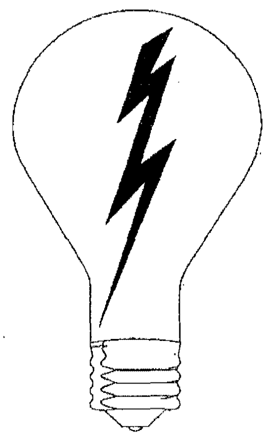
YEAR ENDING 2012

ANNUAL REPORT
OF

MONTANA-DAKOTA UTILITIES CO.

ELECTRIC UTILITY



TO THE
PUBLIC SERVICE COMMISSION
STATE OF MONTANA
1701 PROSPECT AVENUE
P.O. BOX 202601
HELENA, MT 59620-2601

IDENTIFICATION

Year: 2012

1.	Legal Name of Respondent:	MDU Resources Group, Inc.
2.	Name Under Which Respondent Does Business:	Montana-Dakota Utilities Co.
3.	Date Utility Service First Offered in Montana	1920
4.	Address to send Correspondence Concerning Report:	Montana-Dakota Utilities Co. 400 North Fourth Street Bismarck, ND 58501
5.	Person Responsible for This Report:	Rita A. Mulkern
5a.	Telephone Number:	(701) 222-7854

Control Over Respondent

1. If direct control over the respondent was held by another entity at the end of year provide the following:

   1a. Name and address of the controlling organization or person:

   1b. Means by which control was held:

   1c. Percent Ownership:

SCHEDULE 2

Board of Directors 1/

Line No.	Name of Director and Address (City, State) (a)	Remuneration (b)
1	Terry D. Hildestad (Chairman), Bismarck, ND 2/	-
2	Doran N. Schwartz, Bismarck, ND	-
3	Paul K. Sandness, Bismarck, ND	-
4	David L. Goodin, Bismarck, ND 3/	-
5		-
6		
7		
8	1/ Montana-Dakota Utilities Co. is a division of MDU Resources Group, Inc.,	
9	and has no Board of Directors. The affairs of the Company are managed by	
10	a Managing Committee, the members of which are provided herein rather	
11	than the directors of MDU Resources Group, Inc.	
12	2/ Terry D. Hildestad retired on January 3, 2013 and David L. Goodin	
13	was elected chairman, effective January 4, 2013	
14	3/ K. Frank Morehouse was elected January 4, 2013.	
15		
16		
17		
18		

Officers

Year: 2012

Title of Officer (a)	Department Supervised (b)	Name (c)
President & Chief Executive Officer	Executive	David L. Goodin 1/
Executive Vice President	Marketing, Gas Supply and Business Development	Dennis L. Haider
Executive Vice President	Combined Utiility Operations Support	Mike J. Gardner
Vice President	Electric Supply	Andrea L. Stomberg
Vice President	Operations	Jay W. Skabo
Vice President	Regulatory Affairs and Chief Accounting Officer	Garret Senger

1/ Effective January 4, 2013, K. Frank Morehouse replaced David L. Goodin as President and Chief Executive Officer of Montana-Dakota Utilities Co.

CORPORATE STRUCTURE

Year: 2012

Subsidiary/Company Name	Line of Business	Earnings (000's)	Percent of Total
Montana-Dakota Utilities Co./ Great Plains Natural Gas Co. (Divisions of MDU Resources Group, Inc.) Cascade Natural Gas Corp. and Intermountain Gas Company	Electric and Natural Gas Distribution	$60,043	24.47%
WBI Energy 1/	Pipeline and Energy Services and Natural Gas and Oil Production	96,139	39.18%
Knife River Corporation	Construction Materials and Mining	32,420	13.21%
MDU Construction Services Group, Inc.	Construction Services	38,429	15.66%
Centennial Energy Resources LLC/ Centennial Holdings Capital LLC	Other	18,364	7.48%
TOTAL		$245,395	100.00%

1/ Excludes the effects of $246.8 million of after-tax noncash write-downs of oil and natural gas properties.

Company Name: Montana-Dakota Utilities Co. SCHEDULE 5

CORPORATE ALLOCATIONS - ELECTRIC

Year: 2012

	Items Allocated	Classification	Allocation Method	$ to MT Utility	MT %	$ to Other
1	Audit Costs	Administrative & General	Various Corporate Overhead Allocation Factors	$3,680	1.83%	$197,020
2						
3	Advertising	Administrative & General	Various Corporate Overhead Allocation Factors and/or	2,821	1.83%	151,122
4			Actual Costs Incurred			
5						
6	Air Service	Administrative & General	Various Corporate Overhead Allocation Factors, Time	2,104	1.52%	136,484
7			Studies, and/or Actual Costs Incurred			
8						
9	Automobile	Administrative & General	Various Corporate Overhead Allocation Factors, Time	537	1.91%	27,520
10			Studies, and/or Actual Costs Incurred			
11						
12	Bank Services	Administrative & General	Various Corporate Overhead Allocation Factors and/or	6,070	1.84%	324,694
13			Actual Costs Incurred			
14						
15	Computer Rental	Administrative & General	Various Corporate Overhead Allocation Factors, Time	62	1.85%	3,297
16			Studies, and/or Actual Costs Incurred			
17						
18	Consultant Fees	Administrative & General	Various Corporate Overhead Allocation Factors and/or	13,817	1.96%	691,524
19			Actual Costs Incurred			
20						
21	Contract Services	Administrative & General	Various Corporate Overhead Allocation Factors and/or	29,168	1.58%	1,815,329
22			Actual Costs Incurred			
23						
24	Corporate Aircraft	Administrative & General	Various Corporate Overhead Allocation Factors, Time	2,181	1.84%	116,173
25			Studies, and/or Actual Costs Incurred			
26						
27	Directors Expenses	Administrative & General	Corporate Overhead Allocation Factor	37,612	1.83%	2,014,826
28						
29	Employee Benefits	Administrative & General	Corporate Overhead Allocation Factor Based on	2,066	1.83%	110,848
30			Number of Employees			

Company Name: **Montana-Dakota Utilities Co.** | **SCHEDULE 5**

CORPORATE ALLOCATIONS - ELECTRIC

Year: 2012

Items Allocated	Classification	Allocation Method	$ to MT Utility	MT %	$ to Other
Employee Meetings	Administrative & General	Various Corporate Overhead Allocation Factors and/or Actual Costs Incurred	2,084	1.87%	109,193
Employee Reimbursable Expenses	Administrative & General	Various Corporate Overhead Allocation Factors, Time Studies, and/or Actual Costs Incurred	3,403	1.66%	201,365
Legal Retainers & Fees	Administrative & General	Various Corporate Overhead Allocation Factors and/or Actual Costs Incurred	19,989	1.83%	1,069,425
Meal Allowance	Administrative & General	Various Corporate Overhead Allocation Factors, Time Studies, and/or Actual Costs Incurred	42	1.85%	2,224
Meals & Entertainment	Administrative & General	Various Corporate Overhead Allocation Factors, Time Studies, and/or Actual Costs Incurred	1,915	1.76%	107,057
Moving Expense	Administrative & General	Various Corporate Overhead Allocation Factors and/or Actual Costs Incurred	55	2.75%	1,945
Industry Dues & Licenses	Administrative & General	Various Corporate Overhead Allocation Factors, Time Studies, and/or Actual Costs Incurred	2,742	1.85%	145,212
Office Expenses	Administrative & General	Various Corporate Overhead Allocation Factors and/or Actual Costs Incurred	2,349	1.93%	119,169
Prepaid Insurance	Administrative & General	Various Corporate Overhead Allocation Factors and Allocation Factors Based on Actual Experience	18,049	11.65%	136,821
Permits and Filing Fees	Administrative & General	Various Corporate Overhead Allocation Factors and/or Actual Costs Incurred	723	1.84%	38,655

SCHEDULE 5

Company Name: Montana-Dakota Utilities Co.

CORPORATE ALLOCATIONS - ELECTRIC

Year: 2012

	Items Allocated	Classification	Allocation Method	$ to MT Utility	MT %	$ to Other
1	Postage	Administrative & General	Various Corporate Overhead Allocation Factors and/or	375	1.80%	20,462
2			Actual Costs Incurred			
3						
4	Payroll	Administrative & General	Various Corporate Overhead Allocation Factors, Time	412,591	2.02%	20,006,886
5			Studies, and/or Actual Costs Incurred			
6						
7	Rental	Administrative & General	Various Corporate Overhead Allocation Factors and/or	0	0.00%	15
8			Actual Costs Incurred			
9						
10	Reference Materials	Administrative & General	Various Corporate Overhead Allocation Factors and/or	3,632	1.87%	191,062
11			Actual Costs Incurred			
12						
13	Reimbursements	Administrative & General	Various Corporate Overhead Allocation Factors and/or	(316)	2.60%	(11,817)
14			Actual Costs Incurred			
15						
16	Supplemental Insurance	Administrative & General	Various Corporate Overhead Allocation Factors	0	0.00%	12,600
17						
18	Seminars & Meeting	Administrative & General	Various Corporate Overhead Allocation Factors, Time	1,452	1.96%	72,812
19	Registrations		Studies, and/or Actual Costs Incurred			
20						
21	Software Maintenance	Administrative & General	Various Corporate Overhead Allocation Factors, Time	14,218	1.91%	729,610
22			Studies, and/or Actual Costs Incurred			
23						
24	Telephone & Cell Phones	Administrative & General	Various Corporate Overhead Allocation Factors and/or	4,148	1.46%	280,900
25			Actual Costs Incurred			
26						
27	Training Material	Administrative & General	Various Corporate Overhead Allocation Factors, Time	1,364	1.97%	67,865
28			Studies, and/or Actual Costs Incurred			
29						
30						
31	**TOTAL**			$588,933	2.00%	$28,890,298

Company Name: Montana-Dakota Utilities Co. SCHEDULE 6

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY - ELECTRIC

Year: 2012

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Utility	(e) % Total Affil. Revs.	(f) Charges to MT Utility
1	**KNIFE RIVER CORPORATION**	Expense	Actual Costs Incurred			
2		Materials		$17,567		$3,972
3						
4		Capital	Actual Costs Incurred			
5		Contract Services		28,348		1,068
6		Materials		546		0
7						
8		Other Transactions/Reimbursements				
9		Balance Sheet Acct		78,780		
10		Non Utility		14,438		
11		MDU Resources Cost Centers		6,039		
12						
13		Total Knife River Corporation Operating Revenues for the Year 2012			$1,617,425,000	
14		Excludes Intersegment Eliminations				
15						
16						
17	**TOTAL**	**Grand Total Affiliate Transactions**		$145,717	0.0090%	$5,040

Company Name: Montana-Dakota Utilities Co. SCHEDULE 6

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY - ELECTRIC

Year: 2012

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Utility	(e) % Total Affil. Revs.	(f) Charges to MT Utility
1	**WBI ENERGY**	Expense	Actual Costs Incurred			
2		Contract Services		$12,657		$1,811
3		Legal		342		342
4		Fuel		34,094		9,744
5		Material		614		0
9						
10		Capital	Actual Costs Incurred			
11		Miscellaneous		470		363
12		Material		1,711		1,711
13						
17		Other Transactions/Reimbursements	Actual Costs Incurred			
18		Auto Clearing		12,586		
19		Balance sheet accounts		774,275		
20		Non Utility		18,161		
21		MDU Resources Cost Centers		24,756		
22						
23		Total WBI Operating Revenues for the Year 2012			$641,774,000	
24		Excludes Intersegment Eliminations				
25						
26						
27	**TOTAL**	**Grand Total Affiliate Transactions**		$879,666	0.1371%	$13,971

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY - ELECTRIC

Year: 2012

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Utility	(e) % Total Affil. Revs.	(f) Charges to MT Utility
1	**MDU CONSTRUCTION**	Expense	Actual Costs Incurred			
2	**SERVICES GROUP, INC**	Materials		$99,873		$4,666
4						
5		Capital	Actual Costs Incurred			
6		Contract Services		5,666,241		19,654
7						
9		Other Transactions/Reimbursements	Actual Costs Incurred			
10		MDU Resources Cost Centers		7,291		
11		Non Utility		21,090		
12		Auto Clearing		7,618		
13						
18						
19		Total MDU Construction Services Group, Inc Operating Revenues for the Year 2012			$938,558,000	
20		Excludes Intersegment Eliminations				
21						
22						
23	**TOTAL**	**Grand Total Affiliate Transactions**		$5,802,113	0.6182%	$24,319

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY - ELECTRIC

Year: 2012

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Utility	(e) % Total Affil. Revs.	(f) Charges to MT Utility
1	**CENTENNIAL HOLDINGS**	Expense	1/ Various Corporate Overhead			
2	**CAPITAL, LLC**	Contract Services	Allocation Factors and/or	$120,084		$24,858
3		Corporate Aircraft	Actual Costs Incurred	19,722		5,364
4		Office Expense		272,231		56,353
5		Rent		151,863		31,436
6						
8		Capital	Actual Costs Incurred			
9		Corporate Aircraft		22,911		5,097
10						
12		Other Transactions/Reimbursements	Actual Costs Incurred			
13		MDU Resources Cost Centers		292,708		
14		Balance Sheet Accounts		2,481,614		
15		Clearing Accounts		293,369		
16		Non Utility		21,598		
17						
18		Total Centennial Holdings Capital, LLC Operating Revenues for the Year 2012			$10,370,000	
19		Grand Total Affiliate Transactions				
20						
21	**TOTAL**	**Grand Total Affiliate Transactions**		$3,676,100	35.4494%	$123,108

1/Corporate overhead allocation factors are derived from the invested capital balance as a percentage of the total corporate invested capital. Montana-Dakota Utilities Co. cost of service amounts are calculated for the general office complex, the printing department, and the budget and forecast system. The general office complex amounts are payroll and floor space costs for employees that perform services for MDU Resources. These include accounts payable, general accounting, fixed asset accounting, and miscellaneous other services. The charges are based on the percentage of system users that are MDU Resources employees. Both the general office complex and amounts for MDU Resources are allocated to affiliated companies based on corporate overhead allocation factors. The printing department amount is allocated to affiliated companies based on the direct printing images processed for them and their percentage of the corporate overhead allocation for the corporate printed image amount.

Company Name: Montana-Dakota Utilities Co.

SCHEDULE 6

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY - ELECTRIC

Year: 2012

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Utility	(e) % Total Affil. Revs.	(f) Charges to MT Utility
1	**MDU ENERGY CAPITAL**	Expense	Actual Costs Incurred			
3		Contract Services		$28,216		$5,298
4		Cost of Service		10,065		2,084
5		Materials		540		93
6		Office Expenses		48,852		9,333
7		Other		174		36
8						
10		Capital	Actual Costs Incurred			
11		Contract Services		26,602		5,454
12		Materials		6,690		-
13		Other		33		7
14						
16		Other Transactions/Reimbursements	Actual Costs Incurred			
17		MDU Resources Cost Centers		4,609		
18		Auto Clearing		(2,204)		
19		Subsidiary Receivables		4,742		
20		Miscellaneous		1,874		
21		Non Utility		40,531		
22						
23						
24						
25		Total MDU Energy Capital Operating Revenues for the Year 2012			$519,442,000	
26		Grand Total Affiliate Transactions				
27						
28	**TOTAL**	**Grand Total Affiliate Transactions**		$170,724	0.0329%	$22,304

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2012

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	KNIFE RIVER	MDU RESOURCES GROUP, INC.				
2	CORPORATION	Corporate Overhead	1/ Various Corporate Overhead Allocation			
3		Audit Costs	Factors, Time Studies and/or Actual	$49,036		
4		Advertising	Costs Incurred	37,568		
5		Air Service		35,520		
6		Automobile		7,740		
7		Bank Services		80,900		
8		Corporate Aircraft		28,683		
9		Consultant Fees		174,428		
10		Contract Services		903,783		
11		Computer Rental		819		
12		Directors Expenses		501,017		
13		Employee Benefits		30,154		
14		Employee Meeting		27,212		
15		Employee Reimbursable Expense		52,654		
16		Express Mail		54		
18		Legal Retainers & Fees		266,175		
19		Moving Allowance		733		
20		Meal Allowance		586		
21		Cash Donations		18,456		
22		Meals & Entertainment		27,558		
23		Industry Dues & Licenses		36,894		
24		Office Expenses		42,780		
25		Supplemental Insurance		3,630		
26		Permits & Filing Fees		9,648		
27		Postage		4,950		
28		Payroll		5,272,624		
29		Reimbursements		(4,169)		
30		Reference Materials		47,182		
31		Rental		4		
32		Seminars & Meeting Registrations		18,125		
33		Software Maintenance		246,926		
34		Telephone/cell Expenses		123,985		
35		Training		17,617		
36		**Total MDU Resources Group, Inc.**		$8,063,272	0.5170%	

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2012

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	KNIFE RIVER	MONTANA-DAKOTA UTILITIES CO.				
2	CORPORATION	Other Direct Charges	Actual Costs Incurred			
3		Vehicle Maintenance		$43		
4		Communications		6,976		
5		Employee Discounts		22,498		
6		Dues, Permits, and Filing Fees		348		
7		Legal		1,304		
8		Sponsorship		49,200		
9		Electric Consumption		55,806		
10		Gas Consumption		48,234		$17,398
11		Bank Fees		28,990		
12		Computer/Software Support		977,182		
13		Office Expense		851		
14		Cost of Service		596,130		144,782
15		Audit Costs		602,794		
16		Auto		18,727		
17		Travel		17,916		
18		Employee Benefits		90,884		
19		Contract Services		332,772		
20						
21		**Total Montana-Dakota Utilities Co.**		$2,850,652	0.1828%	$162,180
22						
23		OTHER TRANSACTIONS/REIMBURSEMENTS	Actual Costs Incurred			
24						
26		Federal & State Tax Liability Payments		$35,094,928		
28		Miscellaneous Reimbursements		(287,011)		
29						
30		**Total Other Transactions/Reimbursements**		$34,807,917	2.2319%	
31						
32		**Grand Total Affiliate Transactions**		$45,721,841	2.9317%	$162,180
33						
34		**Total Knife River Corporation Operating Expenses for 2012-Excludes Intersegment Eliminations**			$1,559,561,000	

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

KNIFE RIVER CORPORATION

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Company Name: Montana-Dakota Utilities Co. SCHEDULE 7

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2012

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	WBI ENERGY, INC.	MDU RESOURCES GROUP, INC.				
2		Corporate Overhead	1/ Various Corporate Overhead			
3		Audit Costs	Allocation Factors, Time	$69,293		
4		Advertising	Studies and/or Actual Costs	53,183		
5		Air Service	Incurred	42,566		
6		Automobile		8,812		
7		Bank Services		114,134		
8		Corporate Aircraft		41,252		
9		Consultant Fees		241,829		
10		Contract Services		374,192		
11		Computer Rental		1,160		
12		Directors Expenses		708,951		
13		Employee Benefits		42,583		
14		Employee Meeting		38,199		
15		Employee Reimbursable Expense		63,335		
16		Express Mail		49		
18		Legal Retainers & Fees		376,066		
19		Meal Allowance		762		
20		Cash Donations		26,056		
21		Meals & Entertainment		35,559		
22		Moving Expense		366		
23		Industry Dues & Licenses		50,479		
24		Office Expenses		33,546		
25		Supplemental Insurance		3,937		
26		Permits & Filing Fees		13,576		
27		Postage		7,010		
28		Payroll		6,430,753		
29		Reimbursements		(1,461)		
30		Reference Materials		66,726		
31		Rental		5		
32		Seminars & Meeting Registrations		24,915		
33		Software Maintenance		215,485		
34		Telephone/cell Expenses		78,677		
35		Training Material		17,865		
36		**Total MDU Resources Group, Inc.**		$9,179,857	1.0560%	

Company Name: Montana-Dakota Utilities Co.

SCHEDULE 7

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2012

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	WBI ENERGY, INC.	MONTANA-DAKOTA UTILITIES CO.				
2		Other Departments	1/ Various Corporate Overhead			
3		Expense	Allocation Factors, Cost of			
4		Payroll	Service Factors, Time	$3,433		
5		Automobile	Studies and /or Actual Costs	1,376		
6		Miscellaneous		718		
7						
8		Transportation Department	1/ Various Corporate Overhead			
9		Clearing Accounts	Allocation Factors, Time			
10		Office Expenses	Studies and/or Actual Costs	20		
11						
12		Other Direct Charges	Actual Costs Incurred			
13		Utility/Merchandise Discounts		29,310		
14		Audit Costs		394,909		
15		Contract Services		595,117		
16		Auto		1,333		
17		Vehicle Maintenance		7,357		
18		Dues, Permits, and Filing Fees		15,529		
19		Misc Employee Benefits		90,396		
20		Computer/Software Support		307,706		
21		Sponsorship		68,800		
22		Electric Consumption		695,396		$546,100
23		Gas Consumption		27,408		20,808
24		Cost of Service		297,183		72,177
25		Legal Fees		1,182		
26		Travel		25,515		
27		Communication Services		11,483		
28		Office Expense		13,781		
29		Bank Fees		13,680		
30		Training Registration		1,945		
31						
32						
33		Total Montana-Dakota Utilities Co.		$ 2,603,577	0.2995%	$639,085

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2012

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	WBI ENERGY, INC.					
2						
3		OTHER TRANSACTIONS/REIMBURSEMENTS	Actual Costs Incurred			
4		Insurance				
5		Federal & State Tax Liability Payments		($37,355,049)		
6		Miscellaneous Reimbursements		(85,969)		
7		**Total Other Transactions/Reimbursements**		($37,441,018)	-4.3071%	
8						
9		**Grand Total Affiliate Transactions**		($25,657,585)	-2.9516%	$639,085
10						
11						
12						
13		**Total WBI Energy Operating Expenses for 2012 - Excludes Intersegment Eliminations**			$869,277,000	

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AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2012

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	MDU CONSTRUCTION	MDU RESOURCES GROUP, INC.				
2	SERVICES GROUP INC	Corporate Overhead	1/ Various Corporate Overhead			
3		Audit Costs	Allocation Factors, Time	$12,177		
4		Advertising	Studies and/or Actual Costs	9,385		
5		Air Service	Incurred	16,028		
6		Automobile		1,499		
7		Bank Services		19,983		
8		Corporate Aircraft		7,121		
9		Consultant Fees		40,722		
10		Contract Services		54,089		
11		Computer Rental		205		
12		Directors Expenses		124,977		
13		Employee Benefits		7,685		
14		Employee Meeting		6,611		
15		Employee Reimbursable Expense		24,567		
16		Express Mail		34		
18		Legal Retainers & Fees		66,063		
19		Moving Allowance		19		
20		Meal Allowance		128		
21		Cash Donations		4,569		
22		Meals & Entertainment		9,744		
23		Industry Dues & Licenses		8,721		
24		Office Expenses		4,408		
25		Supplemental Insurance		213		
26		Permits & Filing Fees		2,362		
27		Postage		1,271		
28		Payroll		1,252,505		
29		Reimbursements		(796)		
30		Reference Materials		12,473		
31		Rent		1		
32		Seminars & Meeting Registrations		4,553		
33		Software Maintenance		30,218		
34		Telephone/cell Expenses		6,308		
35		Training Material		2,672		
36		**Total MDU Resources Group, Inc.**		$1,730,515	0.1984%	

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2012

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	MDU CONSTRUCTION	Intercompany Settlements	Actual Costs Incurred			
2	SERVICES GROUP INC	Sponsorship		$11,800		
3		Audit		392,023		
4		Computer/Software Support		135,326		
5		Travel		44,468		
6		Cost of Service		117,190		$28,462
7		Employee Benefits		250,409		
8		Bank Fees		68,208		
9		Dues, Permits, and Filing Fees		19,918		
10		Payroll		2,449,878		
11		Office Expense		5,764		
12		Contract Services		84,037		
13						
14		**Total Montana-Dakota Utilities Co.**		$3,579,022	0.4104%	$28,462
15						
16		OTHER TRANSACTIONS/REIMBURSEMENTS	Actual Costs Incurred			
17		Federal & State Tax Liability Payments		$17,936,887		
18		Miscellaneous Reimbursements		(217,188)		
19						
20		**Total Other Transactions/Reimbursements**		$17,719,699	2.0320%	
21		**Grand Total Affiliate Transactions**		$23,029,236	2.6409%	$28,462
22						
23		**Total MDU Construction Services Group, Inc. Operating Expenses for 2012**				
24		**Excludes Intersegment Eliminations**			$872,027,000	
25						

1/Corporate overhead allocation factors are derived from the invested capital balance as a percentage of the total corporate invested capital. Montana-Dakota Utilities Co. cost of service amounts are calculated for the general office complex, the printing department, and the budget and forecast system. The general office complex amounts are payroll and floor space costs for employees that perform services for MDU Resources. These include accounts payable, general accounting, fixed asset accounting, and miscellaneous other services. The charges are based on the percentage of system users that are MDU Resources employees. Both the general office complex and amounts for MDU Resources are allocated to affiliated companies based on corporate overhead allocation factors. The printing department amount is allocated to affiliated companies based on the direct printing images processed for them and their percentage of the corporate overhead allocation for the corporate printed image amount.

