		0.00%
36					
37	NYSE Market Inc	Financial Services	188,204	2,673	1.42%
38					
39	Olson, John L	Deferred Director Payments	79,866	1,170	1.46%
40					
41	One Call Locators LTD	Line Location Services	920,776	260,295	28.27%
42					
43	Oracle Corp	Software Maintenance	1,475,368	72,115	4.89%
44					
45	Ormat Nevada Inc	Install Energy Converter	219,382		0.00%
46					
47	Otis Elevator Company	Elevator Service	78,000	5,970	7.65%
48					
49	Pearce, Harry J	Active Director Payments	130,000	1,896	1.46%
50					

PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES - GAS

Year: 2010

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1	Power Generation Service Inc.	Contractor Services - Power Plants	666,645		0.00%
2					
3	Presort Plus Inc.	Contractor Services - Mail	87,977	11,144	12.67%
4					
5	Progressive Maintenance	Custodial Service	134,497	11,552	8.59%
6					
7	Prosource Technologies Inc.	Contract Services - Environmental	81,174		0.00%
8					
9	PSC Industrial Outsourcing Inc.	Contractor Services - Power Plant	449,213		0.00%
10					
11	Q3 Contracting	Construction Services	91,210		0.00%
12					
13	R & K Contractors Inc.	Contractor Services - District Office	80,646		0.00%
14					
15	RDO Equipment	Equipment Maintenance	103,829		0.00%
16					
17	Rocky Mountain Contractors	Contractor Services	551,349	80,233	14.55%
18					
19	Rocky Mountain Line	Construction Services	385,427		0.00%
20					
21	Sand Creek Corporation	Construction Services - Switching Stat.	126,792		0.00%
22					
23	Southern Cross Corp	Construction Services - Gas	162,416	37,380	23.01%
24					
25	Spherion Corporation	Temp Service	95,104	512	0.54%
26					
27	Standard & Poor's	Financial Services	140,824	1,720	1.22%
28					
29	State- Line Contractors	Construction Services - Gas	124,128	104,212	83.96%
30					
31	Structural Integrity Associates	Contractor Services - Power Plant	144,000		0.00%
32					
33	T&K Inspection, Inc.	Construction Services	119,822		0.00%
34					
35	Telvent USA, Inc.	Software Development	78,284	6,345	8.11%
36					
37	Terra Engineering & Const, Corp	Construction Services - Billings Landfill	448,062	129,568	28.92%
38					
39	Timberline Construction Inc.	Contractor Services - Transmission Lines	1,098,954		0.00%
40					
41	Total Corrosion Solutions Inc.	Contractor Services	120,338	2,204	1.83%
42					
43	Treasury Management Services	Banking Services	272,537	42,427	15.57%
44					
45	Ulmer Tree Services	Tree Trimming Service	201,712		0.00%
46					
47	Ulteig Engineers Inc.	Engineering Services	80,488		0.00%
48					
49	Van Horn Media	Advertising	127,167	9,250	7.27%
50					

PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES - GAS

Year: 2010

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1	Van Ness Feldman PC	Legal Services	151,195	1	0.00%
2					
3	Ventyx Energy, LLC	Software Maintenance	159,541	27,162	17.03%
4					
5	Virtual Hold Technology, LLC	Software Maintenance	75,744	4,537	5.99%
6					
7	Wanzek Construction	Contractor Services	6,215,930		0.00%
8					
9	Websence, Inc.	Software Maintenance	113,223	2,440	2.16%
10					
11	Weisz & Sons Inc.	Contractor Services	477,259		0.00%
12					
13	Wells Fargo Shareowners Serv.	Stock Transfer Agent	305,808		0.00%
14					
15	Wenck	Contractor Service - Billings Landfill	403,700	116,739	28.92%
16					
17	Western Union Financial Serv	Financial Services	127,075	27,507	21.65%
18					
19	Workforce Services, Inc.	Vehicle Maintenance	137,410	750	0.55%
20					
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50					
51	<b>TOTAL Payments for Services</b>		<b>50,415,092</b>	<b>2,509,977</b>	<b>4.98%</b>

PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES - GAS

Year: 2011

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1	ACS Construction	Plant Update & Repair	\$631,764		0.00%
2					
3	Aerotec LLC	Aerial Mapping of Transmission Lines	182,108		0.00%
4					
5	AFPI	Annual Report Preparation	141,890	\$2,386	1.68%
6					
7	American Gas Association	Industrial Membership	99,847	25,215	25.25%
8					
9	API Construction Co.	Contractor Services - Power Plant	113,992		0.00%
10					
11	Atlantic Plant Services	Contract Services - Environmental	95,495		0.00%
12					
13	B & B Foundation Service Inc.	Construction Service	154,705		0.00%
14					
15	Barr Engineering Company	Engineering Services	196,927		0.00%
16					
17	Benco Equipment Co.	Vehicle Maintenance	224,033		0.00%
18					
19	Bismarck-Mandan Area	Promotional-MDU Resources	251,634	4,176	1.66%
20	Chamber of Commerce	Bowl Naming Rights			
21	Blue Heron	Consulting Services	1,351,467	270,619	20.02%
22					
23	Brink Construction Inc.	Contract Services - Storm Replacement	2,260,227		0.00%
24					
25	Broadridge	Contract Services - Shareholder	132,602	2,230	1.68%
26					
27	Bullinger Tree Services	Tree Trimming	363,080		0.00%
28					
29	Butler Machinery Co.	Equipment Maintenance	85,463		0.00%
30					
31	Central Trenching	Contract Services - Trenching	270,025		0.00%
32					
33	CGI Technologies & Solutions	Replace Mobile Workforce Software	134,843	6,896	5.11%
34					
35	Chief Construction	Construction Service	755,342	869	0.12%
36					
37	Cisco Systems Capital Corp.	Software Maintenance	121,222	1,207	1.00%
38					
39	Clean Harbors Environmental	Replace U1-Boiling Bank Tubes-Heskett	118,185	1,116	0.94%
40	Services	and Gas PCB Pickup			
41	Cohen, Tauber, Spievack &		341,674	5,331	1.56%
42	Wagner, PC				
43	Connecting Point	Computer Services & Software Maint.	78,522	9,443	12.03%
44					
45	Countless Energy Inc.	Gas Meter Reading	76,773		0.00%
46					
47	D&D Roofing LLP	Replace Bismarck Service Center Roof	262,419		0.00%
48					
49	Dakota Fence Co.	Contract Services - Fencing	86,044		0.00%
50					

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PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES - GAS

Year: 2011

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1	Dakota Tree Service	Tree Trimming	160,363		0.00%
2					
3	Deloitte & Touche LLP	Auditing & Consulting Services	923,638	35,441	3.84%
4					
5	Denny's Electric Motor Repair	Line Extension & Pipe Extensions	155,494	17,670	11.36%
6					
7	Dewey & LeBoeuf	Legal Services	759,144	28,678	3.78%
8					
9	Dorsey & Whitney, LLP	Legal Services	104,208	1,529	1.47%
10					
11	Edison Electric Institute	Industrial Membership	100,300		0.00%
12					
13	EP2M	Consulting Services	1,498,175	299,996	20.02%
14					
15	Eide Ford Mercury Lincoln Inc.	Auto Maintenance	80,469		0.00%
16					
17	Environmental Plant Services	Contract Services - Environmental	77,850		0.00%
18					
19	Fischer Contracting	Construction Services - Gas	318,904		0.00%
20					
21	Franz Construction Inc.	Contract Services - Power Plant	460,254		0.00%
22					
23	Forrester, Gary	Lobbying & Promotion	104,082	1,736	1.67%
24					
25	GE Energy Services	Contractor Services - Power Plant	227,895		0.00%
26					
27	Gagnon Inc.	Contractor Services - Heskett Station	518,516		0.00%
28					
29	General Electric International	Contractor Services	346,955		0.00%
30					
31	Govert Powerline Services	Contractor Services - Install Lighting	288,212		0.00%
32		Arresters			
33	Hardy Construction	Contractor Services - Billings Landfill	203,273	58,404	28.73%
34					
35	HDR Engineering Inc.	Engineering Services	729,906		0.00%
36					
37	High Point Networks	Contractor Services	82,169	14,345	17.46%
38					
39	Highmark, Inc.	Construction Services	1,877,065		0.00%
40					
41	Honeywell Industry Solutions	Equipment Installation	100,138		0.00%
42					
43	Hughes, Kellner, Sullivan & Alke	Legal Services	77,704	40,383	51.97%
44	PLL				
45	Industrial Contractors Inc.	Contract Services - Power Plant	489,732		0.00%
46					
47	Infrasource	Underground Gas Line Installation	2,130,475		0.00%
48					
49	Intermountain Tree Expert Co.	Tree Trimming	137,831		0.00%
50					

## PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES - GAS

Year: 2011

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1	Itron Inc.	Contractor Services - Software Maint.	188,697	41,058	21.76%
2					
3	J.B. Construction Inc.	Contractor Services - Line Replacement	266,750		0.00%
4					
5	Kappel Tree Service, LLP	Tree Trimming	252,872		0.00%
6					
7	LFG Technologies Develop. LLC	Contractor Services - Billings Landfill	150,136	43,137	28.73%
8					
9	McDermott, Will & Emery LLP	Legal Services	76,332	2,022	2.65%
10					
11	MCM General Contractors, Inc.	Construction Services	512,586		0.00%
12					
13	Microsoft Licensing GP	Software Maintenance	302,151	11,450	3.79%
14					
15	Midwest ISO	Contractor Services	315,537		0.00%
16					
17	Millcreek Engineering Company	Engineering Services	277,333		0.00%
18					
19	Moorhead Machinery & Boiler	Contractor Services - Power Plant	1,507,407		0.00%
20					
21	New York Life	Consulting Services	190,566	7,156	3.76%
22					
23	Norby Inc.	Trucking - Sidney	77,040		0.00%
24					
25	North American Electric	NERC & MRO Region Assessment	80,088		0.00%
26					
27	NYSE Market Inc.	Financial Services	177,598	2,986	1.68%
28					
29	One Call Locaters	Line Location Services	1,093,001	201,451	18.43%
30					
31	Open Systems International, Inc.	EMS Upgrade - Replacement	2,344,626		0.00%
32					
33	Oracle Corporation	Software Maintenance	375,768	37,122	9.88%
34					
35	Ormat Nevada Inc.	Energy Convertor Maint. Agreement	206,694		0.00%
36					
37	Otter Tail Power Co.	Transmission Line Repair	77,199		0.00%
38					
39	Pearce, Harry J.	Active Directors Fees	130,000	2,169	1.67%
40					
41	Power Generations Service Inc.	Contract Services - Power Plants	171,137		0.00%
42					
43	Progressive Maintenance	Custodial Service	134,747	11,811	8.77%
44					
45	Prosource Tech Inc.	Contract Services - Environmental	536,359	313	0.06%
46					
47	PSC Industrial Outsourcing	Contractor Services - Power Plant	742,662		0.00%
48					
49	Q3 Contracting	Construction Services	157,426		0.00%
50					

**PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES - GAS**

Year: 2011

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1	Rocky Mountain Contractors, Inc.	Contractor Services	234,612	151,221	64.46%
2					
3	Southern Cross Corporation	Construction Services	225,826	63,051	27.92%
4					
5	Spherion Corporation	Temp Service	332,821	8,937	2.69%
6					
7	SQLSoft Consulting Group	Consulting Services - Replace CIS	79,625	15,944	20.02%
8					
9	Standard & Poors	Financial Services	159,680	5,296	3.32%
10					
11	State Line Contractors Inc.	Constructions Services	376,699	359,071	95.32%
12					
13	Telvent USA Corporation	Software Development	101,377	4,780	4.72%
14					
15	Timberline Construction Inc.	Contractors Services-Transmission Lines	657,957		0.00%
16					
17	Total Corrosion Solutions Inc.	Contractor Services	77,372	54,606	70.58%
18					
19	Transystems LLC	Haul Charges	75,230		0.00%
20					
21	Treasury Management Services	Banking Services	298,699	49,069	16.43%
22					
23	Ulmer Tree Service	Tree Trimming Service	168,474		0.00%
24					
25	USIC Locating Services, Inc.	Line Locating	136,860		0.00%
26					
27	Utilimatic LLC	Install Gas ERTS	166,085	48,764	29.36%
28					
29	Utility Partners, Inc.	Maintenance Renewal	85,800	14,093	16.43%
30					
31	Utility Shareholders of ND	Organizational Dues	97,500		0.00%
32					
33	Van Horn Media	Advertising	92,192	6,875	7.46%
34					
35	Ventyx Energy LLC	Software Maintenance	95,010		0.00%
36					
37	Wells Fargo Shareowners Services	Stock Transfer Agent	283,244	4,719	1.67%
38					
39	Western Engineered Solutions	Contract Services - Heskett	121,997		0.00%
40					
41	Workforce Services	Vehicle Maintenance	181,112	5,784	3.19%
42					
43					
44					
45					
46					
47					
48					
49					
50					
51	<b>TOTAL Payments for Services</b>		<b>\$34,875,919</b>	<b>\$1,980,555</b>	<b>5.68%</b>