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2012

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	CENTENNIAL ENERGY	MONTANA-DAKOTA UTILITIES CO.				
2	RESOURCES INT					
3		Other Direct Charges	Actual costs incurred			
4		Audit Costs		$1,680		
5		Dues, Permits, and Filing Fees		375		
6		Bank Fees		2,460		
8						
9		Intercompany Settlements	Actual costs incurred			
10		Office Expense		3,188		
11		**Total Montana-Dakota Utilities Co.**		$7,703	-20.8191%	
12						
13		OTHER TRANSACTIONS/REIMBURSEMENTS	Actual costs incurred			
14		Federal & State Tax Liability Payments		($710,658)		
16		**Total Other Transactions/Reimbursements**		($710,658)		
17						
18		**Grand Total Affiliate Transactions**		($702,955)	1899.8782%	
19						
20		**Total Centennial Energy Resources international Operating Expenses for 2012**			($37,000)	
21		**Excludes Intersegment Eliminations**				

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2012

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	CENTENNIAL HOLDINGS	MONTANA-DAKOTA UTILITIES CO.				
2	CAPITAL CORP. AND	Direct and Intercompany charges	Actual costs incurred			
3	FUTURESOURCE	Dues, Permits, and Filing Fees		$1,187		
4		Computer/Software Support		231,427		
5		Bank Fees		32,141		
7		Office Expense		451		
8		Electric Consumption		171,760		
9		Gas Consumption		10,343		
10		Payroll		387,856		
11		Miscellaneous		211		
12		**Total Montana-Dakota Utilities Co.**		835,376	15.1254%	
13		OTHER TRANSACTIONS/REIMBURSEMENTS				
14		Miscellaneous Reimbursements		($751)		
15		Federal & State Tax Liability Payments		1,644,182		
16		**Total Other Transactions/Reimbursements**		$1,643,431		
17						
18		**Grand Total Affiliate Transactions**		$2,478,807	44.8815%	$0
19						
20		**Total CHCC Operating Expenses for 2012**			$5,523,000	
21		**Excludes Intersegment Eliminations**				

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2012

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	MDU ENERGY	MDU RESOURCES GROUP, INC.				
2	CAPITAL 2/	Corporate Overhead	1/ Various Corporate Overhead			
3		Audit Costs	Allocation Factors, Time	$38,651		
4		Advertising	Studies and/or Actual Costs	29,635		
5		Air Service	Incurred	26,442		
6		Automobile		5,193		
7		Bank Services		63,720		
8		Corporate Aircraft		22,608		
9		Consultant Fees		127,591		
10		Contract Services		261,875		
11		Computer Rental		647		
12		Directors Expenses		395,150		
13		Employee Benefits		23,749		
14		Employee Meeting		21,386		
15		Employee Reimbursable Expense		34,541		
16		Express Mail		34		
17		Legal Retainers & Fees		209,787		
18		Meal Allowance		428		
19		Cash Donations		14,541		
20		Meals & Entertainment		19,537		
21		Moving Expense		413		
22		Industry Dues & Licenses		28,351		
23		Office Expenses		20,928		
24		Supplemental Insurance		2,564		
25		Permits & Filing Fees		7,590		
26		Postage		3,906		
27		Payroll		3,926,709		
28		Reimbursements		(3,024)		
29		Reference Materials		37,190		
30		Rental		3		
31		Seminars & Meeting Registrations		14,224		
32		Software Maintenance		129,293		
33		Telephone/cell Expenses		40,504		
34		Training Material		10,425		
35		**Total MDU Resources Group, Inc.**		$5,514,592	1.1753%	

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2012

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	MDU ENERGY	MONTANA-DAKOTA UTILITIES CO.				
2	CAPITAL 2/	Customer Serv/Credit & Collections	1/ Various Corporate Overhead			
3		Payroll	Allocation Factors, Cost of	$16,953		
4		Travel	Service Factors, Time Studies	199		
5			and/or Actual Costs Incurred			
6						
7		Executive Departments	1/ Various Corporate Overhead			
8		Automobile	Allocation Factors, Cost of	208		
9		Contract Services	Service Factors, Time Studies	3,443		
10		Employee Benefits	and/or Actual Costs Incurred	2,310		
11		Reference Material		22,760		
12		Office Expense		3,577		
13		Payroll		878,421		
14		Travel		49,490		
15						
16		Information Systems				
17		Payroll	1/ Various Corporate Overhead	111,186		
18			Allocation Factors, Cost of			
19			Service Factors, Time Studies			
20			and/or Actual Costs Incurred			
21						
22		Other Miscellaneous Departments				
23		Payroll	1/ Various Corporate Overhead	40,478		
24		Travel	Allocation Factors, Cost of	1,375		
25		Office Expense	Service Factors, Time Studies	124		
26		Employee Benefits	and/or Actual Costs Incurred	638		
27						
28						
29						
30						

Company Name: Montana-Dakota Utilities Co.

SCHEDULE 7

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2012

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	MDU ENERGY	MONTANA-DAKOTA UTILITIES CO.				
2	CAPITAL 2/	Payroll & Human Resources				
3		Employee Benefits	1/ Various Corporate Overhead	$216		
4		Payroll	Allocation Factors, Cost of	77,845		
5		Contract Services	Service Factors, Time Studies	1,855		
6		Travel	and/or Actual Costs Incurred	2,287		
7		Office		803		
8						
9		Other Direct Charges				
10		Bank Fees	Actual costs incurred	3,555		
11		Communications		51,033		
12		Computer Equip/Software		111,120		
13		Contract Services		267,317		
14		Employee Benefits		11,109		
15		Filing Fees		567		
16		Industry Dues		228,931		
17		Miscellaneous		646		
18		Travel		2,401		
19		Vehicle Maintenance		1,271		
20						
21		Intercompany Settlements	Actual costs incurred			
22		O&M				
23		Advertising		6,773		
24		Auto		1,803		
25		Contract Services		99,246		
26		Cost of Service		1,579,968		$383,727
27		Employee Benefits		58,273		
28		Material		20,427		
29		Miscellaneous		58,061		
30		Office Expense		415,175		
31		Payroll		9,408,882		
32		Supplemental Insurance		220,544		
33		Software Maintenance		507,558		
34		Travel		263,625		

Company Name: Montana-Dakota Utilities Co. SCHEDULE 7

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2012

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	MDU ENERGY	MONTANA-DAKOTA UTILITIES CO.				
2	CAPITAL 2/	Other	Actual costs incurred			
3		Audit		$385,485		
4		Auto O & M				
5		LTIP		449,317		
6		MII		241,017		
7		Miscellaneous		(600)		
8		Payflex		(39,541)		
9		Capital	Actual costs incurred			
10		Auto		58		
11		Contract Services		1,108,608		
12		Material		99,824		
13		Office Expense		3,688		
14		Payroll		150,464		
15		Travel		67,764		
16		Utility Group Project Allocation		9,891,195		
17		**Total Montana-Dakota Utilities Co.**		$26,889,732	5.7308%	$383,727
18						
19		OTHER TRANSACTIONS/REIMBURSEMENTS				
20		Federal & State Tax Liability Payments		($3,196,149)		
21		Miscellaneous Reimbursements		(119,550)		
22						
23		**Total Other Transactions/Reimbursements**		($3,315,699)	0.0000%	
24						
25		**Grand Total Affiliate Transactions**		$29,088,626	6.1994%	$383,727
26						
27		**Total MDU Energy Capital Operating Expenses for 2012**			$469,218,000	
28		**Excludes Intersegment Eliminations**				
29						

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

MDU ENERGY CAPITAL

1/Corporate overhead allocation factors are derived from the invested capital balance as a percentage of the total corporate invested capital. Montana-Dakota Utilities Co. cost of service amounts are calculated for the general office complex, the printing department, and the budget and forecast system. The general office complex amounts are payroll and floor space costs for employees that perform services for MDU Resources. These include accounts payable, general accounting, fixed asset accounting, and miscellaneous other services. The charges are based on the percentage of system users that are MDU Resources employees. Both the general office complex and amounts for MDU Resources are allocated to affiliated companies based on corporate overhead allocation factors. The printing department amount is allocated to affiliated companies based on the direct printing images processed for them and their percentage of the corporate overhead allocation for the corporate printed image amount.

2/ MDU Energy Capital is the parent company for Cascade Natural Gas Company and Intermountain Gas Company.

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2012

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	CENTENNIAL ENERGY	MONTANA-DAKOTA UTILITIES CO.				
2	HOLDING INC					
3		Other Direct Charges	Actual costs incurred			
4		Audit Costs		$127,380		
5		Dues, Permits, and Filing Fees		125		
6		Contract Services		98,917		
7		Bank Fees		2,631		
8		Miscellaneous		2,302		
9		**Total Montana-Dakota Utilities Co.**		$231,355		
10						
11		**Grand Total Affiliate Transactions**		$231,355		
12						
13						
14						

MONTANA UTILITY INCOME STATEMENT

Year: 2012

	Account Number & Title		Last Year	This Year	% Change
1	400	Operating Revenues	$51,564,935	$53,445,582	3.65%
2					
3		Operating Expenses			
4	401	Operation Expenses	$28,330,472	$29,347,739	3.59%
5	402	Maintenance Expense	3,925,907	3,982,866	1.45%
6	403	Depreciation Expense	5,980,478	6,042,166	1.03%
7	404-405	Amortization of Electric Plant	247,920	148,470	-40.11%
8	406	Amort. of Plant Acquisition Adjustments	54,939	51,606	-6.07%
9	407	Amort. of Property Losses, Unrecovered Plant			
10		& Regulatory Study Costs			
11	408.1	Taxes Other Than Income Taxes	3,401,867	3,832,822	12.67%
12	409.1	Income Taxes - Federal	(3,299,248)	(1,793,532)	45.64%
13		- Other	(412,692)	(396,131)	4.01%
14	410.1	Provision for Deferred Income Taxes	4,325,846	3,796,672	-12.23%
15	411.1	(Less) Provision for Def. Inc. Taxes - Cr.	530,383	544,971	2.75%
16	411.4	Investment Tax Credit Adjustments			
17	411.6	(Less) Gains from Disposition of Utility Plant			
18	411.7	Losses from Disposition of Utility Plant			
19					
20		**TOTAL Utility Operating Expenses**	$43,085,872	$45,557,649	5.74%
21		**NET UTILITY OPERATING INCOME**	$8,479,063	$7,887,933	-6.97%

MONTANA REVENUES

SCHEDULE 9

	Account Number & Title		Last Year	This Year	% Change
1		Sales of Electricity			
2	440	Residential	$14,938,802	$15,359,105	2.81%
3	442	Commercial & Industrial - Small	8,811,963	9,463,999	7.40%
4		Commercial & Industrial - Large	23,496,466	24,308,656	3.46%
5	444	Public Street & Highway Lighting	841,263	837,536	-0.44%
6	445	Other Sales to Public Authorities	416,506	455,265	9.31%
7	446	Sales to Railroads & Railways			
8	448	Interdepartmental Sales			
9		Net Unbilled Revenue	(81,725)	373,807	557.40%
10		**TOTAL Sales to Ultimate Consumers**	$48,423,275	$50,798,368	4.90%
11	447	Sales for Resale	940,078	172,804	-81.62%
12					
13		**TOTAL Sales of Electricity**	$49,363,353	$50,971,172	3.26%
14	449.1	(Less) Provision for Rate Refunds			
15					
16		**TOTAL Revenue Net of Provision for Refunds**	$49,363,353	$50,971,172	3.26%
17		Other Operating Revenues			
18	450	Forfeited Discounts & Late Payment Revenues			
19	451	Miscellaneous Service Revenues	$15,160	$16,005	5.57%
20	453	Sales of Water & Water Power			
21	454	Rent From Electric Property	1,105,519	1,174,531	6.24%
22	455	Interdepartmental Rents			
23	456	Other Electric Revenues	1,080,903	1,283,874	18.78%
24					
25		**TOTAL Other Operating Revenues**	$2,201,582	$2,474,410	12.39%
26		**Total Electric Operating Revenues**	$51,564,935	$53,445,582	3.65%

MONTANA OPERATION & MAINTENANCE EXPENSES

Year: 2012

	Account Number & Title	Last Year	This Year	% Change
1	Power Production Expenses			
2				
3	Steam Power Generation			
4	Operation			
5	500 Operation Supervision & Engineering	$406,098	$440,878	8.56%
6	501 Fuel	12,031,695	11,554,557	-3.97%
7	502 Steam Expenses	1,125,683	1,012,596	-10.05%
8	503 Steam from Other Sources			
9	504 (Less) Steam Transferred - Cr.			
10	505 Electric Expenses	400,305	396,440	-0.97%
11	506 Miscellaneous Steam Power Expenses	580,717	516,592	-11.04%
12	507 Rents	42	894	2028.57%
13				
14	TOTAL Operation - Steam	14,544,540	13,921,957	-4.28%
15				
16	Maintenance			
17	510 Maintenance Supervision & Engineering	199,127	214,102	7.52%
18	511 Maintenance of Structures	163,803	128,832	-21.35%
19	512 Maintenance of Boiler Plant	1,218,337	1,120,028	-8.07%
20	513 Maintenance of Electric Plant	234,711	466,591	98.79%
21	514 Maintenance of Miscellaneous Steam Plant	317,828	300,874	-5.33%
22				
23	TOTAL Maintenance - Steam	2,133,806	2,230,427	4.53%
24				
25	**TOTAL Steam Power Production Expenses**	$16,678,346	$16,152,384	-3.15%
26				
27	Nuclear Power Generation			
28	Operation			
29	517 Operation Supervision & Engineering			
30	518 Nuclear Fuel Expense			
31	519 Coolants & Water			
32	520 Steam Expenses			
33	521 Steam from Other Sources		NOT	
34	522 (Less) Steam Transferred - Cr.		APPLICABLE	
35	523 Electric Expenses			
36	524 Miscellaneous Nuclear Power Expenses			
37	525 Rents			
38				
39	TOTAL Operation - Nuclear			
40				
41	Maintenance			
42	528 Maintenance Supervision & Engineering			
43	529 Maintenance of Structures			
44	530 Maintenance of Reactor Plant Equipment		NOT	
45	531 Maintenance of Electric Plant		APPLICABLE	
46	532 Maintenance of Miscellaneous Nuclear Plant			
47				
48	TOTAL Maintenance - Nuclear			
49				
50	**TOTAL Nuclear Power Production Expenses**			

MONTANA OPERATION & MAINTENANCE EXPENSES

Year: 2012

	Account Number & Title	Last Year	This Year	% Change
1	Power Production Expenses -continued			
2	Hydraulic Power Generation			
3	Operation			
4	535 Operation Supervision & Engineering			
5	536 Water for Power			
6	537 Hydraulic Expenses		NOT	
7	538 Electric Expenses		APPLICABLE	
8	539 Miscellaneous Hydraulic Power Gen. Expenses			
9	540 Rents			
10				
11	TOTAL Operation - Hydraulic			
12				
13	Maintenance			
14	541 Maintenance Supervision & Engineering			
15	542 Maintenance of Structures		NOT	
16	543 Maint. of Reservoirs, Dams & Waterways		APPLICABLE	
17	544 Maintenance of Electric Plant			
18	545 Maintenance of Miscellaneous Hydro Plant			
19				
20	TOTAL Maintenance - Hydraulic			
21				
22	**TOTAL Hydraulic Power Production Expenses**			
23				
24	Other Power Generation			
25	Operation			
26	546 Operation Supervision & Engineering	$28,714	$33,979	18.34%
27	547 Fuel	426,739	295,813	-30.68%
28	548 Generation Expenses	148,309	165,486	11.58%
29	549 Miscellaneous Other Power Gen. Expenses	78,503	96,997	23.56%
30	550 Rents	25,482	85,510	235.57%
31				
32	TOTAL Operation - Other	707,747	677,785	-4.23%
33				
34	Maintenance			
35	551 Maintenance Supervision & Engineering	14,324	12,813	-10.55%
36	552 Maintenance of Structures	1,186	180	-84.82%
37	553 Maintenance of Generating & Electric Plant	85,704	128,019	49.37%
38	554 Maintenance of Misc. Other Power Gen. Plant	64	850	1228.13%
39				
40	TOTAL Maintenance - Other	101,278	141,862	40.07%
41				
42	**TOTAL Other Power Production Expenses**	$809,025	$819,647	1.31%
43				
44	Other Power Supply Expenses			
45	555 Purchased Power	$5,212,934	$6,813,257	30.70%
46	556 System Control & Load Dispatching	318,747	320,786	0.64%
47	557 Other Expenses			
48				
49	TOTAL Other Power Supply Expenses	$5,531,681	$7,134,043	28.97%
50				
51	**TOTAL Power Production Expenses**	$23,019,052	$24,106,074	4.72%

MONTANA OPERATION & MAINTENANCE EXPENSES

Year: 2012

	Account Number & Title		Last Year	This Year	% Change
1		Transmission Expenses			
2	Operation				
3	560	Operation Supervision & Engineering	$249,627	$270,435	8.34%
4	561	Load Dispatching	373,651	399,984	7.05%
5	562	Station Expenses	134,806	89,112	-33.90%
6	563	Overhead Line Expenses	37,267	42,307	13.52%
7	564	Underground Line Expenses			
8	565	Transmission of Electricity by Others	226,933	238,824	5.24%
9	566	Miscellaneous Transmission Expenses	27,346	21,028	-23.10%
10	567	Rents	167,486	167,782	0.18%
11	575	Day-Ahead and Real-Time Market Administration	111,694	99,188	-11.20%
12					
13		TOTAL Operation - Transmission	1,328,810	1,328,660	-0.01%
14	Maintenance				
15	568	Maintenance Supervision & Engineering	13,758	9,434	-31.43%
16	569	Maintenance of Structures			
17	570	Maintenance of Station Equipment	179,466	160,507	-10.56%
18	571	Maintenance of Overhead Lines	158,648	120,491	-24.05%
19	572	Maintenance of Underground Lines			
20	573	Maintenance of Misc. Transmission Plant			
21					
22		TOTAL Maintenance - Transmission	351,872	290,432	-17.46%
23					
24		**TOTAL Transmission Expenses**	$1,680,682	$1,619,092	-3.66%
25					
26		Distribution Expenses			
27	Operation				
28	580	Operation Supervision & Engineering	$249,281	$372,758	49.53%
29	581	Load Dispatching			
30	582	Station Expenses	92,413	124,277	34.48%
31	583	Overhead Line Expenses	44,499	(21,163)	-147.56%
32	584	Underground Line Expenses	161,322	129,327	-19.83%
33	585	Street Lighting & Signal System Expenses	10,073	21,318	111.64%
34	586	Meter Expenses	128,094	73,642	-42.51%
35	587	Customer Installations Expenses	59,807	62,867	5.12%
36	588	Miscellaneous Distribution Expenses	548,209	632,236	15.33%
37	589	Rents	25,398	32,502	27.97%
38					
39		TOTAL Operation - Distribution	1,319,096	1,427,764	8.24%
40	Maintenance				
41	590	Maintenance Supervision & Engineering	120,934	170,884	41.30%
42	591	Maintenance of Structures			
43	592	Maintenance of Station Equipment	6,254	22,204	255.04%
44	593	Maintenance of Overhead Lines	625,611	525,903	-15.94%
45	594	Maintenance of Underground Lines	206,045	229,640	11.45%
46	595	Maintenance of Line Transformers	50,510	47,291	-6.37%
47	596	Maintenance of Street Lighting, Signal Systems	43,646	37,377	-14.36%
48	597	Maintenance of Meters	23,131	7,846	-66.08%
49	598	Maintenance of Miscellaneous Dist. Plant	154,517	179,876	16.41%
50					
51		TOTAL Maintenance - Distribution	1,230,648	1,221,021	-0.78%
52					
53		**TOTAL Distribution Expenses**	$2,549,744	$2,648,785	3.88%

MONTANA OPERATION & MAINTENANCE EXPENSES

Year: 2012

	Account Number & Title	Last Year	This Year	% Change
1	Customer Accounts Expenses			
2	Operation			
3	901 Supervision	$25,589	$35,068	37.04%
4	902 Meter Reading Expenses	150,470	128,362	-14.69%
5	903 Customer Records & Collection Expenses	427,174	401,037	-6.12%
6	904 Uncollectible Accounts Expenses	72,517	79,588	9.75%
7	905 Miscellaneous Customer Accounts Expenses	27,959	21,292	-23.85%
8				
9	TOTAL Customer Accounts Expenses	$703,709	$665,347	-5.45%
10				
11	Customer Service & Information Expenses			
12	Operation			
13	907 Supervision	$10,814	$7,613	-29.60%
14	908 Customer Assistance Expenses	4,991	12,031	141.05%
15	909 Informational & Instructional Adv. Expenses	8,725	11,701	34.11%
16	910 Miscellaneous Customer Service & Info. Exp.	7	41	485.71%
17				
18	TOTAL Customer Service & Info Expenses	$24,537	$31,386	27.91%
19				
20	Sales Expenses			
21	Operation			
22	911 Supervision	$1,945	$484	-75.12%
23	912 Demonstrating & Selling Expenses	13,740	14,199	3.34%
24	913 Advertising Expenses	2,294	1,952	-14.91%
25	916 Miscellaneous Sales Expenses	5,254	5,006	-4.72%
26				
27	TOTAL Sales Expenses	$23,233	$21,641	-6.85%
28				
29	Administrative & General Expenses			
30	Operation			
31	920 Administrative & General Salaries	$994,690	$987,686	-0.70%
32	921 Office Supplies & Expenses	596,826	606,523	1.62%
33	922 (Less) Administrative Expenses Transferred - Cr.			
34	923 Outside Services Employed	81,966	95,617	16.65%
35	924 Property Insurance	133,200	168,111	26.21%
36	925 Injuries & Damages	210,727	299,449	42.10%
37	926 Employee Pensions & Benefits	1,746,185	1,511,355	-13.45%
38	927 Franchise Requirements			
39	928 Regulatory Commission Expenses	212,825	319,995	50.36%
40	929 (Less) Duplicate Charges - Cr.			
41	930.1 General Advertising Expenses	14,175	8,514	-39.94%
42	930.2 Miscellaneous General Expenses	82,213	78,654	-4.33%
43	931 Rents	74,312	63,252	-14.88%
44				
45	TOTAL Operation - Admin. & General	4,147,119	4,139,156	-0.19%
46	Maintenance			
47	935 Maintenance of General Plant	108,303	99,124	-8.48%
48				
49	**TOTAL Administrative & General Expenses**	$4,255,422	$4,238,280	-0.40%
50				
51	**TOTAL Operation & Maintenance Expenses**	$32,256,379	$33,330,605	3.33%

MONTANA TAXES OTHER THAN INCOME

Year: 2012

	Description of Tax	Last Year	This Year	% Change
1	Payroll Taxes	$441,026	$464,072	5.23%
2	Secretary of State	339	370	9.14%
3	Highway Use Tax	488	586	20.08%
4	Montana Consumer Counsel	54,485	54,218	-0.49%
5	Montana PSC	177,707	104,515	-41.19%
6	Montana Electric	56,405	52,831	-6.34%
7	Coal Conversion	277,395	259,663	-6.39%
8	Delaware Franchise	22,635	21,397	-5.47%
9	Property Taxes	2,371,387	2,875,170	21.24%
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50	**TOTAL MT Taxes Other Than Income**	$3,401,867	$3,832,822	12.67%

Company Name: Montana-Dakota Utilities Co. **SCHEDULE 12**

PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES - ELECTRIC

Year: 2012

Name of Recipient	Nature of Service	Total Company	Montana	% Montana
AFPI	Annual Report Preparation	$133,075	$2,452	1.84%
Agri Industries Inc	Pipeline Install, Directional Drilling	253,254	65,298	25.78%
American Gas Association	Industrial Membership	80,170		0.00%
Arvig Construction	Pipeline Install, Directional Drilling	1,269,221		0.00%
Automotive Rentals Inc	Auto Purchases & Services	99,984	1,088	1.09%
Avery Pipeline Services	Contractor Services - Pipeline Install	173,544		0.00%
B&H Contracting and Mobile Washing Inc.	Contractor Services	111,327		0.00%
Back Country Spraying Inc	Contract Services - Weed Spraying	86,445	11,224	12.98%
Barr Engineering Inc	Engineering Services	232,211	52,503	22.61%
Benco Equipment Co	Vehicle Maintenance	243,538	385	0.16%
Blue Heron Consulting	Consulting Services	1,503,967	5,220	0.35%
Borsheim Crane Service	Crane & Truck Rental	132,170	11,876	8.99%
Brink Construction Inc	Contractor Services - Electric Line Install	2,312,906	478,805	20.70%
Broadridge	Contract Services	79,250	1,460	1.84%
Broadridge Services	Contract Services - Turbines	242,928	63,029	25.95%
Broadridge Services, LLC	Contract Services - Turbines	300,157	79,648	26.54%
Bullinger Tree Service	Tree Trimming	358,146	8,140	2.27%
CA Contracting Inc	Contract Services	988,000		0.00%
Central Trenching Inc	Contract Services - Trenching	704,043		0.00%
CGI Technologies and Solutions, Inc.	Consulting Services - PragmaCAD	246,258	28,423	11.54%
Chief Construction	Construction Services	1,170,571	483	0.04%
Cisco Systems Capital Corp	Software Maintenance	121,382	2,455	2.02%
Cleary Building Corporation	Contractor - Pierre Building	190,000		0.00%
Cohen Tauber Speivack & Wagner, PC	Legal Services	246,136	4,513	1.83%
Concentric Energy Advisors, Inc.	Consulting Services	95,593		0.00%

Company Name: Montana-Dakota Utilities Co. SCHEDULE 12

PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES - ELECTRIC

Year: 2012

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1	Connecting Point	Computer Services & Software Maint.	$164,926	$2,886	1.75%
2					
3	Dakota Tree Service	Tree Trimming	410,750	490	0.12%
4					
5	Dayton Jackson Excavating LLC	Gas & Electric Line Install - Directional	220,509		0.00%
6		Boring			
7	Dell Marketing L.P.	Software Maintenance	82,524	2,955	3.58%
8					
9	Deloitte & Touche LLp	Auditing & Consulting Services	920,294	25,502	2.77%
10					
11	Denny's Electric Motor Repair	Line Installation - Boring	142,059	15,584	10.97%
12					
13	Dewey & LeBoeuf	Legal Services	471,550	8,684	1.84%
14					
15	Danovan Lawncare Services LLC	Landscaping Services	92,816		0.00%
16					
17	Duane Morris, LLP	Legal Services	185,722	3,383	1.82%
18					
19	Edison Electric Institute	Industrial Membership	102,407	18,196	17.77%
20					
21	Edling Electric Inc	Contractor Services	158,060	2,558	1.62%
22					
23	Eide Ford Mercury Lincoln Inc.	Auto Maintenance	89,092		0.00%
24					
25	EP2M	Consulting Services	2,504,561	155,271	6.20%
26					
27	Ernst & Young LLp	Tax Services	81,290	13,842	17.03%
28					
29	ESRI	Consulting Services	80,418	3,255	4.05%
30					
31	ETI Ewer Testing & Inspection	Pipeline Inspection	78,032	1,315	1.69%
32					
33	Fischer Contracting	Construction Services - Gas	480,573		1.69%
34					
35	Forrester, Gary	Lobbying & Promotion	110,926	2,031	0.00%
36					
37	Franz Construction Inc	Contractor Services - Power Plant	174,368	42,316	24.27%
38					
39	GE International, Inc.	Contractor Services - Power Plant	404,783	91,522	22.61%
40					
41	Great Plains Technical Services	Contractor Services - Power Plant	123,144	27,843	22.61%
42					
43	Gustafson & Goudge Inc	Contract Services - Substations	100,010		0.00%
44					
45	HDR Engineering, Inc	Engineering Services	932,149	74,862	8.03%
46					
47	HDR Inc.	Engineering Services	159,118	23,718	14.91%
48					
49	Hico America Sales Tech, Inc.	Transformer Installation	210,750	39,413	18.70%
50					

PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES - ELECTRIC

Year: 2012

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1	High Voltage, Inc.	Contractor Services	$1,289,595		0.00%
2					
3	Highmark, Inc	Contractor Services	2,152,874	104,918	4.87%
4					
5	Hillerud Construction Inc	Construction Services - Warehouse	153,526		0.00%
6		Remodel			
7	Hogan Lovells US, LLP	Legal Services	76,203	17,230	22.61%
8					
9	Hoeneywell Industry Solutions	Equipment Installation	96,515	21,822	22.61%
10					
11	Houston Engineering, Inc.	Engineering Services	279,417	50,830	18.19%
12					
13	Hulsing & Associates	Architect Services	329,007		0.00%
14					
15	Industrial Builders	Contractor Services	451,812	102,155	22.61%
16					
17	Industrial Contractors	Contractor Services - Power Plant	768,515	173,130	22.53%
18					
19	Infrasource	Underground Gas line Installation	4,596,396		0.00%
20					
21	Intermoutain Tree Expert	Tree Trimming Services	140,876		0.00%
22					
23	Itron Inc	Contractor Serv & Software Maint.	267,133	8,252	3.09%
24					
25	J.B Construction, Inc.	Pipeline Services	250,445	182,148	72.73%
26					
27	K V Inc	Contractor Services	383,227		0.00%
28					
29	Kadrmas, Lee & Jackson	Engineering Services	156,237	25,661	16.42%
30					
31	Kappel Tree Service, LLC	Tree Trimming Services	311,949	148,295	47.54%
32					
33	Keane	Legal Services	90,924	1,660	1.83%
34					
35	M C M General Contractors, Inc	Construction Services	404,197		0.00%
36					
37	Mavo Systems	Contractor Services	291,084	64,050	22.00%
38	North Dakota, LLC				
39	Michels Power	Contractor Services - Power Lines	1,636,667		0.00%
40					
41	Microsoft Licensing, GP	Software Maintenance	629,391	11,465	1.82%
42					
43	Midwest Independent	Contractor Services	247,035	55,833	22.60%
44					
45	Millcreek Engineering Company	Engineering Services	1,952,680	441,502	22.61%
46					
47	Miller Construction	Construction Services	86,616		0.00%
48					

Company Name: Montana-Dakota Utilities Co. SCHEDULE 12

PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES - ELECTRIC

Year: 2012

Name of Recipient	Nature of Service	Total Company	Montana	% Montana
Montana Dept of Environmental Quality	Title V Emission Fee	$90,165	$19,877	22.05%
Moorhead Machinery & Boiler Co.	Contractor Services - Power Plant	668,665	151,186	22.61%
Morton Buildings Inc.	Building Construction	154,826		0.00%
NERC	Contract Services - Quarterly Assesment	114,658	25,411	22.16%
Neundorfer, Inc.	Contract services	121,300	27,426	22.61%
North Dakota One Call, Inc.	Line Locating Services	75,223	151	0.20%
NYSE Market Inc	Financial Services	177,649	3,273	1.84%
One Call Locators LTD	Line Locating Services	1,998,025	35,593	1.78%
Oracle Corp	Software Maintenance	462,312	28,388	6.14%
Ormat Nevada Inc.	Install Energy Converter	340,424	76,970	22.61%
Pearce, Harry J	Active Director's Fees	130,000	2,382	1.83%
Power Generation Service Inc.	Contractor Services - Power Plant	1,026,444	232,080	22.61%
Powerplan, Inc.	Consulting Services - Software	1,651,619	190,627	11.54%
Progressive Maintenance Co	Custodial Servie	132,633	18,132	13.67%
Prosource Tech Inc	Contract Services - Environmental	3,569,826	149,904	4.20%
PSC Industrial Outsourcing	Contractor Services - Power Plant	511,709	116,099	22.69%
Q3 Contracting	Construction Services	477,011		0.00%
Rachel Contracting	Contract Services - Power Plant Demo	668,126	90,398	13.53%
Rocky Mountain Line Systems	Contractor services	935,500		0.00%
Sega, Inc.	Engineering Services	955,678	216,079	22.61%
Skye Recruitment Solutions	Recruitment Services	93,100	21,868	23.49%
Southern Cross Corp	Construction Services - Gas	382,672		0.00%
Spearfish Excavation Inc	Excavation Services	109,469		0.00%
Spherion Corporation	Temp Service	630,232	41,294	6.55%
SQLSoft Consulting Group	Consulting Services	159,688	9,882	6.19%

Company Name: Montana-Dakota Utilities Co. **SCHEDULE 12**

PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES - ELECTRIC

Year: 2012

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1	Standard & Poor's	Financial Services	$89,913	$9,923	11.04%
2					
3	State-Line Contractors, Inc	Constructions Services	901,037		0.00%
4					
5	Thomson Reuters	Consulting Services	145,178	2,659	1.83%
6					
7	Timberline Construction Inc	Contractor Services - Transmission Lines	1,116,829	122,430	10.96%
8					
9	Total Asphalt Repair Inc	Contractor Services	82,283		0.00%
10					
11	Treasury Management Services	Banking Services	251,572	26,518	10.54%
12					
13	US Bank	Banking Services	99,250	9,709	9.78%
14					
15	Ulmer Tree Service	Tree Trimming Service	224,788		0.00%
16					
17	Ulteig Engineers Inc.	Engineering Services	105,110	21,668	20.61%
18					
19	USA Airmobile Inc.	Contract Services - Inst Bird flight Divert	165,208	37,354	22.61%
20					
21	USIC Locating Services, Inc.	Line Locating	143,107		0.00%
22					
23	Utilclimatic LLC	Install Energy Converter	394,081	43,140	10.95%
24					
25	Van Horn Media	Advertising	128,012	6,132	4.79%
26					
27	Ventyx Inc.	Software Maintenance	106,356	12,531	11.78%
28					
29	Vic's Crane & Heavy Haul, Inc.	Crane Service and Rental	99,500	14,346	14.42%
30					
31	Wausau Financial Systems Inc	Software Support	139,462	8,686	6.23%
32					
33	Wells Fargo Shareowners Serv	Stock Transfer Agent	301,110	5,518	1.83%
34					
35	Wentzel Engineering, LLC	Engineering Services	89,072	20,139	22.61%
36					
37	Western Union Financial Serv.	Financial Services	142,280	10,300	7.24%
38					
39	Willis of Minnesota	Consulting Services	93,543	1,476	1.58%
40					
41	Workforce Services, Inc	Vehicle Maintenance	197,918		0.00%
42					
43					
44					
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48					
49					
50					
	Total Payments for Services		$57,675,454	$4,591,128	7.96%

POLITICAL ACTION COMMITTEES / POLITICAL CONTRIBUTIONS Year: 2012

	Description	Total Company	Montana	% Montana
1	Contributions to Candidates by PAC	$68,077	$11,710	17.20%
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43	**TOTAL Contributions**	$68,077	$11,710	17.20%

Pension Costs

Year: 2012

1	Plan Name MDU Resources Group, Inc. Master Pension Plan Trust			
2	Defined Benefit Plan? Yes	Defined Contribution Plan? No		
3	Actuarial Cost Method? Traditional Unit Credit	IRS Code: 1A		
4	Annual Contribution by Employer: 12,038,687	Is the Plan Over Funded? No		
5				

	Item	Current Year	Last Year	% Change
6	**Change in Benefit Obligation**	(000's)	(000's)	
7	Benefit obligation at beginning of year	$249,823	$230,271	8.49%
8	Service cost	-	1,056	-100.00%
9	Interest cost	10,126	11,446	-11.53%
10	Plan participants' contributions	-	-	0.00%
11	Amendments	-	-	0.00%
12	Actuarial (Gain) Loss	18,532	35,719	-48.12%
13	Curtailment gain	-	(13,939)	100.00%
14	Benefits paid	(15,572)	(14,730)	-5.72%
15	Benefit obligation at end of year	$262,909	$249,823	5.24%
16	**Change in Plan Assets**			
17	Fair value of plan assets at beginning of year	$161,284	$164,852	-2.16%
18	Actual return on plan assets	20,050	(2,595)	872.64%
19	Employer contribution	12,038	13,757	-12.50%
20	Plan participants' contributions	-	-	0.00%
21	Benefits paid	(15,572)	(14,730)	-5.72%
22	Fair value of plan assets at end of year	$177,800	$161,284	10.24%
23	**Funded Status**	($85,109)	($88,539)	3.87%
24	Unrecognized net actuarial loss	-	-	N/A
25	Unrecognized prior service cost	-	-	0.00%
26	Unrecognized net transition obligation	-	-	0.00%
27	Accrued benefit cost	($85,109)	($88,539)	3.87%
28				
29	**Weighted-Average Assumptions as of Year End**			
30	Discount rate	3.61	4.16	-13.22%
31	Expected return on plan assets	7.00	7.75	-9.68%
32	Rate of compensation increase	-	-	0.00%
33				
34	**Components of Net Periodic Benefit Costs**			
35	Service cost	-	$1,056	-100.00%
36	Interest cost	10,126	11,446	-11.53%
37	Expected return on plan assets	(13,666)	(13,712)	0.34%
38	Amortization of prior service cost	-	130	-100.00%
39	Recognized net actuarial gain	2,800	1,473	90.09%
40	Curtailment loss	-	1,218	-100.00%
41	Net periodic benefit cost	($740)	$1,611	-145.93%
42				
43	**Montana Intrastate Costs:**			
44	Pension costs	($740)	$1,611	-145.93%
45	Pension costs capitalized	(160)	385	-141.56%
46	Accumulated pension asset (liability) at year end	($85,109)	($88,539)	3.87%
47	**Number of Company Employees:**			
48	Covered by the plan	1,726	1,766	-2.27%
49	Not covered by the plan	609	503	21.07%
50	Active	655	715	-8.39%
51	Retired	962	954	0.84%
52	Deferred vested terminated	109	97	12.37%

Other Post Employment Benefits (OPEBS)

Year: 2012

	Item	Current Year	Last Year	% Change
1	**Regulatory Treatment:**			
2	Commission authorized - most recent			
3	Docket number:			
4	Order numbers:			
5	Amount recovered through rates -			
6	**Weighted-Average Assumptions as of Year End**			
7	Discount rate	3.65	4.12	-11.41%
8	Expected return on plan assets	6.00	6.75	-11.11%
9	Medical cost inflation rate	6.00	6.00	0.00%
10	Actuarial cost method	Projected unit credit	Projected unit credit	
11	Rate of compensation increase	N/A	N/A	
12	**List each method used to fund OPEBs (ie: VEBA, 401(h)) and if tax advantaged:**			
13	**VEBA**			
14	**Describe any Changes to the Benefit Plan:**			
15				
16				
	TOTAL COMPANY			
17	**Change in Benefit Obligation**	(000's)	(000's)	
18	Benefit obligation at beginning of year	$57,161	$45,547	25.50%
19	Service cost	881	746	18.10%
20	Interest cost	2,080	2,406	-13.55%
21	Plan participants' contributions	1,767	1,710	3.33%
22	Amendments	(9,227)	-	-100.00%
23	Actuarial (Gain) Loss	1,276	10,734	-88.11%
24	Acquisition	-	-	0.00%
25	Benefits paid	(4,345)	(3,982)	-9.12%
26	Benefit obligation at end of year	$49,593	$57,161	-13.24%
27	**Change in Plan Assets**			
28	Fair value of plan assets at beginning of year	$38,975	$40,183	-3.01%
29	Actual return on plan assets	3,696	(506)	830.43%
30	Acquisition	-	-	0.00%
31	Employer contribution	3,318	1,570	111.34%
32	Plan participants' contributions	1,767	1,710	3.33%
33	Benefits paid	(4,345)	(3,982)	-9.12%
34	Fair value of plan assets at end of year	$43,411	$38,975	11.38%
35	**Funded Status**	($6,182)	($18,186)	66.01%
36	Unrecognized net actuarial loss	-	-	0.00%
37	Unrecognized prior service cost	-	-	0.00%
38	Unrecognized transition obligation	-	-	0.00%
39	Accrued benefit cost	($6,182)	($18,186)	66.01%
40	**Components of Net Periodic Benefit Costs**			
41	Service cost	$881	$746	18.10%
42	Interest cost	2,080	2,406	-13.55%
43	Expected return on plan assets	(2,895)	(2,974)	2.66%
44	Amortization of prior service cost	(580)	(294)	-97.28%
45	Recognized net acturial gain	612	-	100.00%
46	Transition amount amortization	3,284	1,671	96.53%
47	Net periodic benefit cost	$3,382	$1,555	117.49%
48	**Accumulated Post Retirement Benefit Obligation**			
49	Amount funded through VEBA	$5,085	$3,280	55.03%
50	Amount funded through 401(h)			
51	Amount funded through Other ________________			
52	TOTAL	$5,085	$3,280	55.03%
53	Amount that was tax deductible - VEBA	$3,318 1/	$1,570	111.34%
54	Amount that was tax deductible - 401(h)			
55	Amount that was tax deductible - Other ____________			
56	TOTAL	$3,318	$1,570	111.34%

1/ Estimated

Other Post Employment Benefits (OPEBS) Continued

Year: 2012

	Item	Current Year	Last Year	% Change
1	**Number of Company Employees:**			
2	Covered by the plan	1,627	1,723	-5.57%
3	Not covered by the plan	36	35	2.86%
4	Active	866	934	-7.28%
5	Retired	601	639	-5.95%
6	Spouses/dependants covered by the plan	160	150	6.67%
7	**Montana**			
8	**Change in Benefit Obligation**			
9	Benefit obligation at beginning of year			
10	Service cost	NOT APPLICABLE		
11	Interest cost			
12	Plan participants' contributions			
13	Amendments			
14	Actuarial gain			
15	Acquisition			
16	Benefits paid			
17	Benefit obligation at end of year			
18	**Change in Plan Assets**			
19	Fair value of plan assets at beginning of year			
20	Actual return on plan assets			
21	Acquisition	NOT APPLICABLE		
22	Employer contribution			
23	Plan participants' contributions			
24	Benefits paid			
25	Fair value of plan assets at end of year			
26	**Funded Status**			
27	Unrecognized net actuarial loss	NOT APPLICABLE		
28	Unrecognized prior service cost			
29	Prepaid (accrued) benefit cost			
30	**Components of Net Periodic Benefit Costs**			
31	Service cost			
32	Interest cost	NOT APPLICABLE		
33	Expected return on plan assets			
34	Amortization of prior service cost			
35	Recognized net actuarial loss			
36	Net periodic benefit cost			
37	**Accumulated Post Retirement Benefit Obligation**			
38	Amount funded through VEBA			
39	Amount funded through 401(h)	NOT APPLICABLE		
40	Amount funded through other ______________			
41	TOTAL			
42	Amount that was tax deductible - VEBA			
43	Amount that was tax deductible - 401(h)			
44	Amount that was tax deductible - Other			
45	TOTAL			
46	**Montana Intrastate Costs:**			
47	Pension costs	NOT APPLICABLE		
48	Pension costs capitalized			
49	Accumulated pension asset (liability) at year end			
50	**Number of Montana Employees:**			
51	Covered by the plan			
52	Not covered by the plan	NOT APPLICABLE		
53	Active			
54	Retired			
55	Spouses/dependants covered by the plan			

TOP TEN MONTANA COMPENSATED EMPLOYEES (ASSIGNED OR ALLOCATED)

Line No.	Name/Title	Base Salary	Bonuses	Other	Total Compensation	Total Compensation Last Year	% Increase Total Compensation
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							

The Commission has declared, by administrative rule, that some of Montana-Dakota's employees no longer have the right to maintain the privacy of their salary information (ARM 38.2.5031). Montana-Dakota has been advised by its legal counsel that the existence of that administrative rule effectively prohibits it from providing such information to the Commission on a voluntary basis, and that the Commission will need to institute proceedings to compel the disclosure of the requested salary information.