MONTANA-DAKOTA UTILITES CO  
 MT GAS UTILITY  
 CONTRACTOR SERVICES >\$75,000 YTD 2012

Vendor	Nature Of Service	Gross Amounts	Gas Amounts
AFPI	Annual Report Preparation	133,074.69	2,273.65
AGRI INDUSTRIES INC	Pipeline install, Directional Drilling	253,254.17	5,870.00
AMERICAN GAS ASSOCIATION	Industrial Membership	80,170.44	19,321.93
Arvig Construction	Pipeline install, Directional Drilling	1,192,973.19	0.00
AUTOMOTIVE RENTALS,INC	Auto Purchases & Services	99,983.67	879.77
Avery Pipeline Services	Contractor Services - Pipeline install	150,191.03	0.00
B&H CONTRACTING AND MOBILE WASHING INC	Contractor Services	104,206.64	0.00
BACK COUNTRY SPRAYING, LLC	Contract Service-Weed Spraying	86,445.44	3,228.15
BARR ENGINEERING COMPANY	Engineering Services	218,745.32	0.00
BENCO EQUIPMENT CO.	Vehicle maintenance	243,538.38	416.03
Blue Heron Consulting	Consulting services	1,485,182.72	288,752.96
BORSHEIM CRANE SERVICE	Crane & Truck Rental	125,327.70	0.00
BRINK CONSTRUCTORS INC	Contract Services - Electric line Install	2,312,906.09	0.00
Broadridge	Contract Services - Shareholder	79,250.11	1,354.03
BROADWIND SERVICES	Contract Services - Turbines	242,927.75	0.00
Broadwind Services, LLC	Contract Services - Turbines	476,912.25	0.00
Bullinger Tree Service	Tree Trimming	339,104.97	0.00
BUTLER MACHINERY CO	Equipment maintenance	49,036.60	0.00
CA CONTRACTING INC	Contract Services	988,000.00	0.00
CENTRAL TRENCHING INC	Contract Service-Trenching	499,323.50	0.00
CGI Technologies and Solutions, Inc.	Consulting Serv - PragmaCAD	246,257.87	28,141.32
CHIEF CONSTRUCTION	Construction services	1,109,752.98	0.00
CISCO SYSTEMS CAPITAL CORP	Software maintenance	121,382.15	2,083.43
CLEARY BUILDING CORPORATION	Contractor - Pierre Building	190,000.00	0.00
COHEN TAUBER SPIEVACK & WAGNER, PC	Legal Services	244,096.63	4,145.41
Concentric Energy Advisors, Inc.	Consulting Services	95,592.82	0.00
DAKOTA TREE SERVICE, INC.	Tree Trimming	410,750.00	0.00
DAYTON JACKSON EXCAVATING LLC	Gas & Electric line install - Directional Boring	108,404.75	0.00
DELL MARKETING L.P.	Software maintenance	76,464.14	2,502.44
DELOITTE & TOUCHE LLP	Auditing & Consulting Services	920,293.64	24,403.56
DENNYS ELECTRIC MOTOR REPAIR INC	Line Installation - Boring	140,339.41	2,071.87
Dewey & LeBoeuf	Legal Services	471,550.40	8,053.64
DONOVAN LAWNCARE SERVICES LLC	Landscaping Services	92,816.30	644.07
Duane Morris, LLP	Legal Services	185,721.50	3,127.16
EDISON ELECTRIC INSTITUTE	Industrial Membership	102,407.00	6,701.73
EDLING ELECTRIC INC	Contractor Services - GO Generator	158,549.79	225.77
EIDE FORD MERCURY LINCOLN INC.	Auto Maintenance	88,838.89	0.00
EP2M	Consulting Services	2,435,353.38	486,696.54
ERNST & YOUNG LLP (LEGAL #60102852)	Tax Services	81,290.00	3,570.88
ESRI	Consulting Services - GIS system	80,418.42	3,893.23
FISCHER CONTRACTING	Construction Services - Gas	412,800.85	0.00