COMPENSATION OF TOP 5 CORPORATE EMPLOYEES - SEC INFORMATION 1/

Line No.	Name/Title	Base Salary	Bonuses	Other 2/	Total Compensation	Total Compensation Last Year 2/ 3/	% Increase Total Compensation
1	Terry D. Hildestad President & CEO	$750,000	$518,250	$1,290,528	$2,558,778	$3,566,327	-28%
2	Doran N. Schwartz Vice President and CFO	300,000	103,650	314,604	718,254	825,444	-13%
3	Steven L. Bietz President & CEO of WBI Holdings, Inc.	360,500	347,973	626,618	1,335,091	1,484,627	-10%
4	J. Kent Wells President & CEO of Fidelity Exploration & Production Company	550,000	0	973,801	1,523,801	3,301,242	-54%
5	William E. Schneider Executive Vice President- Bakken Development	447,400	200,950	599,438	1,247,788	1,721,285	-28%

1/ See Schedule 17A for Total Compensation detail.
2/ Amounts represent the aggregate grant date fair value of the performance share awards calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 - Share Based Payment.
3/ Total 2011 compensation for J. Kent Wells reported in 2012 differs from total compensation reported in 2011. Please refer to schedule 17A, page 19c, subnote 7.

The compensation committee also considers the accounting and cash flow implications of various forms of executive compensation. In our financial statements, we record salaries and annual incentive compensation as expenses in the amount paid, or to be paid, to the named executive officers. For our equity awards, accounting rules also require that we record an expense in our financial statements. We calculate the accounting expense of equity awards to employees in accordance with Financial Accounting Standards Board generally accepted accounting principles for stock-based compensation.

Stock Ownership Requirements

We instituted stock ownership guidelines on May 5, 1993, which we revised in November 2010 to provide that executives who participate in our Long-Term Performance-Based Incentive Plan are required within five years to own our common stock equal to a multiple of their base salaries. Stock owned through our 401(k) plan or by a spouse is considered in ownership calculations. Unvested performance shares and other unvested equity awards are not considered in ownership calculations. The level of stock ownership compared to the requirements is determined based on the closing sale price of the stock on the last trading day of the year and base salary at December 31 of each year. Each February, the compensation committee receives a report on the status of stock holdings by executives. The committee may, in its sole discretion, grant an extension of time to meet the ownership requirements or take such other action as it deems appropriate to enable the executive to achieve compliance with the policy. The table shows the named executive officers' holdings as of December 31, 2012:

Name	Assigned Guideline Multiple of Base Salary	Actual Holdings as a Multiple of Base Salary	Number of Years at Guideline Multiple (#)
Terry D. Hildestad	4X	6.06	7.67
Doran N. Schwartz	3X	1.75	2.87(1)
Steven L. Bietz	3X	4.09	10.33
J. Kent Wells	3X	1.07	1.67(2)
William E. Schneider	3X	4.96	11.00

(1) Participant must meet ownership requirement by January 1, 2015.

(2) Participant must meet ownership requirement by May 1, 2016.

The compensation committee may consider the policy and the executive's stock ownership in determining compensation. The committee, however, did not do so with respect to 2012 compensation.

Policy Regarding Hedging Stock Ownership

Our executive compensation policy prohibits Section 16 officers from hedging their ownership of company common stock. Executives may not enter into transactions that allow the executive to benefit from devaluation of our stock or otherwise own stock technically but without the full benefits and risks of such ownership. See the Security Ownership section of the proxy statement for our policy on margin accounts and pledging of our stock.

Compensation Committee Report

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis required by Regulation S-K, Item 402(b), with management. Based on the review and discussions referred to in the preceding sentence, the compensation committee recommended to the board of directors that the Compensation Discussion and Analysis be included in our proxy statement on Schedule 14A.

Thomas Everist, Chairman
Karen B. Fagg
Thomas C. Knudson
Patricia L. Moss

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Summary Compensation Table for 2012

Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)	Stock Awards ($) (e)(1)	Option Awards ($) (f)	Non-Equity Incentive Plan Compensation ($) (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (h)(2)	All Other Compensation ($) (i)	Total ($) (j)
Terry D. Hildestad	2012	750,000	–	897,277	–	518,250	355,027	38,224(3)	2,558,778
President and CEO	2011	750,000	–	1,084,318	–	954,750	739,760	37,499	3,566,327
	2010	750,000	–	830,137	–	762,750	480,532	37,499	2,860,918
Doran N. Schwartz	2012	300,000	–	179,445	–	103,650	100,935	34,224(3)	718,254
Vice President and CFO	2011	273,000	–	197,341	–	173,765	147,789	33,549	825,444
	2010	252,454	–	143,881	–	127,053	71,302	33,549	628,239
Steven L. Bietz	2012	360,500	–	258,765	–	347,973	329,969	37,884(3)	1,335,091
President and CEO	2011	360,500	–	312,704	–	229,198	545,066	37,159	1,484,627
of WBI Holdings, Inc.	2010	350,000	–	232,429	–	245,245	302,863	36,218	1,166,755
J. Kent Wells	2012	550,000	–	877,331	–	–	–	96,470(3)	1,523,801
President and CEO of	2011	367,671	916,685(4)	925,000(5)	–	1,007,306(6)	–	84,580(7)	3,301,242
Fidelity Exploration & Production Company	2010	–	–	–	–	–	–	–	–
William E. Schneider	2012	447,400	–	321,146	–	200,950	240,068	38,224(3)	1,247,788
Executive Vice President -	2011	447,400	–	388,086	–	436,215	412,085	37,499	1,721,285
Bakken Development	2010	447,400	–	297,122	–	37,805	306,909	37,499	1,126,735

(1) Amounts in this column represent the aggregate grant date fair value of the performance share awards calculated in accordance with Financial Accounting Standards Board generally accepted accounting principles for stock-based compensation in FASB Accounting Standards Codification Topic 718. This column was prepared assuming none of the awards will be forfeited. The amounts were calculated using a Monte Carlo simulation, as described in Note 13 of our audited financial statements in our Annual Report on Form 10-K for the year ended December 31, 2012.

(2) Amounts shown represent the change in the actuarial present value for years ended December 31, 2010, 2011, and 2012 for the named executive officers' accumulated benefits under the pension plan, excess SISP, and SISP, collectively referred to as the "accumulated pension change," plus above market earnings on deferred annual incentives, if any. The amounts shown are based on accumulated pension change and above market earnings as of December 31, 2010, 2011, and 2012, as follows:

	Accumulated Pension Change			Above Market Earnings		
Name	12/31/2010 ($)	12/31/2011 ($)	12/31/2012 ($)	12/31/2010 ($)	12/31/2011 ($)	12/31/2012 ($)
Terry D. Hildestad	462,186	728,587	331,845	18,346	11,173	23,182
Doran N. Schwartz	71,302	147,789	100,935	–	–	–
Steven L. Bietz	302,863	545,066	329,969	–	–	–
J. Kent Wells	–	–	–	–	–	–
William E. Schneider	277,507	393,768	201,944	29,402	18,317	38,124

PROXY

(3)

	401(k) ($)(a)	Life Insurance Premium ($)	Matching Charitable Contribution ($)	Additional LTD Premium ($)	Relocation ($)	Parking ($)	Payment In Lieu of Medical Coverage ($)	Spousal Travel ($)	Total ($)
Terry D. Hildestad	36,250	174	1,800	–	–	–	–	–	38,224
Doran N. Schwartz	33,750	174	300	–	–	–	–	–	34,224
Steven L. Bietz	36,250	174	1,460	–	–	–	–	–	37,884
J. Kent Wells	20,000	174	–	435	69,695	3,600	1,200	1,366	96,470
William E. Schneider	36,250	174	1,800	–	–	–	–	–	38,224

(a) Represents company contributions to 401(k) plan, which include matching contributions and contributions made in lieu of pension plan accruals after pension plans were frozen at December 31, 2009.

(4) Includes a cash recruitment payment of $550,000 and guaranteed target annual incentive payment of $366,685.

(5) Represents the aggregate grant date fair value of the portion of Mr. Wells' additional 2011 annual incentive award that was paid in shares of our common stock calculated in accordance with Financial Accounting Standards Board generally accepted accounting principles for stock-based compensation in FASB Accounting Standards Codification Topic 718.

(6) Includes $82,296, the value of Mr. Wells' annual incentive earned above the guaranteed target amount and the $925,010 cash portion of Mr. Wells' additional 2011 annual incentive.

(7) The 2011 amount for Mr. Wells' all other compensation has been reduced to reflect the removal of $4,925, an excess 401(k) company match, that exceeded the limit when contributions from his prior company and current company were aggregated.

Grants of Plan-Based Awards in 2012

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)
Name (a)	Grant Date (b)	Threshold ($) (c)	Target ($) (d)	Maximum ($) (e)	Threshold (#) (f)	Target (#) (g)	Maximum (#) (h)	(i)	(j)	(k)	(l)
Terry D.	3/1/2012(1)	187,500	750,000	1,500,000	–	–	–	–	–	–	–
Hildestad	2/16/2012(2)	–	–	–	5,223	52,228	104,456	–	–	–	897,277
Doran N.	3/1/2012(1)	37,500	150,000	300,000	–	–	–	–	–	–	–
Schwartz	2/16/2012(2)	–	–	–	1,045	10,445	20,890	–	–	–	179,445
Steven L.	3/1/2012(1)	58,581	234,325	468,650	–	–	–	–	–	–	–
Bietz	2/16/2012(2)	–	–	–	1,506	15,062	30,124	–	–	–	258,765
J. Kent Wells	3/1/2012(1)	171,875	687,500	1,375,000	–	–	–	–	–	–	–
	2/16/2012(2)	–	–	–	5,107	51,067	102,134	–	–	–	877,331
William E.	3/1/2012(1)	72,703	290,810	581,620	–	–	–	–	–	–	–
Schneider	2/16/2012(2)	–	–	–	1,869	18,693	37,386	–	–	–	321,146

(1) Annual incentive for 2012 granted pursuant to the MDU Resources Group, Inc. Long-Term Performance-Based Incentive Plan, except for Mr. Schwartz whose award was granted pursuant to the MDU Resources Group, Inc. Executive Incentive Compensation Plan.

(2) Performance shares for the 2012-2014 performance period granted pursuant to the MDU Resources Group, Inc. Long-Term Performance-Based Incentive Plan.

Narrative Discussion Relating to the Summary Compensation Table and Grants of Plan-Based Awards Table

Incentive Awards

Annual Incentive

On March 1, 2012, the compensation committee recommended the 2012 annual incentive award opportunities for our named executive officers and the board approved these opportunities at its meeting on March 1, 2012. These award opportunities are reflected in the Grants of Plan-Based Awards table at grant on March 1, 2012, in columns (c), (d), and (e) and in the Summary Compensation Table as earned with respect to 2012 in column (g).

Executive officers may receive a payment of annual cash incentive awards based upon achievement of annual performance measures with a threshold, target, and maximum level. A target incentive award is established based on a percent of the executive's base salary. Actual payment may range from 0% to 200% of the target based upon achievement of goals.

In order to be eligible to receive a payment of an annual incentive award under the Long-Term Performance-Based Incentive Plan, Messrs. Hildestad, Bietz, Wells, and Schneider must have remained employed by the company through December 31, 2012, unless the compensation committee determines otherwise. The committee has full discretion to determine the extent to which goals have been achieved, the payment level, whether any final payment will be made, and whether to adjust awards downward based upon individual performance. Unless otherwise determined and established in writing by the compensation committee within 90 days of the beginning of the performance period, the performance goals may not be adjusted if the adjustment would increase the annual incentive award payment. The compensation committee may use negative discretion and adjust any annual incentive award payment downward, using any subjective or objective measures as it shall determine, including but not limited to the 20% limitation described in the following sentence. The 20% limitation means that no more than 20% of after-tax earnings that are in excess of planned earnings at the business segment level for operating company executives and at the MDU Resources Group level for corporate executives will be paid in annual incentives to executives. The application of this limitation or any other reduction, and the methodology used in determining any such reduction, is in the sole discretion of the compensation committee.

With respect to annual incentive awards granted pursuant to the MDU Resources Group, Inc. Executive Incentive Compensation Plan, which includes Mr. Schwartz, participants who retire at age 65 during the year remain eligible to receive an award. Subject to the compensation committee's discretion, executives who terminate employment for other reasons are not eligible for an award. The compensation committee has full discretion to determine the extent to which goals have been achieved, the payment level, and whether any final payment will be made. Once performance goals are approved by the committee for executive incentive compensation plan awards, the committee generally does not modify the goals. However, if major unforeseen changes in economic and environmental conditions or other significant factors beyond the control of management substantially affected management's ability to achieve the specified performance goals, the committee, in consultation with the chief executive officer, may modify the performance goals. Such goal modifications will only be considered in years of unusually adverse or favorable external conditions.

Annual incentive award payments for Messrs. Hildestad, Schwartz, and Schneider were determined based on achievement of performance goals at the following business segments – (i) construction services and construction materials and contracting, (ii) exploration and production, (iii) pipeline and energy services, and (iv) electric and natural gas distribution - and were calculated as follows:

	Column A Percentage of Annual Incentive Target Achieved	Column B Percentage of Average Invested Capital	Column A x Column B
Construction Services Segment and Construction Materials and Contracting Segment	133.5%	29.2%	39.0%
Exploration and Production Segment	0.0%	28.1%	0.0%
Pipeline and Energy Services Segment	148.5%	8.8%	13.1%
Electric and Natural Gas Distribution Segments	50.0%	33.9%	17.0%
Total (Payout Percentage)			69.1%

The award opportunity available to Mr. Bietz was:

Pipeline and Energy Services' 2012 return on invested capital results as a % (weighted 37.5%) of 2012 target	Corresponding payment of annual incentive target based on return on invested capital	Pipeline and Energy Services' 2012 earnings per share results as a % (weighted 37.5%) of 2012 target	Corresponding payment of annual incentive target based on earnings per share
Less than 85%	0%	Less than 85%	0%
85%	25%	85%	25%
90%	50%	90%	50%
95%	75%	95%	75%
100%	100%	100%	100%
103%	120%	103%	120%
106%	140%	106%	140%
109%	160%	109%	160%
112%	180%	112%	180%
115%	200%	115%	200%

MDU Resources Group, Inc.'s consolidated 2012 earnings per share results (weighted 25%)	Corresponding payment of annual incentive target based on consolidated earnings per share results
Less than 100%	0%
100%	100%
103%	120%
106%	140%
109%	160%
112%	180%
115%	200%

The award opportunity available to Mr. Wells was:

Exploration and Production's 2012 return on invested capital results as a % (weighted 37.5%) of 2012 target	Corresponding payment of annual incentive target based on return on invested capital
Less than 85%	0%
85%	25%
90%	50%
95%	75%
100%	100%
108%	120%
116%	140%
124%	160%
132%	180%
140%	200%

Exploration and Production's 2012 earnings per share results as a % (weighted 37.5%) of 2012 target	Corresponding payment of annual incentive target based on earnings per share
Less than 85%	0%
85%	25%
90%	50%
95%	75%
100%	100%
103%	120%
106%	140%
109%	160%
112%	180%
115%	200%

MDU Resources Group, Inc.'s consolidated 2012 earnings per share results (weighted 25%)	Corresponding payment of annual incentive target based on consolidated earnings per share results
Less than 100%	0%
100%	100%
103%	120%
106%	140%
109%	160%
112%	180%
115%	200%

For discussion of the specific incentive plan performance targets and results, please see the Compensation Discussion and Analysis.

Long-Term Incentive

On February 14, 2012, the compensation committee recommended long-term incentive grants to the named executive officers in the form of performance shares, and the board approved these grants at its meeting on February 16, 2012. These grants are reflected in columns (f), (g), (h), and (l) of the Grants of Plan-Based Awards table and in column (e) of the Summary Compensation Table.

If the company's 2012-2014 total shareholder return is positive, from 0% to 200% of the target grant will be paid out in February 2015, depending on our 2012-2014 total stockholder return compared to the total three-year stockholder returns of companies in our performance graph peer group. The payout percentage is determined as follows:

The Company's Percentile Rank	Payout Percentage of February 16, 2012 Grant
90th or higher	200%
70th	150%
50th	100%
40th	10%
Less than 40th	0%

Payouts for percentile ranks falling between the intervals will be interpolated. We also will pay dividend equivalents in cash on the number of shares actually earned for the performance period. The dividend equivalents will be paid in 2015 at the same time as the performance awards are paid.

If the common stock of a company in the peer group ceases to be traded at any time during the 2012-2014 performance period, the company will be deleted from the peer group. Percentile rank will be calculated without regard to the return of the deleted company. If MDU Resources Group, Inc. or a company in the peer group spins off a segment of its business, the shares of the spun-off entity will be treated as a cash dividend that is reinvested in MDU Resources Group, Inc. or the company in the peer group.

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If the company's 2012-2014 total shareholder return is negative, the number of shares otherwise earned, if any, for the performance period will be reduced in accordance with the following table:

TSR	Reduction in Award
0% through -5%	50%
-5.01% through -10%	60%
-10.01% through -15%	70%
-15.01% through -20%	80%
-20.01% through -25%	90%
-25.01% or below	100%

Salary and Bonus in Proportion to Total Compensation

The following table shows the proportion of salary and bonus to total compensation:

Name	Salary ($)	Bonus ($)	Total Compensation ($)	Salary and Bonus as a % of Total Compensation
Terry D. Hildestad	750,000	–	2,558,778	29.3%
Doran N. Schwartz	300,000	–	718,254	41.8%
Steven L. Bietz	360,500	–	1,335,091	27.0%
J. Kent Wells	550,000	–	1,523,801	36.1%
William E. Schneider	447,400	–	1,247,788	35.9%

Outstanding Equity Awards at Fiscal Year-End 2012

	Option Awards					Stock Awards			
Name (a)	Number of Securities Underlying Unexercised Options Exercisable (#) (b)	Number of Securities Underlying Unexercised Options Unexercisable (#) (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (d)	Option Exercise Price ($) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested ($) (h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (j)(1)
Terry D. Hildestad	–	–	–	–	–	–	–	111,242(2)	2,362,780
Doran N. Schwartz	–	–	–	–	–	–	–	21,144(2)	449,099
Steven L. Bietz	–	–	–	–	–	–	–	32,041(2)	680,551
J. Kent Wells	–	–	–	–	–	–	–	51,067(2)	1,084,663
William E. Schneider	–	–	–	–	–	–	–	39,815(2)	845,671

(1) Value based on the number of performance shares reflected in column (i) multiplied by $21.24, the year-end closing price for 2012.

(2) Below is a breakdown by year of the plan awards:

Named Executive Officer	Award	Shares	End of Performance Period
Terry D. Hildestad	2010	4,771	12/31/12
	2011	54,243	12/31/13
	2012	52,228	12/31/14
Doran N. Schwartz	2010	827	12/31/12
	2011	9,872	12/31/13
	2012	10,445	12/31/14
Steven L. Bietz	2010	1,336	12/31/12
	2011	15,643	12/31/13
	2012	15,062	12/31/14
J. Kent Wells	2010	–	12/31/12
	2011	–	12/31/13
	2012	51,067	12/31/14
William E. Schneider	2010	1,708	12/31/12
	2011	19,414	12/31/13
	2012	18,693	12/31/14

Shares for the 2010 award are shown at the threshold level (10%) based on results for the 2010-2012 performance cycle below threshold.

Shares for the 2011 award are shown at the target level (100%) based on results for the first two years of the 2011-2013 performance cycle below target.

Shares for the 2012 award are shown at the target level (100%) based on results for the first year of the 2012-2014 performance cycle below target.

Option Exercises and Stock Vested During 2012

	Option Awards		Stock Awards	
Name (a)	Number of Shares Acquired on Exercise (#) (b)	Value Realized on Exercise ($) (c)	Number of Shares Acquired on Vesting (#) (d)(1)	Value Realized on Vesting ($) (e)(2)
Terry D. Hildestad	–	–	–	–
Doran N. Schwartz	–	–	–	–
Steven L. Bietz	–	–	–	–
J. Kent Wells	–	–	43,103	934,042
William E. Schneider	–	–	–	–

(1) Reflects the portion of Mr. Wells' additional 2011 annual incentive award that vested on February 16, 2012 and was paid in shares of our common stock determined by dividing $925,000 by the stock price on December 30, 2011, according to the terms of Mr. Wells' award.

(2) Reflects the value of the portion of Mr. Wells' additional 2011 annual incentive award that was paid in shares of our common stock based on our closing stock price of $21.67 on February 16, 2012.

Pension Benefits for 2012

Name (a)	Plan Name (b)	Number of Years Credited Service (#) (c)	Present Value of Accumulated Benefit ($) (d)	Payments During Last Fiscal Year ($) (e)
Terry D. Hildestad	MDU Pension Plan	35	1,662,318	–
	SISP I(1)(3)	10	2,126,747	–
	SISP II(2)(3)	10	3,511,576	–
	SISP Excess(4)	35	378,943	–
Doran N. Schwartz	MDU Pension Plan	4	94,002	–
	SISP II(2)(3)	5	489,028	–
Steven L. Bietz	WBI Pension Plan	28	1,154,443	–
	SISP I(1)(3)	10	799,197	–
	SISP II(2)(3)	10	768,065	–
	SISP Excess(4)	28	103,162	–
J. Kent Wells(5)	–	–	–	–
William E. Schneider	KR Pension Plan	16	800,720	–
	SISP I(1)(3)	10	1,479,910	–
	SISP II(2)(3)	10	1,748,343	–

(1) Grandfathered under Section 409A.

(2) Not grandfathered under Section 409A.

(3) Years of credited service only affects vesting under SISP I and SISP II. The number of years of credited service in the table reflects the years of vesting service completed in SISP I and SISP II as of December 31, 2012, rather than total years of service with the company. Ten years of vesting service is required to obtain the full benefit under these plans. The present value of accumulated benefits was calculated by assuming the named executive officer would have ten years of vesting service on the assumed benefit commencement date; therefore, no reduction was made to reflect actual vesting levels.

(4) The number of years of credited service under the SISP excess reflects the years of credited benefit service in the appropriate pension plan as of December 31, 2009, when the pension plans were frozen, rather than the years of participation in the SISP excess. We reflect years of credited benefit service in the appropriate pension plan because the SISP excess provides a benefit that is based on benefits that would have been payable under the pension plans absent Internal Revenue Code limitations.

(5) Mr. Wells is not eligible to participate in our pension plan and does not participate in the SISP.

The amounts shown for the pension plan and SISP excess represent the actuarial present values of the executives' accumulated benefits accrued as of December 31, 2012, calculated using a 3.45%, 3.59%, 3.76%, and 3.58% discount rate for the SISP excess, MDU pension plan, WBI pension plan, and KR pension plan, respectively, the 2013 IRS Static Mortality Table for post-retirement mortality, and no recognition of future salary increases or pre-retirement mortality. The assumed retirement ages for these benefits was age 60 for Messrs. Schwartz and Bietz. This is the earliest age at which the executives could begin receiving unreduced benefits. Retirement on December 31, 2012, was assumed for Messrs. Hildestad and Schneider, who were age 63 and 64, respectively, on that date. The amounts shown for the SISP I and SISP II were determined using a 3.45% discount rate and assume benefits commenced at age 65.

Pension Plans

Messrs. Hildestad and Schwartz participate in the MDU Resources Group, Inc. Pension Plan for Non-Bargaining Unit Employees, which we refer to as the MDU pension plan. Mr. Bietz participates in the Williston Basin Interstate Pipeline Company Pension Plan, which we refer to as the WBI pension plan. Mr. Schneider participates in the Knife River Corporation Salaried Employees' Pension Plan, which we refer to as the KR pension plan. Pension benefits under the pension plans are based on the participant's average annual salary over the 60 consecutive month period in which the participant received the highest annual salary during the participant's final 10 years of service. For this purpose, only a participant's salary is considered; incentives and other forms of compensation are not included. Benefits are determined by multiplying (1) the participant's years of credited service by (2) the sum of (a) the average annual salary up to the social security integration level times 1.1% and (b) the average annual salary over the social security integration level times 1.45%. The KR pension plan uses the same formula except that 1.2% and 1.6% are used instead of 1.1% and 1.45%. The maximum years of service recognized when determining benefits under the pension plans is 35. Pension plan benefits are not reduced for social security benefits.

Each of the pension plans was amended to cease benefit accruals as of December 31, 2009, meaning the normal retirement benefit will not change. The years of credited service in the table reflect the named executive officers' years of credited service as of December 31, 2009.

To receive unreduced retirement benefits under the MDU pension plan and the WBI pension plan, participants must either remain employed until age 60 or elect to defer commencement of benefits until age 60. Under the KR pension plan, participants must remain employed until age 62 or elect to defer commencement of benefits until age 62 to receive unreduced benefits. Mr. Hildestad was eligible for unreduced retirement benefits under the MDU pension plan, and Mr. Schneider was eligible for unreduced retirement benefits under the KR pension plan on December 31, 2012. Participants whose employment terminates between the ages of 55 and 60, with 5 years of service under the MDU pension plan and the WBI pension plan are eligible for early retirement benefits. Early retirement benefits are determined by reducing the normal retirement benefit by 0.25% per month for each month before age 60 in the MDU pension plan and the WBI pension plan. If a participant's employment terminates before age 55, the same reduction applies for each month the termination occurs before age 62, with the reduction capped at 21%.

Benefits for single participants under the pension plans are paid as straight life annuities and benefits for married participants are paid as actuarially reduced annuities with a survivor benefit for spouses, unless participants choose otherwise. Participants hired before January 1, 2004, who terminate employment before age 55 may elect to receive their benefits in a lump sum. Mr. Bietz would have been eligible for a lump sum if he had retired on December 31, 2012.

The Internal Revenue Code limits the amounts that may be paid under the pension plans and the amount of compensation that may be recognized when determining benefits. In 2009 when the pension plans were frozen, the maximum annual benefit payable under the pension plans was $195,000 and the maximum amount of compensation that could be recognized when determining benefits was $245,000.

Supplemental Income Security Plan

We also offer key managers and executives, including our named executive officers, except Mr. Wells, benefits under our nonqualified retirement plan, which we refer to as the Supplemental Income Security Plan or SISP. Benefits under the SISP consist of:

- a supplemental retirement benefit intended to augment the retirement income provided under the pension plans – we refer to this benefit as the regular SISP benefit
- an excess retirement benefit relating to Internal Revenue Code limitations on retirement benefits provided under the pension plans – we refer to this benefit as the SISP excess benefit, and
- death benefits – we refer to these benefits as the SISP death benefit.

SISP benefits are forfeited if the participant's employment is terminated for cause.

Regular SISP Benefits and Death Benefits

Regular SISP benefits and death benefits are determined by reference to one of two schedules attached to the SISP – the original schedule or the amended schedule. Our compensation committee, after receiving recommendations from our chief executive officer, determines the level at which participants are placed in the schedules. A participant's placement is generally, but not always, determined by reference to the participant's annual base salary. Benefit levels in the amended schedule, which became effective on January 1, 2010, are 20% lower than the benefit levels in the original schedule. The amended schedule applies to new participants and participants who receive a benefit level increase on or after January 1, 2010. None of the named executive officers have received a benefit level increase since the amended schedule became effective.

Participants can elect to receive (1) the regular SISP benefit only, (2) the SISP death benefit only, or (3) a combination of both. Regardless of the participant's election, if the participant dies before the regular SISP benefit would commence, only the SISP death benefit is provided. If the participant elects to receive both a regular SISP benefit and a SISP death benefit, each of the benefits is reduced proportionately.

The regular SISP benefits reflected in the table above are based on the assumption that the participant elects to receive only the regular SISP benefit. The present values of the SISP death benefits that would be provided if the named executive officers had died on December 31, 2012, prior to the commencement of regular SISP benefits, are reflected in the table that appears in the section entitled "Potential Payments upon Termination or Change of Control."

Regular SISP benefits that were vested as of December 31, 2004, and were grandfathered under Section 409A of the Internal Revenue Code remain subject to SISP provisions then in effect, which we refer to as SISP I benefits. Regular SISP benefits that are subject to Section 409A of the Internal Revenue Code, which we refer to as SISP II benefits, are governed by amended provisions intended to comply with Section 409A. Participants generally have more discretion with respect to the distributions of their SISP I benefits.

The time and manner in which the regular SISP benefits are paid depend on a variety of factors, including the time and form of benefit elected by the participant and whether the benefits are SISP I or SISP II benefits. Unless the participant elects otherwise, the SISP I benefits are paid over 180 months, with benefits commencing when the participant attains age 65 or, if later, when the participant retires. The SISP II benefits commence when the participant attains age 65 or, if later, when the participant retires, subject to a six-month delay if the participant is subject to the provisions of Section 409A of the Internal Revenue Code that require delayed commencement of these types of retirement benefits. The SISP II benefits are paid over 180 months or, if commencement of payments is delayed for six months, 173 months. If the commencement of benefits is delayed for six months, the first payment includes the payments that would have been paid during the six-month period plus interest equal to one-half of the annual prime interest rate on the participant's last date of employment. If the participant dies after the regular SISP benefits have begun but before receipt of all of the regular SISP benefits, the remaining payments are made to the participant's designated beneficiary.

Rather than receiving their regular SISP I benefits in equal monthly installments over 15 years commencing at age 65, participants can elect a different form and time of commencement of their SISP I benefits. Participants can elect to defer commencement of the regular SISP I benefits. If this is elected, the participant retains the right to receive a monthly SISP death benefit if death occurs prior to the commencement of the regular SISP I benefit.

Participants also can elect to receive their SISP I benefits in one of three actuarially equivalent forms – a life annuity, 100% joint and survivor annuity, or a joint and two-thirds joint and survivor annuity, provided that the cost of providing these actuarial equivalent forms of benefits does not exceed the cost of providing the normal form of benefit. Neither the election to receive an actuarially equivalent benefit nor the administrator's right to pay the regular SISP benefit in the form of an actuarially equivalent lump sum are available with respect to SISP II benefits.

To promote retention, the regular SISP benefits are subject to the following 10-year vesting schedule:

- 0% vesting for less than 3 years of participation
- 20% vesting for 3 years of participation
- 40% vesting for 4 years of participation and
- an additional 10% vesting for each additional year of participation up to 100% vesting for 10 years of participation.

There is an additional vesting requirement on benefit level increases for the regular SISP benefit granted on or after January 1, 2010. The requirement applies only to the increased benefit level. The increased benefit vests after the later of three additional years of participation in the SISP or the end of the regular vesting schedule described above. The additional three-year vesting requirement for benefit level increases is pro-rated for participants who are officers, attain age 65, and, pursuant to the company's bylaws, are required to retire prior to the end of the additional vesting period as follows:

- 33% of the increase vests for participants required to retire at least one year but less than two years after the increase is granted and
- 66% of the increase vests for participants required to retire at least two years but less than three years after the increase is granted.

The benefit level increases of participants who attain age 65 and are required to retire pursuant to the company's bylaws will be further reduced to the extent the participants are not fully vested in their regular SISP benefit under the 10-year vesting schedule described above. The additional vesting period associated with a benefit level increase may be waived by the compensation committee.

SISP death benefits become fully vested if the participant dies while actively employed. Otherwise, the SISP death benefits are subject to the same vesting schedules as the regular SISP benefits.

The SISP also provides that if a participant becomes totally disabled, the participant will continue to receive credit for up to two additional years under the SISP as long as the participant is totally disabled during such time. Since the named executive officers other than Mr. Schwartz are fully vested in their SISP benefits, this would not result in any incremental benefit for the named executive officers other than Mr. Schwartz. The present value of these two additional years of service for Mr. Schwartz is reflected in the table in "Potential Payments upon Termination or Change of Control" below.

SISP Excess Benefits

SISP excess benefits are equal to the difference between (1) the monthly retirement benefits that would have been payable to the participant under the pension plans absent the limitations under the Internal Revenue Code and (2) the actual benefits payable to the participant under the pension plans. Participants are only eligible for the SISP excess benefits if (1) the participant is fully vested under the pension plan, (2) the participant's employment terminates prior to age 65, and (3) benefits under the pension plan are reduced due to limitations under the Internal Revenue Code on plan compensation. Effective January 1, 2005, participants who were not then vested in the SISP excess benefits were also required to remain actively employed by the company until age 60. In 2009, the plan was amended to limit eligibility for the SISP excess benefit to current SISP participants (1) who were already vested in the SISP excess benefit or (2) who would become vested in the SISP excess benefits if they remain employed with the company until age 60. The plan was further amended to freeze the SISP excess benefits to a maximum of the benefit level payable based on the participant's years of service and compensation level as of December 31, 2009. Messrs. Hildestad, Bietz, and Schneider would be entitled to the SISP excess benefit if they were to terminate employment prior to age 65. Messrs. Schwartz and Wells are not eligible for this benefit.

Benefits generally commence six months after the participant's employment terminates and continue to age 65 or until the death of the participant, if prior to age 65. If a participant who dies prior to age 65 elected a joint and survivor benefit, the survivor's SISP excess benefit is paid until the date the participant would have attained age 65.

Nonqualified Deferred Compensation for 2012

Name (a)	Executive Contributions in Last FY ($) (b)	Registrant Contributions in Last FY ($) (c)	Earnings in Aggregate Last FY ($) (d)	Aggregate Withdrawals/ Distributions ($) (e)	Aggregate Balance at Last FYE ($) (f)
Terry D. Hildestad	–	–	53,105	–	1,001,633
Doran N. Schwartz	–	–	–	–	–
Steven L. Bietz	–	–	–	–	–
J. Kent Wells	–	–	–	–	–
William E. Schneider	–	–	87,334	–	1,647,225(1)

(1) Includes $392,000 which was reported in the Summary Compensation Table for 2006 in column (g) and $37,805 which is reported for 2010 in column (g) of the Summary Compensation Table in this proxy statement.

Participants in the executive incentive compensation plans may elect to defer up to 100% of their annual incentive awards. Deferred amounts accrue interest at a rate determined annually by the compensation committee. The interest rate in effect for 2012 was 5.46% or the "Moody's Rate," which is the average of (i) the number that results from adding the daily Moody's U.S. Long-Term Corporate Bond Yield Average for "A" rated companies as of the last day of each month for the 12-month period ending October 31 and dividing by 12 and (ii) the number that results from adding the daily Moody's U.S. Long-Term Corporate Bond Yield Average for "BBB" rated companies as of the last day of each month for the 12-month period ending October 31 and dividing by 12. The deferred amount will be paid in accordance with the participant's election, following termination of employment or beginning in the fifth year following the year the award was granted. The amounts will be paid in accordance with the participant's election in a lump sum or in monthly installments not to exceed 120 months. In the event of a change of control, all amounts become immediately payable.

A change of control is defined as:

- an acquisition during a 12-month period of 30% or more of the total voting power of our stock
- an acquisition of our stock that, together with stock already held by the acquirer, constitutes more than 50% of the total fair market value or total voting power of our stock
- replacement of a majority of the members of our board of directors during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of our board of directors or
- acquisition of our assets having a gross fair market value at least equal to 40% of the total gross fair market value of all of our assets.

Potential Payments upon Termination or Change of Control

The following tables show the payments and benefits our named executive officers would receive in connection with a variety of employment termination scenarios and upon a change of control. For the named executive officers, the information assumes the terminations and the change of control occurred on December 31, 2012. All of the payments and benefits described below would be provided by the company or its subsidiaries.

The tables exclude compensation and benefits provided under plans or arrangements that do not discriminate in favor of the named executive officers and that are generally available to all salaried employees, such as benefits under our qualified defined benefit pension plan (for employees hired before 2006), accrued vacation pay, continuation of health care benefits, and life insurance benefits. The tables also do not include the named executive officers' benefits under our nonqualified deferred compensation plans, which are reported in the Nonqualified Deferred Compensation for 2012 table. See the Pension Benefits for 2012 table and the Nonqualified Deferred Compensation for 2012 table, and accompanying narratives, for a description of the named executive officers' accumulated benefits under our qualified defined benefit pension plans and our nonqualified deferred compensation plans.

The calculation of the present value of excess SISP benefits our named executive officers would be entitled to upon termination of employment under the SISP was computed based on calculations assuming an age rounded to the nearest whole year of age. Actual payments may differ. The terms of the excess SISP benefit are described following the Pension Benefits for 2012 table.

We provide disability benefits to some of our salaried employees equal to 60% of their base salary, subject to a cap on the amount of base salary taken into account when calculating benefits. For officers, the limit on base salary is $200,000. For other salaried employees, the limit is $100,000. For all salaried employees, disability payments continue until age 65 if disability occurs at or before age 60 and for 5 years if disability occurs between the ages of 60 and 65. Disability benefits are reduced for amounts paid as retirement benefits. The amounts in the tables reflect the present value of the disability benefits attributable to the additional $100,000 of base salary recognized for executives under our disability program, subject to the 60% limitation, after reduction for amounts that would be paid as retirement benefits. As the tables reflect, the reduction for amounts paid as retirement benefits would eliminate disability benefits assuming a termination of employment on December 31, 2012 for Messrs. Hildestad, Bietz, and Schneider.

Upon a change of control, share-based awards granted under our Long-Term Performance-Based Incentive Plan vest and non-share-based awards are paid in cash. All performance share awards for Messrs. Hildestad, Schwartz, Bietz, Wells, and Schneider and the annual incentives for Messrs. Hildestad, Bietz, Wells, and Schneider, which were awarded under the Long-Term Performance-Based Incentive Plan, would vest at their target levels. For this purpose, the term "change of control" is defined as:

- the acquisition by an individual, entity, or group of 20% or more of our outstanding common stock
- a change in a majority of our board of directors since April 22, 1997, without the approval of a majority of the board members as of April 22, 1997, or whose election was approved by such board members
- consummation of a merger or similar transaction or sale of all or substantially all of our assets, unless our stockholders immediately prior to the transaction beneficially own more than 60% of the outstanding common stock and voting power of the resulting corporation in substantially the same proportions as before the merger, no person owns 20% or more of the resulting corporation's outstanding common stock or voting power except for any such ownership that existed before the merger and at least a majority of the board of the resulting corporation is comprised of our directors or
- stockholder approval of our liquidation or dissolution.

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Performance share awards will be forfeited if the participant's employment terminates for any reason before the participant has reached age 55 and completed 10 years of service. Performance shares and related dividend equivalents for those participants whose employment is terminated other than for cause after the participant has reached age 55 and completed 10 years of service will be prorated as follows:

- if the termination of employment occurs during the first year of the performance period, the shares are forfeited
- if the termination of employment occurs during the second year of the performance period, the executive receives a prorated portion of any performance shares earned based on the number of months employed during the performance period and
- if the termination of employment occurs during the third year of the performance period, the executive receives the full amount of any performance shares earned.

As of December 31, 2012, Messrs. Schwartz, Bietz, and Wells had not satisfied this requirement. Accordingly, if a December 31, 2012 termination other than for cause without a change of control is assumed, the named executive officers' 2012-2014 performance share awards would be forfeited, any amounts earned under the 2011-2013 performance share awards for Messrs. Hildestad and Schneider would be reduced by one-third and such award for Messrs. Schwartz and Bietz would be forfeited, and any amounts earned under the 2010-2012 performance share awards for Messrs. Hildestad and Schneider would not be reduced and the award for Messrs. Schwartz and Bietz would be forfeited. Mr. Wells had no 2011-2013 or 2010-2012 performance share awards. The number of performance shares earned following a termination depends on actual performance through the full performance period. As actual performance for the 2010-2012 performance share awards has been determined, the amounts for these awards in the event of a termination without a change of control were based on actual performance, which resulted in vesting of 0% of the target award. For the 2011-2013 performance share awards, because we do not know what actual performance through the entire performance period will be, we have assumed target performance will be achieved and, therefore, show two-thirds of the target award. No amounts are shown for the 2012-2014 performance share awards because such awards would be forfeited. Although vesting would only occur after completion of the performance period, the amounts shown in the tables were not reduced to reflect the present value of the performance shares that could vest. Dividend equivalents attributable to earned performance shares would also be paid. Dividend equivalents accrued through December 31, 2012, are included in the amounts shown.

The value of the vesting of performance shares shown in the tables was determined by multiplying the number of performance shares that would vest due to termination or a change of control by the closing price of our stock on December 31, 2012.

The compensation committee may consider providing severance benefits on a case-by-case basis for employment terminations. The compensation committee adopted a checklist of factors in February 2005 to consider when determining whether any such severance benefits should be paid. The tables do not reflect any such severance benefits, as these benefits are made in the discretion of the committee on a case-by-case basis and it is not possible to estimate the severance benefits, if any, that would be paid.

Terry D. Hildestad

Executive Benefits and Payments Upon Termination or Change of Control	Voluntary Termination ($)	Not for Cause Termination ($)	For Cause Termination ($)	Death ($)	Disability ($)	Change of Control (With Termination) ($)	Change of Control (Without Termination) ($)
Compensation:							
Short-term Incentive(1)						750,000	750,000
2010-2012 Performance Shares						1,107,087	1,107,087
2011-2013 Performance Shares	816,176	816,176		816,176	816,176	1,224,265	1,224,265
2012-2014 Performance Shares						1,144,577	1,144,577
Benefits and Perquisites:							
Regular SISP(2)	5,709,419	5,709,419			5,709,419	5,709,419	
Excess SISP(3)	378,944	378,944			378,944	378,944	
SISP Death Benefits(4)				12,024,426			
Total	**6,904,539**	**6,904,539**		**12,840,602**	**6,904,539**	**10,314,292**	**4,225,929**

(1) Represents the target 2012 annual incentive, which would be deemed earned upon change of control under the Long-Term Performance-Based Incentive Plan.

(2) Represents the present value of Mr. Hildestad's vested regular SISP benefit as of December 31, 2012, which was $42,710 per month for 15 years, commencing at age 65. Present value was determined using a 3.45% discount rate. The terms of the regular SISP benefit are described following the Pension Benefits for 2012 table.

(3) Represents the present value of all excess SISP benefits Mr. Hildestad would be entitled to upon termination of employment under the SISP. Present value was determined using a 3.45% discount rate. The terms of the excess SISP benefit are described following the Pension Benefits for 2012 table.

(4) Represents the present value of 180 monthly payments of $85,420 per month, which would be paid as a SISP death benefit under the SISP. Present value was determined using a 3.45% discount rate. The terms of the SISP death benefit are described following the Pension Benefits for 2012 table.

Doran N. Schwartz

Executive Benefits and Payments Upon Termination or Change of Control	Voluntary Termination ($)	Not for Cause Termination ($)	For Cause Termination ($)	Death ($)	Disability ($)	Change of Control (With Termination) ($)	Change of Control (Without Termination) ($)
Compensation:							
2010-2012 Performance Shares						191,882	191,882
2011-2013 Performance Shares						222,811	222,811
2012-2014 Performance Shares						228,902	228,902
Benefits and Perquisites:							
Regular SISP	244,273(1)	244,273(1)			341,982(2)	244,273(1)	
SISP Death Benefits(3)				2,055,217			
Disability Benefits(4)					855,522		
Total	**244,273**	**244,273**		**2,055,217**	**1,197,504**	**887,868**	**643,595**

(1) Represents the present value of Mr. Schwartz's vested regular SISP benefit as of December 31, 2012, which was $3,650 per month for 15 years, commencing at age 65. Present value was determined using a 3.45% discount rate. The terms of the regular SISP benefit are described following the Pension Benefits for 2012 table.

(2) Represents the present value of Mr. Schwartz's vested SISP benefit described in footnote 1, adjusted to reflect the increase in the present value of his regular SISP benefit that would result from an additional two years of vesting under the SISP. Present value was determined using a 3.45% discount rate.

(3) Represents the present value of 180 monthly payments of $14,600 per month, which would be paid as a SISP death benefit under the SISP. Present value was determined using a 3.45% discount rate. The terms of the SISP death benefit are described following the Pension Benefits for 2012 table.

(4) Represents the present value of the disability benefit after reduction for amounts that would be paid as retirement benefits. Present value was determined using a 3.59% discount rate.

Steven L. Bietz

Executive Benefits and Payments Upon Termination or Change of Control	Voluntary Termination ($)	Not for Cause Termination ($)	For Cause Termination ($)	Death ($)	Disability ($)	Change of Control (With Termination) ($)	Change of Control (Without Termination) ($)
Compensation:							
Short-term Incentive(1)						234,325	234,325
2010-2012 Performance Shares						309,972	309,972
2011-2013 Performance Shares						353,063	353,063
2012-2014 Performance Shares						330,084	330,084
Benefits and Perquisites:							
Regular SISP(2)	1,556,929	1,556,929			1,556,929	1,556,929	
Excess SISP(3)	180,597	180,597			180,597	180,597	
SISP Death Benefits(4)				4,535,554			
Total	**1,737,526**	**1,737,526**		**4,535,554**	**1,737,526**	**2,964,970**	**1,227,444**

(1) Represents the target 2012 annual incentive, which would be deemed earned upon change of control under the Long-Term Performance-Based Incentive Plan.

(2) Represents the present value of Mr. Bietz's vested regular SISP benefit as of December 31, 2012, which was $16,110 per month for 15 years, commencing at age 65. Present value was determined using a 3.45% discount rate. The terms of the regular SISP benefit are described following the Pension Benefits for 2012 table.