MONTANA-DAKOTA UTILITES CO  
 MT GAS UTILITY  
 CONTRACTOR SERVICES >\$75,000 YTD 2012

Vendor	Nature Of Service	Gross Amounts	Gas Amounts
FORRESTER,GARY	Lobbying and Promotion	110,926.19	1,879.83
FRANZ CONSTRUCTION INC	Contract Services - Power Plant	170,298.75	0.00
GE INTERNATIONAL INC/ACCT 50272119	Contract Services - Power Plant	404,783.00	0.00
GREAT PLAINS TECHNICAL SERVICES INC	Motor Repair - Lewis & Clarck Station	178,040.87	0.00
GUSTAFSON & GOUDGE INC	Contract Services - Substations	100,010.00	0.00
HDR ENGINEERING INC	Engineering Services	839,268.09	0.00
HDR INC	Engineering Services - Transmission Lines	159,117.51	0.00
HICO AMERICA SALES TECH, INC	Transformer installation	210,750.00	0.00
HIGH VOLTAGE, INC (E-MAIL ORDER)	Contractor Services	1,093,507.50	0.00
HIGHMARK, INC.	Construction Services	2,152,874.14	0.00
HILLERUD CONSTRUCTION INC	Construction Services - Warehouse Remodel	153,526.00	0.00
HONEYWELL INDUSTRY SOLUTIONS	Equipment Installation	313,759.15	0.00
HOUSTON ENGINEERING INC	Engineering Services	274,111.25	0.00
HULSING & ASSOCIATES	Architect Services - MDU Operations - Williston	329,007.44	0.00
INDUSTRIAL BUILDERS INC	Contractor Services	451,812.00	0.00
INDUSTRIAL CONTRACTORS INC	Contractor Services-Power Plant	755,247.11	0.00
INFRASOURCE (E-MAIL PO)	underground Gas Line Installation	4,314,054.21	36,809.63
INTERMOUNTAIN TREE EXPERT CO	Tree Trimming Service	139,706.94	0.00
ITRON INC	Contractor Services & Software Maint	202,383.51	29,428.40
K V INC	Contractor Services - Little Muddy Jct Substation	369,711.25	369,711.25
KADRMAS, LEE & JACKSON	Engineering Services	156,236.75	8,131.85
KAPPEL TREE SERVICE LLC	Tree Trimming Service	304,787.00	0.00
KEANE	Legal Serivces	90,924.41	1,535.74
M C M GENERAL CONTRACTORS, INC.	Construction Services	360,830.70	0.00
Mavo Systems North Dakota, LLC	Contractor Services	291,083.79	10,098.07
Michels Power	Contractor Services - Transmission lines	563,395.46	0.00
MICROSOFT LICENSING GP	Software Maintenance	93,318.27	0.00
MILLCREEK ENGINEERING COMPANY	Engineering Services	2,556,304.69	0.00
MILLER CONSTRUCTION	Construction Serv	86,615.50	0.00
MINNESOTA DEPT OF COMMERCE	Billable Labor Dockets	125,465.79	0.00
MONTANA DEPT OF ENVIRONMENTAL QUALITY	Title V Emission Fee	90,165.00	653.89
MOORHEAD MACHINERY & BOILER CO.	Constructor Services - Power Plant	668,665.30	0.00
Morton Buildings Inc.	Building Construction	154,826.00	0.00
NERC	Contract Services-Quarterly Assesment	114,657.60	0.00
NEUNDORFER, INC.	Contract Services	121,300.00	5,624.85
NYSE Market Inc	Financial Services	177,649.00	2,991.24
ONE CALL LOCATORS LTD (ELM)	Line Location Services	1,964,021.44	273,201.81
ORACLE CORP	Software Maintenance	450,144.00	30,387.76
Ormat Nevada Inc.	Install Energy Converter	323,773.36	0.00
PEARCE, HARRY J	Active Director's Fees	130,000.00	2,205.02
POWER GENERATION SERVICE INC	Contractor Services - Power Plants	1,084,857.67	0.00