(3) Represents the present value of all excess SISP benefits Mr. Bietz would be entitled to upon termination of employment under the SISP. Present value was determined using a 3.45% discount rate. The terms of the excess SISP benefit are described following the Pension Benefits for 2012 table.

(4) Represents the present value of 180 monthly payments of $32,220 per month, which would be paid as a SISP death benefit under the SISP. Present value was determined using a 3.45% discount rate. The terms of the SISP death benefit are described following the Pension Benefits for 2012 table.

J. Kent Wells

Executive Benefits and Payments Upon Termination or Change of Control	Voluntary Termination ($)	Not for Cause Termination ($)	For Cause Termination ($)	Death ($)	Disability ($)	Change of Control (With Termination) ($)	Change of Control (Without Termination) ($)
Compensation:							
Short-term Incentive(1)						687,500	687,500
2012-2014 Performance Shares						1,119,133	1,119,133
Benefits and Perquisites:							
Disability Benefits (2)					452,506		
Total					**452,506**	**1,806,633**	**1,806,633**

(1) Represents the target 2012 annual incentive, which would be deemed earned upon change of control under the Long-Term Performance-Based Incentive Plan.

(2) Represents the present value of the disability benefit. Present value was determined using a 3.76% discount rate.

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William E. Schneider

Executive Benefits and Payments Upon Termination or Change of Control	Voluntary Termination ($)	Not for Cause Termination ($)	For Cause Termination ($)	Death ($)	Disability ($)	Change of Control (With Termination) ($)	Change of Control (Without Termination) ($)
Compensation:							
Short-term Incentive(1)						290,810	290,810
2010-2012 Performance Shares						396,249	396,249
2011-2013 Performance Shares	292,124	292,124		292,124	292,124	438,174	438,174
2012-2014 Performance Shares						409,657	409,657
Benefits and Perquisites:							
Regular SISP(2)	3,161,624	3,161,624			3,161,624	3,161,624	
SISP Death Benefits(3)				6,433,110			
Total	**3,453,748**	**3,453,748**		**6,725,234**	**3,453,748**	**4,696,514**	**1,534,890**

(1) Represents the target 2012 annual incentive, which would be deemed earned upon change of control under the Long-Term Performance-Based Incentive Plan.

(2) Represents the present value of Mr. Schneider's vested regular SISP benefit as of December 31, 2012, which was $22,850 per month for 15 years, commencing at age 65. Present value was determined using a 3.45% discount rate. The terms of the regular SISP benefit are described following the Pension Benefits for 2012 table.

(3) Represents the present value of 180 monthly payments of $45,700 per month, which would be paid as a SISP death benefit under the SISP. Present value was determined using a 3.45% discount rate. The terms of the SISP death benefit are described following the Pension Benefits for 2012 table.

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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 $14.89 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

(1) The annual stock grant is 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 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.

Our director stock ownership policy contained in our corporate governance guidelines requires each director to own our common stock equal in value to five times the director's annual cash 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."

Narrative Disclosure of our Compensation Policies and Practices as They Relate to Risk Management

The human resources department has conducted an assessment of the risks arising from our compensation policies and practices for all employees and concluded that none of these risks is reasonably likely to have a material adverse effect on the company. Based on the human resources department's assessment and taking into account information received from the risk identification process, senior management and our management policy committee concluded that risks arising from our compensation policies and practices for all employees are not reasonably likely to have a material adverse effect on the company. After review and discussion with senior management, the compensation committee concurred with this assessment.

As part of its assessment of the risks arising from our compensation policies and practices for all employees, the human resources department identified the principal areas of risk faced by the company that may be affected by our compensation policies and practices for all employees, including any risks resulting from our operating businesses' compensation policies and practices. In assessing the risks arising from our compensation policies and practices, the human resources department identified the following practices designed to prevent excessive risk taking:

Business management and governance practices

- risk management is a specific performance competency to annual performance assessment of Section 16 officers
- board oversight on capital expenditure and operating plans that promotes careful consideration of financial assumptions
- limitation on business acquisitions without board approval
- employee integrity training programs and anonymous reporting systems
- quarterly risk assessment reports at audit committee meetings and
- prohibitions on holding company stock in an account that is subject to a margin call, pledging company stock as collateral for a loan, and hedging of company stock by Section 16 officers and directors.

Compensation practices

- active compensation committee review of executive compensation, including comparison of executive compensation to total stockholder return ratio to the ratio for the performance graph peer group (PEER Analysis)
- the initial determination of a position's salary grade to be at or near the 50th percentile of base salaries paid to similar positions at peer group companies and/or relevant industry companies
- consideration of peer group and/or relevant industry practices to establish appropriate compensation target amounts
- a balanced compensation mix of fixed salary and annual or long-term incentives tied to the company's financial performance
- use of interpolation for annual and long-term incentive awards to avoid payout cliffs
- negative discretion to adjust any annual or long-term incentive award payment downward
- use of caps on annual incentive awards and long-term incentive stock grant awards (200% of target for awards granted in 2012)
- discretionary clawbacks on incentive payments in the event of a financial restatement
- use of performance shares, rather than stock options or stock appreciation rights, as equity component of incentive compensation
- use of performance shares with a relative, rather than an absolute, total stockholder return performance goal and mandatory reduction in award if total stockholder return is negative
- use of three-year performance periods to discourage short-term risk-taking

BALANCE SHEET

Year: 2012

	Account Number & Title		Last Year	This Year	% Change
1		**Assets and Other Debits**			
2	Utility Plant				
3	101	Electric Plant in Service	$974,054,986	$1,026,072,887	5.34%
4	101.1	Property Under Capital Leases			
5	102	Electric Plant Purchased or Sold			
6	104	Electric Plant Leased to Others			
7	105	Electric Plant Held for Future Use			
8	106	Completed Constr. Not Classified - Electric			
9	107	Construction Work in Progress - Electric	29,200,954	51,466,500	76.25%
10	108	(Less) Accumulated Depreciation	(455,960,812)	(466,606,769)	2.33%
11	111	(Less) Accumulated Amortization	(6,147,613)	(6,462,259)	5.12%
12	114	Electric Plant Acquisition Adjustments	10,387,642	10,387,642	0.00%
13	115	(Less) Accum. Amort. Electric Plant Acq. Adj.	(9,919,323)	(10,147,565)	2.30%
14	120	Nuclear Fuel (Net)			
15		Other Utility Plant	438,652,088	492,232,530	12.21%
16		Accum. Depr. and Amort. - Other Utl. Plant	(227,064,927)	(236,314,767)	4.07%
17		**TOTAL Utility Plant**	$753,202,995	$860,628,199	14.26%
18	**Other Property & Investments**				
19	121	Nonutility Property	$4,345,368	$4,584,951	5.51%
20	122	(Less) Accum. Depr. & Amort. of Nonutil. Prop.	(1,460,122)	(1,636,553)	12.08%
21	123	Investments in Associated Companies			
22	123.1	Investments in Subsidiary Companies	2,402,890,906	2,253,293,721	-6.23%
23	124	Other Investments	47,834,766	52,122,735	8.96%
24	125	Sinking Funds			
25		**TOTAL Other Property & Investments**	$2,453,610,918	$2,308,364,854	-5.92%
26	**Current & Accrued Assets**				
27	131	Cash	$6,845,910	$3,444,688	-49.68%
28	132-134	Special Deposits	1,200	255,310	21175.83%
29	135	Working Funds	54,764	150,850	175.45%
30	136	Temporary Cash Investments			
31	141	Notes Receivable			
32	142	Customer Accounts Receivable	26,202,128	24,120,553	-7.94%
33	143	Other Accounts Receivable	2,785,945	20,937,588	651.54%
34	144	(Less) Accum. Provision for Uncollectible Accts.	(237,599)	(275,241)	15.84%
35	145	Notes Receivable - Associated Companies			
36	146	Accounts Receivable - Associated Companies	28,733,840	2,957,114	-89.71%
37	151	Fuel Stock	5,921,977	5,129,837	-13.38%
38	152	Fuel Stock Expenses Undistributed			
39	153	Residuals and Extracted Products			
40	154	Plant Materials and Operating Supplies	14,611,115	18,983,774	29.93%
41	155	Merchandise	915,028	451,882	-50.62%
42	156	Other Material & Supplies			
43	163	Stores Expense Undistributed	0	0	0.00%
44	164.1	Gas Stored Underground - Current	21,147,886	16,903,055	-20.07%
45	165	Prepayments	4,929,924	4,829,235	-2.04%
46	166	Advances for Gas Explor., Devl. & Production			
47	171	Interest & Dividends Receivable			
48	172	Rents Receivable			
49	173	Accrued Utility Revenues	31,824,896	39,447,024	23.95%
50	174	Miscellaneous Current & Accrued Assets			
51		**TOTAL Current & Accrued Assets**	$143,737,014	$137,335,669	-4.45%

BALANCE SHEET

Year: 2012

	Account Number & Title		Last Year	This Year	% Change
1		**Assets and Other Debits (cont.)**			
2					
3	**Deferred Debits**				
4					
5	181	Unamortized Debt Expense	$1,046,963	$1,407,362	34.42%
6	182.1	Extraordinary Property Losses			
7	182.2	Unrecovered Plant & Regulatory Study Costs	8,953,457	4,959,490	-44.61%
8	182.3	Other Regulatory Assets	123,145,685	115,340,807	-6.34%
9	183	Prelim. Electric Survey & Investigation Chrg.	1,311,495	431,776	-67.08%
10	183.1	Prelim. Nat. Gas Survey & Investigation Chrg.			
11	183.2	Other Prelim. Nat. Gas Survey & Invtg. Chrgs.			
12	184	Clearing Accounts	141,904	(18,477)	-113.02%
13	185	Temporary Facilities			
14	186	Miscellaneous Deferred Debits	28,845,868	27,076,963	-6.13%
15	187	Deferred Losses from Disposition of Util. Plant			
16	188	Research, Devel. & Demonstration Expend.			
17	189	Unamortized Loss on Reacquired Debt	8,846,102	8,126,591	-8.13%
18	190	Accumulated Deferred Income Taxes	65,712,445	68,164,363	3.73%
19	191	Unrecovered Purchased Gas Costs	2,622,263	2,915,460	11.18%
20	192.1	Unrecovered Incremental Gas Costs			
21	192.2	Unrecovered Incremental Surcharges			
22		**TOTAL Deferred Debits**	$240,626,182	$228,404,335	-5.08%
23					
24	**TOTAL ASSETS & OTHER DEBITS**		$3,591,177,109	$3,534,733,057	-1.57%

	Account Number & Title		Last Year	This Year	% Change
25		**Liabilities and Other Credits**			
26					
27	**Proprietary Capital**				
28					
29	201	Common Stock Issued	$189,332,485	$189,369,450	0.02%
30	202	Common Stock Subscribed			
31	204	Preferred Stock Issued	15,000,000	15,000,000	0.00%
32	205	Preferred Stock Subscribed			
33	207	Premium on Capital Stock	1,039,849,252	1,043,190,134	0.32%
34	211	Miscellaneous Paid-In Capital			
35	213	(Less) Discount on Capital Stock			
36	214	(Less) Capital Stock Expense	(4,110,305)	(4,110,305)	0.00%
37	216	Appropriated Retained Earnings	505,281,931	520,210,825	2.95%
38	216.1	Unappropriated Retained Earnings	1,080,840,155	936,934,577	-13.31%
39	217	(Less) Reacquired Capital Stock	(3,625,813)	(3,625,813)	0.00%
40	219	Accumulated Other Comprehensive Income	(47,000,996)	(48,720,612)	-3.66%
41		**TOTAL Proprietary Capital**	$2,775,566,709	$2,648,248,256	-4.59%
42					
43	**Long Term Debt**				
44					
45	221	Bonds	$280,000,000	$280,000,000	0.00%
46	222	(Less) Reacquired Bonds			
47	223	Advances from Associated Companies			
48	224	Other Long Term Debt	888,853	76,867,452	8547.94%
49	225	Unamortized Premium on Long Term Debt			
50	226	(Less) Unamort. Discount on Long Term Debt-Dr.			
51		**TOTAL Long Term Debt**	$280,888,853	$356,867,452	27.05%

BALANCE SHEET

Year: 2012

	Account Number & Title		Last Year	This Year	% Change
1					
2	**Total Liabilities and Other Credits (cont.)**				
3					
4	**Other Noncurrent Liabilities**				
5					
6	227	Obligations Under Cap. Leases - Noncurrent			
7	228.1	Accumulated Provision for Property Insurance			
8	228.2	Accumulated Provision for Injuries & Damages	$568,573	$1,064,262	87.18%
9	228.3	Accumulated Provision for Pensions & Benefits	73,404,001	59,754,547	-18.59%
10	228.4	Accumulated Misc. Operating Provisions			
11	229	Accumulated Provision for Rate Refunds	640,000	4,364,636	
12	230	Asset Retirement Obligations	6,645,275	6,789,483	2.17%
13		**TOTAL Other Noncurrent Liabilities**	$81,257,849	$71,972,928	-11.43%
14					
15	**Current & Accrued Liabilities**				
16					
17	231	Notes Payable			
18	232	Accounts Payable	$36,325,957	$41,180,110	13.36%
19	233	Notes Payable to Associated Companies			
20	234	Accounts Payable to Associated Companies	4,867,683	6,422,842	31.95%
21	235	Customer Deposits	1,926,012	1,593,246	-17.28%
22	236	Taxes Accrued	18,303,603	12,398,861	-32.26%
23	237	Interest Accrued	4,928,205	4,926,930	-0.03%
24	238	Dividends Declared	31,794,172	170,817	-99.46%
25	239	Matured Long Term Debt			
26	240	Matured Interest			
27	241	Tax Collections Payable	1,660,047	968,815	-41.64%
28	242	Miscellaneous Current & Accrued Liabilities	21,988,799	22,283,490	1.34%
29	243	Obligations Under Capital Leases - Current			
30		**TOTAL Current & Accrued Liabilities**	$121,794,478	$89,945,111	-26.15%
31					
32	**Deferred Credits**				
33					
34	252	Customer Advances for Construction	$8,440,494	$13,769,060	63.13%
35	253	Other Deferred Credits	108,892,007	106,324,544	-2.36%
36	254	Other Regulatory Liabilities	10,003,775	9,543,392	-4.60%
37	255	Accumulated Deferred Investment Tax Credits	871,217	813,836	-6.59%
38	256	Deferred Gains from Disposition Of Util. Plant			
39	257	Unamortized Gain on Reacquired Debt			
40	281-283	Accumulated Deferred Income Taxes	203,461,727	237,248,478	16.61%
41		**TOTAL Deferred Credits**	$331,669,220	$367,699,310	10.86%
42					
43	**TOTAL LIABILITIES & OTHER CREDITS**		$3,591,177,109	$3,534,733,057	-1.57%

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NOTES TO FINANCIAL STATEMENTS (Continued)

Definitions

The following abbreviations and acronyms used in the Notes are defined below:

Abbreviation or Acronym	
AFUDC	Allowance for funds used during construction
ASC	FASB Accounting Standards Codification
Big Stone Station	450-MW coal-fired electric generating facility near Big Stone City, South Dakota (22.7 percent ownership)
Centennial	Centennial Energy Holdings, Inc., a direct wholly owned subsidiary of the Company
Company	MDU Resources Group, Inc.
EBITDA	Earnings before interest, taxes, depreciation and amortization
EPA	U.S. Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GAAP	Accounting principles generally accepted in the United States of America
Great Plains	Great Plains Natural Gas Co., a public utility division of the Company
IFRS	International Financial Reporting Standards
K-Plan	Company's 401(k) Retirement Plan
MDU Energy Capital	MDU Energy Capital, LLC, a direct wholly owned subsidiary of the Company
MNPUC	Minnesota Public Utilities Commission
Montana-Dakota	Montana-Dakota Utilities Co., a public utility division of the Company
MTPSC	Montana Public Service Commission
MW	Megawatt
NDPSC	North Dakota Public Service Commission
SDPUC	South Dakota Public Utilities Commission
Stock Purchase Plan	Company's Dividend Reinvestment and Direct Stock Purchase Plan
Wygen III	100-MW coal-fired electric generating facility near Gillette, Wyoming (25 percent ownership)
WYPSC	Wyoming Public Service Commission

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NOTES TO FINANCIAL STATEMENTS (Continued)

Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies
Basis of presentation
The Company is a diversified natural resource company, which was incorporated under the laws of the state of Delaware in 1924. Montana-Dakota and Great Plains are public utility divisions of the Company.

Montana-Dakota generates, transmits, and distributes electricity and distributes natural gas in Montana, North Dakota, South Dakota, and Wyoming. Great Plains distributes natural gas in western Minnesota and southeastern North Dakota. These operations also supply related value-added services.

Montana-Dakota is subject to regulation by the FERC, NDPSC, MTPSC, SDPUC, and WYPSC. Great Plains is subject to regulation by the MNPUC and the NDPSC.

The Company owns two wholly owned subsidiaries, Centennial and MDU Energy Capital, as well as ownership interests in the assets, liabilities and expenses of jointly owned electric generating facilities.

The financial statements were prepared in accordance with the accounting requirements of the FERC set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than GAAP. These requirements differ from GAAP related to the presentation of certain items including, but not limited to, the current portion of long-term debt, deferred income taxes, cost of removal liabilities, and current unrecovered purchased gas costs. As required by the FERC for Form 1 report purposes, the Company reports its subsidiary investments using the equity method rather than consolidating the assets, liabilities, revenues and expenses of the subsidiaries, as required by GAAP. If GAAP were followed, utility plant, other property and investments would increase by $1.4 billion; current and accrued assets would increase by $990.7 million; deferred debits would increase by $723.9 million; long-term debt would increase by $1.3 billion; other noncurrent liabilities and current and accrued liabilities would increase by $688.2 million; and deferred credits would increase by $1.2 billion as of December 31, 2012. Furthermore, operating revenues would increase by $3.6 billion and operating expenses, excluding income taxes, would increase by $3.7 billion for the twelve months ended December 31, 2012. In addition, net cash provided by operating activities would increase by $357.5 million; net cash used in investing activities would increase by $741.1 million; net cash provided by financing activities would increase by $273.3 million; the effect of exchange rate changes on cash would decrease by $146,000; and the net change in cash and cash equivalents would be a decrease of $110.4 million for the twelve months ended December 31, 2012. Reporting its subsidiary investments using the equity method rather than GAAP has no effect on net income or retained earnings.

The Notes to Financial Statements accompanying this FERC Form No. 1 relate to the nonconsolidated parent company and its two public utility divisions. For information on disclosures of the subsidiary companies, refer to the Company's Form 10-K.

Montana-Dakota and Great Plains are regulated businesses which account for certain income and expense items under the provisions of regulatory accounting, which requires these businesses to defer as regulatory assets or liabilities certain items that would have otherwise been reflected as expense or income, respectively, based on the expected regulatory treatment in future rates. The expected recovery or flowback of these deferred items generally is based on specific ratemaking decisions or precedent for each item. Regulatory assets and liabilities are being amortized consistently with the regulatory treatment established by the FERC and the applicable state public service commissions. See Note 3 for more information regarding the nature and amounts of these regulatory deferrals.

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Management has also evaluated the impact of events occurring after December 31, 2012, up to the date of issuance of these consolidated financial statements.

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

Accounts receivable and allowance for doubtful accounts
Accounts receivable consists primarily of trade receivables from the sale of goods and services which are recorded at the invoiced amount. The total balance of receivables past due 90 days or more was $92,000 and $273,000 as of December 31, 2012 and 2011, respectively.

The allowance for doubtful accounts is determined through a review of past due balances and other specific account data. Account balances are written off when management determines the amounts to be uncollectible. The Company's allowance for doubtful accounts as of December 31, 2012 and 2011, was $275,000 and $238,000, respectively.

Inventories and natural gas in storage
Inventories, other than natural gas in storage, were stated at the lower of average cost or market value. Natural gas in storage is carried at cost using the last-in, first-out method. The portion of the cost of natural gas in storage expected to be used within one year was included in inventories. Inventories at December 31 consisted of:

	2012	2011
	(In thousands)	
Plant materials and operating supplies	$ 18,984	$ 14,611
Gas stored underground-current	16,903	21,148
Fuel stock	5,130	5,922
Merchandise	452	915
Total	$ 41,469	$ 42,596

The remainder of natural gas in storage, which largely represents the cost of gas required to maintain pressure levels for normal operating purposes, was $3.0 million and $3.6 million at December 31, 2012 and 2011, respectively.

Investments
The Company's investments include its investment in subsidiary companies, the cash surrender value of life insurance policies, an insurance investment contract, and other miscellaneous investments. The Company has elected to measure its investment in the insurance investment contract at fair value with any unrealized gains and losses recorded on the Statement of Income. The Company has not elected the fair value option for its other investments. For more information, see Notes 4 and 11.

Property, plant and equipment
Additions to property, plant and equipment are recorded at cost. When regulated assets are retired, or otherwise disposed of in the ordinary course of business, the original cost of the asset is charged to accumulated depreciation. With respect to the retirement or disposal of all other assets, the resulting gains or losses are recognized as a component of income. The Company is permitted to capitalize AFUDC on regulated construction projects and to include such amounts in rate base when the related facilities are placed in service. The amount of AFUDC capitalized was $4.8 million and $3.2 million in 2012 and 2011, respectively. Property, plant and equipment are depreciated on a straight-line basis over the average useful lives of the assets. The Company collects removal costs for plant

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NOTES TO FINANCIAL STATEMENTS (Continued)

assets in regulated utility rates. These amounts are included in accumulated provision for depreciation, amortization and depletion.

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

		2012		2011	Weighted Average Depreciable Life in Years
	(Dollars in thousands, where applicable)				
Electric:					
Generation	$	**580,567**	$	546,783	47
Distribution		**282,424**		255,232	36
Transmission		**190,311**		179,580	44
Other		**93,374**		83,261	14
Natural gas distribution:					
Distribution		**321,824**		284,465	40
Other		**108,691**		99,422	14
Less accumulated depreciation, depletion and amortization		**719,531**		699,092	
Net utility plant	$	**857,660**	$	749,651	
Nonutility property	$	**4,585**	$	4,345	
Less accumulated depreciation, depletion and amortization		**1,637**		1,460	
Net nonutility property	$	**2,948**	$	2,885	

Impairment of long-lived assets
The Company reviews the carrying values of its long-lived assets, excluding goodwill, whenever events or changes in circumstances indicate that such carrying values may not be recoverable. The determination of whether an impairment has occurred is based on an estimate of undiscounted future cash flows attributable to the assets, compared to the carrying value of the assets. If impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the assets and recording a loss if the carrying value is greater than the fair value. No significant impairment losses were recorded in 2012 and 2011. Unforeseen events and changes in circumstances could require the recognition of impairment losses at some future date.

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

The goodwill impairment test is a two-step process performed at the reporting unit level. The Company has determined that the reporting units for its goodwill impairment test are its operating segments, or components of an operating segment, that constitute a business for which discrete financial information is available and for which the Company's chief executive officer and other management regularly review the operating results. The first step of the impairment test involves comparing the fair value of each reporting unit to its carrying value. If the fair value of a reporting unit exceeds its carrying value, the test is complete and no impairment is recorded. If the fair value of a reporting unit is less than its carrying value, step two of the test is performed to determine the amount of

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the impairment loss, if any. The impairment is computed by comparing the implied fair value of the affected reporting unit's goodwill to the carrying value of that goodwill. If the carrying value is greater than the implied fair value, an impairment loss must be recorded. For the years ended December 31, 2012 and 2011, there were no impairment losses recorded. At December 31, 2012, the fair value of the natural gas distribution reporting unit substantially exceeded its carrying value. For more information on goodwill, see Note 2.

Determining the fair value of a reporting unit requires judgment and the use of significant estimates which include assumptions about the Company's future revenue, profitability and cash flows, amount and timing of estimated capital expenditures, inflation rates, weighted average cost of capital, operational plans, and current and future economic conditions, among others. The fair value of each reporting unit is determined using a weighted combination of income and market approaches. The Company uses a discounted cash flow methodology for its income approach. Under the income approach, the discounted cash flow model determines fair value based on the present value of projected cash flows over a specified period and a residual value related to future cash flows beyond the projection period. Both values are discounted using a rate which reflects the best estimate of the weighted average cost of capital at each reporting unit. The weighted average cost of capital of approximately 6 percent, and a long-term growth rate projection of approximately 3 percent were utilized in the goodwill impairment test performed in the fourth quarter of 2012. Under the market approach, the Company estimates fair value using multiples derived from comparable sales transactions and enterprise value to EBITDA for comparative peer companies for each respective reporting unit. These multiples are applied to operating data for each reporting unit to arrive at an indication of fair value. In addition, the Company adds a reasonable control premium when calculating the fair value utilizing the peer multiples, which is estimated as the premium that would be received in a sale in an orderly transaction between market participants. The Company believes that the estimates and assumptions used in its impairment assessments are reasonable and based on available market information, but variations in any of the assumptions could result in materially different calculations of fair value and determinations of whether or not an impairment is indicated.

Revenue recognition
Revenue is recognized when the earnings process is complete, as evidenced by an agreement between the customer and the Company, when delivery has occurred or services have been rendered, when the fee is fixed or determinable and when collection is reasonably assured. The Company recognizes utility revenue each month based on the services provided to all utility customers during the month. Accrued utility revenues represent revenues recognized in excess of amounts billed. Accrued utility revenues were $39.4 million and $31.8 million at December 31, 2012 and 2011, respectively. The Company recognizes all other revenues when services are rendered or goods are delivered. The Company presents revenues net of taxes collected from customers at the time of sale to be remitted to governmental authorities, including sales and use taxes.

Asset retirement obligations
The Company records the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the Company capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the Company either settles the obligation for the recorded amount or incurs a regulatory asset or liability. For more information on asset retirement obligations, see Note 6.

Legal costs
The Company expenses external legal fees as they are incurred.

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Natural gas costs recoverable or refundable through rate adjustments
Under the terms of certain orders of the applicable state public service commissions, the Company is deferring natural gas commodity, transportation and storage costs that are greater or less than amounts presently being recovered through its existing rate schedules. Such orders generally provide that these amounts are recoverable or refundable through rate adjustments within a period ranging from 12 to 28 months from the time such costs are paid. Natural gas costs recoverable or refundable, as applicable, through rate adjustments were $2.9 million and $2.6 million at December 31, 2012 and 2011, respectively, which is included in unrecovered purchased gas costs.

Insurance
The Company is insured for workers' compensation losses in guaranteed cost programs. Automobile liability and general liability losses are insured, subject to self insured retentions of $500,000 per accident or occurrence. The Company also has coverage above the self insured retentions on a claims first-made and reported basis beyond the retained levels. The Company is retaining losses up to its retentions accrued on the basis of estimates of liability for claims incurred but not reported.

Income taxes
The Company and its subsidiaries file consolidated method federal income tax returns and combined and separate state income tax returns. Federal income taxes paid by the Company, as parent of the consolidated group, are allocated to the individual subsidiaries based on the ratio of the separate company computations of tax. The Company makes a similar allocation for state income taxes paid in connection with combined state filings. The Company provides deferred federal and state income taxes on all temporary differences between the book and tax basis of the Company's assets and liabilities. Taxes recoverable from customers have been recorded as regulatory assets. Excess deferred income tax balances associated with the Company's rate-regulated activities have been recorded as regulatory liabilities. These regulatory assets and liabilities are expected to be recovered from or refunded to customers in future rates in accordance with applicable regulatory procedures.

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

Tax positions taken or expected to be taken in an income tax return are evaluated for recognition using a more-likely-than-not threshold, and those tax positions requiring recognition are measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in interest and penalties, respectively.

Use of estimates
The preparation of financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Estimates are used for items such as impairment testing of long-lived assets and goodwill; fair value of acquired assets and liabilities under the acquisition method of accounting; property depreciable lives; tax provisions; uncollectible accounts; environmental and other loss contingencies; accumulated provision for revenues subject to refund; unbilled revenues; actuarially determined benefit costs; asset retirement obligations; and the valuation of stock-based compensation. As additional information becomes available, or actual amounts are determinable, the recorded estimates are revised. Consequently, operating results can be affected by revisions to prior accounting estimates.

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

		2012		2011
		(In thousands)		
Interest, net of amount capitalized	$	**15,802**	$	16,927
Income taxes refunded, net	$	**(10,137)**	$	(35,599)

Noncash investing transactions at December 31 were as follows:

		2012		2011
		(In thousands)		
Property, plant and equipment additions in accounts payable	$	**14,323**	$	6,346

Comprehensive income (loss)
Comprehensive income (loss) is the sum of net income (loss) as reported and other comprehensive income (loss). The Company's other comprehensive loss resulted from postretirement liability adjustments and other comprehensive loss recorded by its subsidiaries.

The postretirement liability adjustment in other comprehensive income (loss) was $396,000 and $(1.5 million), respectively, net of tax of $(245,000) and $838,000 for the years ended December 31, 2012 and 2011, respectively.

The after-tax components of accumulated other comprehensive loss as of December 31, 2012 and 2011, were as follows:

		Postretirement Liability Adjustment		Subsidiary Other Comprehensive Loss		Total Accumulated Other Comprehensive Loss
				(In thousands)		
Balance at December 31, 2011	$	(5,309)	$	(41,692)	$	(47,001)
Current-period other comprehensive (income) loss		396		(2,116)		(1,720)
Balance at December 31, 2012	**$**	**(4,913)**	**$**	**(43,808)**	**$**	**(48,721)**

Note 2 - Goodwill and Other Intangible Assets
The carrying amount of goodwill, which is related to the natural gas distribution business, remained unchanged at $4,812 for the years ended December 31, 2012 and 2011. This amount is included in miscellaneous deferred debits. No impairments have been recorded in any periods.

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Note 3 - Regulatory Assets and Liabilities

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

	Estimated Recovery Period*	2012	2011
		(In thousands)	
Regulatory assets:			
Pension and postretirement benefits (a)	(f) $	103,937 $	107,262
Deferred income taxes	**	2,990	(2,585)
Plant costs (a)	Up to 4 years	9,194	9,496
Unamortized loss on reaquired debt	Up to 14 years	8,127	8,846
Costs related to identifying generation development (a) (e)	Up to 14 years	5,773	9,817
Unrecovered purchased gas costs	Up to 12 months	2,915	2,622
Other (a) (b) (g)	Largely within 1 year	5,912	9,938
Total regulatory assets		138,848	145,396
Regulatory liabilities:			
Plant removal and decommissioning costs (c)		106,858	101,688
Deferred income taxes**		9,219	10,820
Taxes refundable to customers (d)		9,020	10,004
Accumulated provision for rate refunds		4,365	640
Other (h)		1,058	301
Total regulatory liabilities		130,520	123,453
Net regulatory position	$	8,328 $	21,943

* Estimated recovery period for regulatory assets currently being recovered in rates charged to customers.
** Represents deferred income taxes related to regulatory assets and liabilities. The deferred income tax assets are not earning a rate of return.
(a) Included in other regulatory assets on the Comparative Balance Sheet.
(b) Included in prepayments on the Comparative Balance Sheet.
(c) Included in accumulated provision for depreciation, amortization and depletion and asset retirement obligations on the Comparative Balance Sheet.
(d) Included in other regulatory liabilities on the Comparative Balance Sheet.
(e) Included in unrecovered plant and regulatory study costs on the Comparative Balance Sheet.
(f) Recovered as expense is incurred.
(g) Included in miscellaneous deferred debits on the Comparative Balance Sheet.
(h) Included in miscellaneous deferred debits, other regulatory assets, and unrecovered purchased gas costs on the Comparative Balance Sheet.

The regulatory assets are expected to be recovered in rates charged to customers. A portion of the Company's regulatory assets are not earning a return; however, these regulatory assets are expected to be recovered from customers in future rates. Excluding deferred income taxes, as of December 31, 2012 and 2011, approximately $122.6 million and $129.4 million respectively, of regulatory assets were not earning a rate of return.

If, for any reason, the Company's regulated business ceases to meet the criteria for application of regulatory accounting for all or part of their operations, the regulatory assets and liabilities relating to those portions ceasing to meet such criteria would be removed from the balance sheet and included in the statement of income as an extraordinary item in the period in which the discontinuance of regulatory accounting occurs.

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Note 4 - Fair Value Measurements

The Company measures its investments in certain fixed-income and equity securities at fair value with changes in fair value recognized in income. The Company anticipates using these investments, which consist of an insurance investment contract, to satisfy its obligations under its unfunded, nonqualified benefit plan for executive officers and certain key management employees, and invests in these fixed-income and equity securities for the purpose of earning investment returns and capital appreciation. These investments, which totaled $32.6 million and $29.1 million as of December 31, 2012 and 2011, respectively, are classified as Other Investments on the Comparative Balance Sheet. The net unrealized gain on these investments for the year ended December 31, 2012 was $3.5 million. The net unrealized loss on these investments for the year ended December 31, 2011 was $1.2 million. The change in fair value, which is considered part of the cost of the plan, is classified in Other Income and Deductions as Life Insurance on the Statement of Income.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The ASC establishes a hierarchy for grouping assets and liabilities, based on the significance of inputs.

The estimated fair values of the Company's assets and liabilities measured on a recurring basis are determined using the market approach.

The Company's Level 2 money market funds consist of investments in short-term unsecured promissory notes and the value is based on comparable market transactions taking into consideration the credit quality of the issuer.

The estimated fair value of the Company's Level 2 insurance investment contract is based on contractual cash surrender values that are determined primarily by investments in managed separate accounts of the insurer. These amounts approximate fair value. The managed separate accounts are valued based on other observable inputs or corroborated market data.

Though the Company believes the methods used to estimate fair value are consistent with those used by other market participants, the use of other methods or assumptions could result in a different estimate of fair value. For the years ended December 31, 2012 and 2011, there were no transfers between Levels 1 and 2.

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

	Fair Value Measurements at December 31, 2012, Using			
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Signficant Unobservable Inputs (Level 3)	Balance at December 31, 2012
	(In thousands)			
Assets:				
Money market funds	$ —	$ 620	$ —	$ 620
Available-for-sale securities:				
Insurance investment contract*	—	32,586	—	32,586
Total assets measured at fair value	$ —	$ 33,206	$ —	$ 33,206

* The insurance investment contract invests approximately 28 percent in common stock of mid-cap companies, 28 percent in common stock of small-cap companies, 29 percent in common stock of large-cap companies and 15 percent in fixed-income and other investments.

	Fair Value Measurements at December 31, 2011, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2011
	(In thousands)			
Assets:				
Available-for-sale securities:				
Insurance investment contract*	$ —	$ 29,133	$ —	$ 29,133
Total assets measured at fair value	$ —	$ 29,133	$ —	$ 29,133

* The insurance investment contract invests approximately 33 percent in common stock of mid-cap companies, 34 percent in common stock of small-cap companies, 32 percent in common stock of large-cap companies and 1 percent in cash and cash equivalents.

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

	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Long-term debt	$ 356,867	$ 411,210	$ 280,889	$ 340,646

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

Note 5 - Debt

Certain debt instruments of the Company, including those discussed later, contain restrictive covenants and provisions. In order to borrow under the respective credit agreements, the Company must be in compliance with the applicable covenants and certain other conditions, all of which the Company, as applicable, was in compliance with at December 31, 2012. In the event the Company does not comply with the applicable covenants and other conditions, alternative sources of funding may need to be pursued.

The following table summarizes the outstanding credit facilities of the Company:

Company	Facility	Facility Limit	Amount Outstanding at December 31, 2012	Amount Outstanding at December 31, 2011	Letters of Credit at December 31, 2012	Expiration Date
		(Dollars in millions)				
MDU Resources Group, Inc.	Commercial paper/Revolving credit agreement (a)	$ 125.0	$ 76.0 (b)	$ — (b)	$ —	10/4/17

(a) The $125 million commercial paper program is supported by a revolving credit agreement with various banks totaling $125 million (provisions allow for increased borrowings, at the option of the Company on stated conditions, up to a maximum of $150 million). There were no amounts outstanding under the credit agreement.

(b) Amount outstanding under commercial paper program.

The Company's commercial paper program is supported by a revolving credit agreement. While the amount of commercial paper outstanding does not reduce available capacity under the revolving credit agreement, the Company does not issue commercial paper in an aggregate amount exceeding the available capacity under its credit agreement.

The following includes information related to the preceding table.

Long-term debt

MDU Resources Group, Inc. On October 4, 2012, the Company amended the revolving credit agreement to increase the borrowing limit to $125.0 million and extend the termination date to October 4, 2017. The Company's revolving credit agreement supports its commercial paper program. Commercial paper borrowings under this agreement are classified as long-term debt as they are intended to be refinanced on a long-term basis through continued commercial paper borrowings.

The credit agreement contains customary covenants and provisions, including covenants of the Company not to permit, as of the end of any fiscal quarter, (A) the ratio of funded

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debt to total capitalization (determined on a consolidated basis) to be greater than 65 percent or (B) the ratio of funded debt to capitalization (determined with respect to the Company alone, excluding its subsidiaries) to be greater than 65 percent. Other covenants include limitations on the sale of certain assets and on the making of certain loans and investments.

There are no credit facilities that contain cross-default provisions between the Company and any of its subsidiaries.

Long-term Debt Outstanding Long-term debt outstanding at December 31 was as follows:

		2012		2011
		(In thousands)		
Senior Notes at a weighted average rate of 6.24%, due on dates ranging from September 30, 2016 to December 15, 2033	$	**280,000**	$	280,000
Credit agreement and other at a weighted average rate of .51%, due on dates ranging from January 1, 2015 to November 30, 2038		**76,867**		889
Total long-term debt	$	**356,867**	$	280,889

The amounts of scheduled long-term debt maturities for the five years and thereafter following December 31, 2012, aggregate $108,000 in 2013 and 2014; $109,000 in 2015; $50.1 million in 2016; $76.0 million in 2017 and $230.5 million thereafter.

Note 6 - Asset Retirement Obligations

The Company records obligations related to the decommissioning of certain electric generating facilities, special handling and disposal of hazardous materials at certain electric generating facilities, natural gas distribution facilities and buildings, and certain other obligations.

A reconciliation of the Company's liability for the years ended December 31 was as follows:

		2012		2011
		(In thousands)		
Balance at beginning of year	$	**6,645**	$	6,314
Liabilities settled		**(10)**		—
Revisions in estimates		**(195)**		—
Accretion expense		**349**		331
Balance at end of year	$	**6,789**	$	6,645

The Company believes that any expenses related to asset retirement obligations at the Company's regulated operations will be recovered in rates over time and, accordingly, defers such expenses as regulatory assets.

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Note 7 - Preferred Stocks
Preferred stocks at December 31 were as follows:

	2012	2011
	(In thousands, except shares and per share amounts)	
Authorized:		
Preferred -		
500,000 shares, cumulative, par value $100, issuable in series		
Preferred stock A -		
1,000,000 shares, cumulative, without par value, issuable in series (none outstanding)		
Preference -		
500,000 shares, cumulative, without par value, issuable in series (none outstanding)		
Outstanding:		
4.50% Series - 100,000 shares	$ **10,000**	$ 10,000
4.70% Series - 50,000 shares	**5,000**	5,000
Total preferred stocks	$ **15,000**	$ 15,000

For the years 2012 and 2011, dividends declared on the 4.50% Series and 4.70% Series preferred stocks were $4.50 and $4.70 per share, respectively. The 4.50% Series and 4.70% Series preferred stocks outstanding are subject to redemption, in whole or in part, at the option of the Company with certain limitations on 30 days notice on any quarterly dividend date at a redemption price, plus accrued dividends, of $105 per share and $102 per share, respectively.

In the event of a voluntary or involuntary liquidation, all preferred stock series holders are entitled to $100 per share, plus accrued dividends.

The affirmative vote of two-thirds of a series of the Company's outstanding preferred stock is necessary for amendments to the Company's charter or bylaws that adversely affect that series; creation of or increase in the amount of authorized stock ranking senior to that series (or an affirmative majority vote where the authorization relates to a new class of stock that ranks on parity with such series); a voluntary liquidation or sale of substantially all of the Company's assets; a merger or consolidation, with certain exceptions; or the partial retirement of that series of preferred stock when all dividends on that series of preferred stock have not been paid. The consent of the holders of a particular series is not required for such corporate actions if the equivalent vote of all outstanding series of preferred stock voting together has consented to the given action and no particular series is affected differently than any other series.

Subject to the foregoing, the holders of common stock exclusively possess all voting power. However, if cumulative dividends on preferred stock are in arrears, in whole or in part, for one year, the holders of preferred stock would obtain the right to one vote per share until all dividends in arrears have been paid and current dividends have been declared and set aside.

Note 8 - Common Stock
The Company's Stock Purchase Plan provides interested investors the opportunity to make optional cash investments and to reinvest all or a percentage of their cash dividends in shares of the Company's common stock. The K-Plan is partially funded with the Company's common stock. From January 2011 through December 2012, purchases of shares of common stock on the open market were used to fund the Stock Purchase Plan and K-Plan. At December 31,

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2012, there were 23.2 million shares of common stock reserved for original issuance under the Stock Purchase Plan and K-Plan.

The Company depends on earnings from its divisions and dividends from its subsidiaries to pay dividends on common stock. The declaration and payment of dividends is at the sole discretion of the board of directors, subject to limitations imposed by the Company's credit agreements, federal and state laws, and applicable regulatory limitations. In addition, the Company and Centennial are generally restricted to paying dividends out of capital accounts or net assets. The most restrictive limitations are discussed below.

Pursuant to a covenant under a credit agreement, Centennial may only make distributions to the Company in an amount up to 100 percent of Centennial's consolidated net income after taxes, excluding noncash write-downs, for the immediately preceding fiscal year. Intermountain and Cascade have regulatory limitations on the amount of dividends each can pay. Based on these limitations, approximately $2.0 billion of the net assets of the Company's subsidiaries were restricted from being used to transfer funds to the Company at December 31, 2012. In addition, the Company's credit agreement also contains restrictions on dividend payments. The most restrictive limitation requires the Company not to permit the ratio of funded debt to capitalization (determined with respect to the Company alone, excluding its subsidiaries) to be greater than 65 percent. Based on this limitation, approximately $177 million of the Company's (excluding its subsidiaries) net assets, which represents common stockholders' equity including retained earnings, would be restricted from use for dividend payments at December 31, 2012. In addition, state regulatory commissions may require the Company to maintain certain capitalization ratios. These requirements are not expected to affect the Company's ability to pay dividends in the near term.

Note 9 - Stock-Based Compensation

The Company has several stock-based compensation plans under which it is currently authorized to grant restricted stock and stock. As of December 31, 2012, there are 6.2 million remaining shares available to grant under these plans. The Company generally issues new shares of common stock to satisfy restricted stock, stock and performance share awards.

Total stock-based compensation expense, excluding the amount recognized by the Company's subsidiaries, was $548,000, net of income taxes of $351,000 in 2012 and $514,000, net of income taxes of $329,000 in 2011.

As of December 31, 2012, total remaining unrecognized compensation expense, excluding the amount to be recognized by the Company's subsidiaries, related to stock-based compensation was approximately $745,000 (before income taxes) which will be amortized over a weighted average period of 1.5 years.

Stock options

The Company had granted stock options to directors, key employees and employees. The Company has not granted stock options since 2003. Options granted to key employees automatically vested after nine years, but the plan provided for accelerated vesting based on the attainment of certain performance goals or upon a change in control of the Company, and expired ten years after the date of grant. Options granted to employees vested three years after the date of grant and expired ten years after the date of grant. Options granted to directors vested at the date of grant and expired ten years after the date of grant.

The fair value of each option outstanding was estimated on the date of grant using the Black-Scholes option-pricing model.

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A summary of the status of the stock option plans at December 31, 2012, and changes during the year then ended was as follows:

	Number of Shares	Weighted Average Exercise Price
Balance at beginning of year	6,750	13.03
Exercised	(6,750)	13.03
Balance at end of year	—	—

The Company received cash of $88,000 and $5.7 million from the exercise of stock options for the years ended December 31, 2012 and 2011, respectively. The aggregate intrinsic value of options exercised during the years ended December 31, 2012 and 2011, was $60,000 and $3.3 million, respectively.

Stock awards

Nonemployee directors may receive shares of common stock instead of cash in payment for directors' fees under the nonemployee director stock compensation plan. There were 53,888 shares with a fair value of $1.1 million and 55,141 shares with a fair value of $1.1 million issued under this plan during the years ended December 31, 2012 and 2011, respectively.

A key employee of a subsidiary of the Company received an award of 43,103 shares of common stock under a long-term incentive plan with a fair value of $930,000 during the year ended December 31, 2012.

Performance share awards

Since 2003, key employees of the Company and its subsidiaries have been awarded performance share awards each year. Entitlement to performance shares is based on the Company's total shareholder return over designated performance periods as measured against a selected peer group.

Target grants of performance shares outstanding at December 31, 2012, were as follows:

Grant Date	Performance Period	Target Grant of Shares
March 2010	2010-2012	213,432
February 2011	2011-2013	261,029
February 2012	2012-2014	311,675

Participants may earn from zero to 200 percent of the target grant of shares based on the Company's total shareholder return relative to that of the selected peer group. Compensation expense is based on the grant-date fair value as determined by Monte Carlo simulation. The blended volatility term structure ranges are comprised of 50 percent historical volatility and 50 percent implied volatility. Risk-free interest rates were based on U.S. Treasury security rates in effect as of the grant date. Assumptions used for grants of performance shares issued in 2012 and 2011 were:

	2012	2011
Grant-date fair value	**$ 17.18**	$ 19.99
Blended volatility range	**24.29 % - 25.81 %**	23.20 % - 32.18 %
Risk-free interest rate range	**.10 % - .35 %**	.09 % - 1.34 %
Discounted dividends per share	**$ 1.19**	$ 1.23

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There were no performance shares that vested in 2012 or 2011.
A summary of the status of the performance share awards for the year ended December 31, 2012, was as follows:

	Number of Shares	Weighted Average Grant-Date Fair Value
Nonvested at beginning of period	762,154	$ 19.35
Granted	320,692	17.18
Vested	—	—
Forfeited	(296,710)	20.13
Nonvested at end of period	786,136	$ 18.17

Note 10 - Income Taxes

Income before income taxes for the years ended December 31, 2012 and 2011, respectively was $53,891 and $51,958.