MONTANA-DAKOTA UTILITES CO  
 MT GAS UTILITY  
 CONTRACTOR SERVICES >\$75,000 YTD 2012

Vendor	Nature Of Service	Gross Amounts	Gas Amounts
POWERPLAN, INC	Consulting Services - Software	1,576,970.96	180,209.62
PROGRESSIVE MAINTENANCE CO	Custodial Service	130,123.00	11,434.29
PROSOURCE TECH INC- City s/b Coon Rapids	Contract Services - Environmental	3,483,195.85	122,033.45
PSC INDUSTRIAL OUTSOURCING	Contractor Services - Power Plant	511,708.67	0.00
Q3 Contracting	Construction Services	477,010.63	0.00
RACHEL CONTRACTING	Contract services - Willistong Power Plant Demo	668,126.00	0.00
ROCKY MOUNTAIN LINE SYSTEMS, INC	Contractors Services	881,995.48	0.00
SEGA INC.	Engineering Services	955,677.53	0.00
Skye Recruitment Solutions	Recruitment Services	77,400.00	5,456.02
SOUTHERN CROSS CORP	Construction Services - Gas	382,672.10	75,119.46
SPEARFISH EXCAVATING INC	Excavation Services	109,468.72	0.00
SPHERION CORPORATION	Temp Service	569,941.73	43,805.37
SQLSOFT CONSULTING GROUP	Consulting Services - Replace CIS	151,812.50	30,339.18
STANDARD & POOR'S	Financial Services	89,913.00	9,130.13
STAR	Contract Services - Turbines	105,493.94	0.00
STATE-LINE CONTRACTORS INC	Constructions Services	841,924.85	804,896.53
Thomson Reuters (Tax & Accounting) INC	Consulting Services	145,178.37	2,462.13
TIMBERLINE CONSTRUCTION INC.	Contractor Services - Transmission Lines	1,116,828.54	0.00
TOTAL ASPHALT REPAIR INC	Contractor Services	82,283.38	81,704.07
TREASURY MANAGEMENT SERVICES	Banking Services	244,417.16	31,278.08
U S BANK	Bank Services	99,250.08	14,283.54
ULMER TREE SERVICE	Tree Trimming Service	211,622.70	0.00
ULTEIG ENGINEERS INC	Engineering Services	105,110.46	0.00
USA AIRMOBILE INC.	Contract Services - installed Bird Flight Diverters	165,207.70	0.00
USIC Locating Services, Inc.	Line Locating	143,107.10	0.00
UTILIMATIC LLC	Install Energy Converter	394,081.00	39,647.02
VAN HORN MEDIA	Advertising	128,011.51	12,697.56
Ventyx Inc.	Software Maintenance	106,355.93	4,204.09
VIC'S CRANE & HEAVY HAUL INC	Crane Service and Rental	99,500.00	0.00
WAUSAU FINANCIAL SYSTEMS INC	Sofotware Support	139,462.15	30,371.00
WELLS FARGO SHAREOWNERS SERVICES	Stock Transfer Agent	286,993.51	4,872.10
WENTZEL ENGINEERING, LLC	Engineering Services	89,071.60	0.00
WESTERN AREA POWER ADMINISTRATION	Electric service	96,936.02	0.00
WESTERN UNION FINANCIAL SERVIC	Financial Services	130,866.05	30,035.71
WILLIS OF MINNESOTA	Consulting Services	93,542.65	1,396.59
Workforce Services, Inc	Vehicle Maintenance	197,749.85	2,125.63
<b>Grand Total</b>		<b>54,654,562.94</b>	<b>3,208,518.47</b>

**MONTANA-DAKOTA UTILITIES CO.  
MONTANA PUBLIC SERVICE COMMISSION  
DATA REQUEST  
DATED DECEMBER 21, 2012  
DOCKET NO. D2012.9.100**

**PSC-027**

**Regarding: Lead-Lag study  
Witness: Applicable Witness**

**Please provide a copy of all lead-lag reports both internal and external for MT natural gas operations for the period of 2010 through current.**

**Response:**

Montana-Dakota has not prepared any lead-lag studies nor has it had any lead lag studies prepared during the referenced time period.

**MONTANA-DAKOTA UTILITIES CO.  
MONTANA PUBLIC SERVICE COMMISSION  
DATA REQUEST  
DATED DECEMBER 21, 2012  
DOCKET NO. D2012.9.100**

**PSC-028**

**Regarding: Business Plans  
Witness: Applicable Witness**

**Please provide copies of the business plans for the years 2010 and 2011.**

**Response:**

The Strategic Plans for Montana-Dakota Utilities Co. for the referenced years were provided for review during the on-site audit. The Company requested that no copies be retained.