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

	2012	2011
	(In thousands)	
Current:		
Federal*	$ (15,719)	$ (22,311)
State	(2,476)	(2,394)
Deferred:		
Income taxes:		
Federal	27,118	32,346
State	2,988	2,981
Investment tax credit - net	(57)	73
Total income tax expense	$ 11,854	$ 10,695

* Includes $252 related to the change in uncertain tax benefits for the year ended December 31, 2011. There was no change in uncertain tax benefits for the year ended December 31, 2012.

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

	2012	2011
	(In thousands)	
Deferred tax assets:		
Regulatory matters	$ **2,990**	$ (2,585)
Accrued pension costs	**41,955**	48,137
Compensation-related	**9,009**	8,260
Legal and environmental contingencies	**407**	—
Other	**13,803**	11,900
Total deferred tax assets	**68,164**	65,712
Deferred tax liabilities:		
Depreciation and basis differences on property, plant and equipment	**226,833**	191,610
Regulatory matters	**9,219**	10,820
Other	**1,196**	1,031
Total deferred tax liabilities	**237,248**	203,461
Net deferred income tax liability	$ **(169,084)**	$ (137,749)

As of December 31, 2012 and 2011, no valuation allowance has been recorded associated with the previously identified deferred tax assets.

The following table reconciles the change in the net deferred income tax liability from December 31, 2011, to December 31, 2012, to deferred income tax expense:

	2012
	(In thousands)
Change in net deferred income tax liability from the preceding table	$ **31,335**
Deferred taxes associated with other comprehensive loss	**(245)**
Other	**(1,041)**
Deferred income tax expense for the period	$ **30,049**

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

Years ended December 31,	2012		2011	
	Amount	%	Amount	%
	(Dollars in thousands)			
Computed tax at federal statutory rate	$ **18,862**	**35.0**	$ 18,185	35.0
Increases (reductions) resulting from:				
Federal renewable energy credit	**(3,401)**	**(6.3)**	(3,485)	(6.7)
Deductible K-Plan dividends	**(1,529)**	**(2.8)**	(1,216)	(2.4)
AFUDC equity	**(1,084)**	**(2.0)**	(720)	(1.4)
Amortization and deferral of investment tax credit	**(57)**	**(0.1)**	73	0.1
State income taxes, net of federal income tax benefit (expense)	**1,449**	**2.7**	1,477	2.9
Resolution of tax matters and uncertain tax positions	**—**	**—**	(356)	(0.7)
Other	**(2,386)**	**(4.5)**	(3,263)	(6.2)
Total income tax expense (benefit)	$ **11,854**	**22.0**	$ 10,695	20.6

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and local jurisdictions. The Company is no longer subject to U.S. federal or state and local income tax examinations by tax authorities for years ending prior to 2007. The 2007 through 2009 tax years are currently under audit.

A reconciliation of the unrecognized tax benefits (excluding interest) for the years ended December 31 was as follows:

	2012		2011
	(In thousands)		
Balance at beginning of year	$ **95**	$	$ 347
Settlements	**—**		(252)
Balance at end of year	$ **95**	$	$ 95

The amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was $95,000 at December 31, 2012 and December 31, 2011, respectively.

It is likely that substantially all of the unrecognized tax benefits, as well as interest, at December 31, 2012, will be settled in the next twelve months due to the anticipated settlement of federal and state audits.

For the years ended December 31, 2012 and 2011, the Company recognized approximately $4,000 and $43,000, respectively, in interest expense. Penalties were not material in 2012 and 2011. The Company recognized interest income of approximately $60,000 and $219,000 for the years ended December 31, 2012 and 2011, respectively. The Company had accrued assets of approximately $267,000 and $210,000 at December 31, 2012 and 2011, respectively, for the receipt of interest.

Note 11 - Employee Benefit Plans

Pension and other postretirement benefit plans

The Company has noncontributory defined benefit pension plans and other postretirement

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benefit plans for certain eligible employees. The Company uses a measurement date of December 31 for all of its pension and postretirement benefit plans. Other postretirement plans presented here include certain of the Company's subsidiaries.

Defined pension plan benefits to all nonunion and certain union employees hired after December 31, 2005, were discontinued. Employees that would have been eligible for defined pension plan benefits are eligible to receive additional defined contribution plan benefits. Effective January 1, 2010, all benefit and service accruals for nonunion and certain union plans were frozen. Effective June 30, 2011, all benefit and service accruals for an additional union plan were frozen. These employees will be eligible to receive additional defined contribution plan benefits.

Effective January 1, 2010, eligibility to receive retiree medical benefits was modified at certain of the Company's businesses. Employees who attain age 55 with 10 years of continuous service by December 31, 2010, will be provided the current retiree medical insurance benefits or can elect the new benefit, if desired, regardless of when they retire. All other current employees must meet the new eligibility criteria of age 60 and 10 years of continuous service at the time they retire. These employees will be eligible for a specified company funded Retiree Reimbursement Account. Employees hired after December 31, 2009, will not be eligible for retiree medical benefits.

In 2012, the Company modified health care coverage for certain retirees. Effective January 1, 2013, post-65 coverage is replaced by a fixed-dollar subsidy for retirees and spouses to be used to purchase individual insurance through an exchange.

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Changes in benefit obligation and plan assets for the years ended December 31, 2012 and 2011, and amounts recognized in the Balance Sheets at December 31, 2012 and 2011, were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2012	2011	**2012**	2011
	(In thousands)			
Change in benefit obligation:				
Benefit obligation at beginning of year	$ **249,823**	$ 230,271	$ **57,161**	$ 45,546
Service cost	**—**	1,056	**881**	746
Interest cost	**10,127**	11,446	**2,080**	2,406
Plan participants' contributions	**—**	—	**1,767**	1,711
Amendments	**—**	—	**(9,227)**	—
Actuarial loss	**18,532**	35,719	**1,276**	10,734
Curtailment gain	**—**	(13,939)	**—**	—
Benefits paid	**(15,572)**	(14,730)	**(4,345)**	(3,982)
Benefit obligation at end of year	**262,910**	249,823	**49,593**	57,161
Change in net plan assets:				
Fair value of plan assets at beginning of year	**161,284**	164,852	**38,975**	40,182
Actual gain (loss) on plan assets	**20,050**	(2,595)	**3,696**	(506)
Employer contribution	**12,039**	13,757	**3,318**	1,570
Plan participants' contributions	**—**	—	**1,767**	1,711
Benefits paid	**(15,572)**	(14,730)	**(4,345)**	(3,982)
Fair value of net plan assets at end of year	**177,801**	161,284	**43,411**	38,975
Funded status – under	$ **(85,109)**	$ (88,539)	$ **(6,182)**	$ (18,186)
Amounts recognized in the Comparative Balance Sheets at December 31:				
Accumulated provision for pensions and benefits	$ **—**	$ —	$ **(6,182)**	$ (18,186)
Other deferred credits	**(85,109)**	(88,539)	**—**	—
Net amount recognized	$ **(85,109)**	$ (88,539)	$ **(6,182)**	$ (18,186)
Amounts recognized in accumulated other comprehensive (income) loss/regulatory assets (liabilities) consist of:				
Actuarial loss	$ **111,617**	$ 102,269	$ **19,133**	$ 19,271
Prior service cost (credit)	**—**	—	**(13,108)**	(4,461)
Transition obligation	**—**	—	**—**	3,284
Total	$ **111,617**	$ 102,269	$ **6,025**	$ 18,094

Employer contributions and benefits paid in the preceding table include only those amounts contributed directly to, or paid directly from, plan assets. The above table includes amounts related to regulated operations, which are recorded as regulatory assets (liabilities) and are expected to be reflected in rates charged to customers over time. For more information on regulatory assets (liabilities) see Note 3.

Unrecognized pension actuarial losses in excess of 10 percent of the greater of the projected benefit obligation or the market-related value of assets are amortized on a straight-line basis over the expected average remaining service lives of active participants for non-frozen plans and over the average life expectancy of plan participants for frozen plans. The market-related value of assets is determined using a five-year average of assets. Unrecognized postretirement net transition obligation was amortized over a 20-year period ending 2012.

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The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans of which all have accumulated benefit obligations in excess of plan assets at December 31 were as follows:

	2012	2011
	(In thousands)	
Projected benefit obligation	$ 262,910	$ 249,823
Accumulated benefit obligation	$ 262,910	$ 249,823
Fair value of plan assets	$ 177,801	$ 161,284

Components of net periodic benefit cost for the Company's pension and other postretirement benefit plans for the years ended December 31 were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2012	2011	2012	2011
	(In thousands)			
Components of net periodic benefit cost (credit):				
Service cost	$ —	$ 1,056	$ 881	$ 746
Interest cost	10,126	11,446	2,079	2,406
Expected return on assets	(13,667)	(13,712)	(2,895)	(2,974)
Amortization of prior service cost (credit)	—	129	(580)	(294)
Recognized net actuarial loss	2,801	1,473	613	—
Curtailment loss	—	1,218	—	—
Amortization of net transition obligation	—	—	3,284	1,671
Net periodic benefit cost (credit)	(740)	1,610	3,382	1,555
Other changes in plan assets and benefit obligations recognized in accumulated other comprehensive (income) loss:				
Net loss	12,149	38,087	475	14,214
Prior service credit	—	—	(9,227)	—
Amortization of actuarial loss	(2,801)	(1,473)	(613)	—
Amortization of prior service (cost) credit	—	(1,347)	580	294
Amortization of net transition obligation	—	—	(3,284)	(1,671)
Total recognized in accumulated other comprehensive (income) loss/regulatory assets (liabilities)	9,348	35,267	(12,069)	12,837
Total recognized in net periodic benefit cost and accumulated other comprehensive (income) loss/regulatory assets (liabilities)	$ 8,608	$ 36,877	$ (8,687)	$ 14,392

The estimated net loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive loss or regulatory asset(liability), as applicable, into net periodic benefit cost in 2013 is $4.0 million. The estimated net loss and prior service credit for the other postretirement benefit plans that will be amortized from accumulated other comprehensive loss or regulatory asset(liability), as applicable, into net periodic benefit cost in 2013 are $952,000 and $976,000, respectively.

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Weighted average assumptions used to determine benefit obligations at December 31 were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2012	2011	**2012**	2011
Discount rate	**3.63 %**	4.18%	**3.65 %**	4.12%
Expected return on plan assets	**7.00 %**	7.75%	**6.00 %**	6.75%

Weighted average assumptions used to determine net periodic benefit cost for the years ended December 31 were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2012	2011	**2012**	2011
Discount rate	**4.18 %**	5.25%	**4.12 %**	5.20%
Expected return on plan assets	**7.75 %**	7.75%	**6.75 %**	6.75%

The expected rate of return on pension plan assets is based on the targeted asset allocation range of 60 percent to 70 percent equity securities and 30 percent to 40 percent fixed-income securities and the expected rate of return from these asset categories. The expected rate of return on other postretirement plan assets is based on the targeted asset allocation range of 65 percent to 75 percent equity securities and 25 percent to 35 percent fixed-income securities and the expected rate of return from these asset categories. The expected return on plan assets for other postretirement benefits reflects insurance-related investment costs.

Health care rate assumptions for the Company's other postretirement benefit plans as of December 31 were as follows:

	2012	2011
Health care trend rate assumed for next year	**6.0 %**	6.0 %
Health care cost trend rate - ultimate	**6.0 %**	6.0 %
Year in which ultimate trend rate achieved	**1999**	1999

The Company's other postretirement benefit plans include health care and life insurance benefits for certain retirees. The plans underlying these benefits may require contributions by the retiree depending on such retiree's age and years of service at retirement or the date of retirement. The accounting for the health care plans anticipates future cost-sharing changes that are consistent with the Company's expressed intent to generally increase retiree contributions each year by the excess of the expected health care cost trend rate over six percent.

Assumed health care cost trend rates may have a significant effect on the amounts reported for the health care plans. A one percentage point change in the assumed health care cost trend rates would have had the following effects at December 31, 2012:

	1 Percentage Point Increase	1 Percentage Point Decrease
	(In thousands)	
Effect on total of service and interest cost components	$ 47	$ (42)
Effect on postretirement benefit obligation	$ 1,188	$ (1,064)

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The Company's pension assets are managed by 14 outside investment managers. The Company's other postretirement assets are managed by one outside investment manager. The Company's investment policy with respect to pension and other postretirement assets is to make investments solely in the interest of the participants and beneficiaries of the plans and for the exclusive purpose of providing benefits accrued and defraying the reasonable expenses of administration. The Company strives to maintain investment diversification to assist in minimizing the risk of large losses. The Company's policy guidelines allow for investment of funds in cash equivalents, fixed-income securities and equity securities. The guidelines prohibit investment in commodities and futures contracts, equity private placement, employer securities, leveraged or derivative securities, options, direct real estate investments, precious metals, venture capital and limited partnerships. The guidelines also prohibit short selling and margin transactions. The Company's practice is to periodically review and rebalance asset categories based on its targeted asset allocation percentage policy.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The ASC establishes a hierarchy for grouping assets and liabilities, based on the significance of inputs.

The estimated fair values of the Company's pension plan assets are determined using the market approach.

The carrying value of the pension plans' Level 1 and Level 2 cash equivalents approximates fair value and is determined using observable inputs in active markets or the net asset value of shares held at year end, which is determined using other observable inputs including pricing from outside sources. Units of this fund can be redeemed on a daily basis at their net asset value and have no redemption restrictions. The assets are invested in high quality, short-term instruments of domestic and foreign issuers.

The estimated fair value of the pension plans' Level 1 equity securities is based on the closing price reported on the active market on which the individual securities are traded.

The estimated fair value of the pension plans' Level 1 and Level 2 collective and mutual funds are based on the net asset value of shares held at year end, based on either published market quotations on active markets or other known sources including pricing from outside sources.

The estimated fair value of the pension plans' Level 2 corporate and municipal bonds is determined using other observable inputs, including benchmark yields, reported trades, broker/dealer quotes, bids, offers, future cash flows and other reference data.

The estimated fair value of the pension plans' Level 1 U.S. Treasury securities are valued based on quoted prices on an active market.

The estimated fair value of the pension plans' Level 2 U.S. Treasury and mortgage-backed securities are valued mainly using other observable inputs, including benchmark yields, reported trades, broker/dealer quotes, bids, offers, to be announced prices, future cash flows and other reference data. Some of these securities are valued using pricing from outside sources.

Though the Company believes the methods used to estimate fair value are consistent with those used by other market participants, the use of other methods or assumptions could result in a different estimate of fair value. For the years ended December 31,

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2012 and 2011, there were no transfers between Levels 1 and 2.
The fair value of the Company's pension net plan assets by class is as follows:

	Fair Value Measurements at December 31, 2012, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2012
	(In thousands)			
Assets:				
Cash equivalents	$ 1,234	$ 6,015	$ —	$ 7,249
Equity securities:				
U.S. companies	50,019	—	—	50,019
International companies	22,898	—	—	22,898
Collective and mutual funds *	47,608	11,539	—	59,147
Corporate bonds	—	25,942	—	25,942
Municipal bonds	—	5,349	—	5,349
U.S. Treasury securities	4,589	2,608	—	7,197
Total assets measured at fair value	$ 126,348	$ 51,453	$ —	$ 177,801

*Collective and mutual funds invest approximately 12 percent in common stock of mid-cap U.S. companies, 26 percent in common stock of large-cap U.S. companies, 13 percent in U.S. Treasuries, 41 percent in corporate bonds and 8 percent in other investments.

	Fair Value Measurements at December 31, 2011, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2011
	(In thousands)			
Assets:				
Cash equivalents	$ 1,308	$ 10,173	$ —	$ 11,481
Equity securities:				
U.S. companies	57,619	—	—	57,619
International companies	20,510	—	—	20,510
Collective and mutual funds *	25,071	9,016	—	34,087
Corporate bonds	—	13,679	168	13,847
Mortgage-backed securities	—	13,336	—	13,336
Municipal bonds	—	5,390	—	5,390
U.S. Treasury securities	—	5,014	—	5,014
Total assets measured at fair value	$ 104,508	$ 56,608	$ 168	$ 161,284

*Collective and mutual funds invest approximately 26 percent in common stock of mid-cap U.S. companies, 26 percent in common stock of large-cap U.S. companies, 13 percent in U.S. Treasuries, 6 percent in corporate bonds and 29 percent in other investments.

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The following table sets forth a summary of changes in the fair value of the pension plans' Level 3 assets for the year ended December 31, 2012:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Corporate Bonds	Collateral Held on Loaned Securities	Total
		(In thousands)	
Balance at beginning of year	$ 168	$ —	$ 168
Total realized/unrealized losses	(29)	—	(29)
Purchases, issuances and settlements (net)	(139)	—	(139)
Balance at end of year	$ —	$ —	$ —

The following table sets forth a summary of changes in the fair value of the pension plans' Level 3 assets for the year ended December 31, 2011:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Corporate Bonds	Collateral Held on Loaned Securities	Total
		(In thousands)	
Balance at beginning of year	$ —	$ 402	$ 402
Total realized/unrealized losses	(1)	(150)	(151)
Purchases, issuances and settlements (net)	169	(252)	(83)
Balance at end of year	$ 168	$ —	$ 168

The estimated fair values of the Company's other postretirement benefit plan assets are determined using the market approach.

The estimated fair value of the other postretirement benefit plan's Level 1 and Level 2 cash equivalents is valued at the net asset value of shares held at year end, based on published market quotations on active markets, or using other known sources including pricing from outside sources. Units of this fund can be redeemed on a daily basis at their net asset value and have no redemption restrictions. The assets are invested in high-quality, short-term money market instruments that consist of municipal obligations.

The estimated fair value of the other postretirement benefit plan's Level 1 equity securities is based on the closing price reported on the active market on which the individual securities are traded.

The estimated fair value of the other postretirement benefit plan's Level 2 insurance investment contract is based on contractual cash surrender values that are determined primarily by investments in managed separate accounts of the insurer. These amounts approximate fair value. The managed separate accounts are valued based on other observable inputs or corroborated market data.

Though the Company believes the methods used to estimate fair value are consistent with those used by other market participants, the use of other methods or assumptions could result in a different estimate of fair value. For the years ended December 31, 2012 and 2011, there were no transfers between Levels 1 and 2.

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The fair value of the Company's other postretirement benefit plan assets by asset class is as follows:

	Fair Value Measurements at December 31, 2012, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2012
	(In thousands)			
Assets:				
Cash equivalents	$ 600	$ 1,163	$ —	$ 1,763
Equity securities:				
U.S. companies	660	—	—	660
International companies	—	—	—	—
Insurance investment contract*	—	40,988	—	40,988
Total assets measured at fair value	$ 1,260	$ 42,151	$ —	$ 43,411

* The insurance investment contract invests approximately 51 percent in common stock of large-cap U.S. companies, 15 percent in U.S. Treasuries, 10 percent in mortgage-backed securities, 11 percent in corporate bonds, and 13 percent in other investments.

	Fair Value Measurements at December 31, 2011, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2011
	(In thousands)			
Assets:				
Cash equivalents	$ —	$ 1,013	$ —	$ 1,013
Equity securities:				
U.S. companies	615	—	—	615
International companies	—	—	—	—
Insurance investment contract*	—	37,347	—	37,347
Total assets measured at fair value	$ 615	$ 38,360	$ —	$ 38,975

* The insurance investment contract invests approximately 49 percent in common stock of large-cap U.S. companies, 15 percent in U.S. Treasuries, 12 percent in mortgage-backed securities, 11 percent in corporate bonds, and 13 percent in other investments.

The Company expects to contribute approximately $9.9 million to its defined benefit pension plans and approximately $333,000 to its postretirement benefit plans in 2013.

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The following benefit payments, which reflect future service, as appropriate, and expected Medicare Part D subsidies are as follows:

Years	Pension Benefits	Other Postretirement Benefits	Expected Medicare Part D Subsidy
		(In thousands)	
2013	$ 13,760	$ 3,059	$ 202
2014	13,821	3,046	196
2015	14,020	2,999	189
2016	14,182	2,960	181
2017	14,405	2,956	172
2018 – 2022	75,106	14,094	714

Nonqualified benefit plans

In addition to the qualified plan defined pension benefits reflected in the table at the beginning of this note, the Company also has unfunded, nonqualified benefit plans for executive officers and certain key management employees that generally provide for defined benefit payments at age 65 following the employee's retirement or to their beneficiaries upon death for a 15-year period. The Company had investments of $51.9 million and $47.6 million at December 31, 2012 and 2011, respectively, consisting of equity securities of $28.0 million and $25.6 million, respectively, life insurance carried on plan participants (payable upon the employee's death) of $18.7 million and $17.9 million, respectively, and other investments of $5.2 million and $4.1 million, respectively. The Company anticipates using these investments to satisfy obligations under these plans. The Company's net periodic benefit cost for these plans was $4.6 million in both 2012 and 2011. The total projected benefit obligation for these plans was $64.7 million and $65.7 million at December 31, 2012 and 2011, respectively. The accumulated benefit obligation for these plans was $61.1 million and $60.3 million at December 31, 2012 and 2011, respectively. A weighted average discount rate of 3.45 percent and 4.00 percent at December 31, 2012 and 2011, respectively, and a rate of compensation increase of 3.00 percent and 4.00 percent at December 31, 2012 and 2011, respectively, were used to determine benefit obligations. A discount rate of 4.00 percent and 5.12 percent at December 31, 2012 and 2011, respectively, and a rate of compensation increase of 4.00 percent and 4.00 percent at December 31, 2012 and 2011, respectively, were used to determine net periodic benefit cost.

The amount of benefit payments for the unfunded, nonqualified benefit plans are expected to aggregate $3.1 million in both 2013 and 2014; $3.8 million in 2015; $3.7 million in 2016; $3.8 million in 2017 and $21.3 million for the years 2018 through 2022.

In 2012, the Company established a nonqualified defined contribution plan for certain key management employees. Costs incurred under this plan for 2012 were $17,000.

Defined contribution plans

The Company sponsors various defined contribution plans for eligible employees, and costs incurred under these plans were $10.0 million in 2012 and $9.4 million in 2011.

Note 12 - Jointly Owned Facilities

The financial statements include the Company's 22.7 percent, 25.0 percent and 25.0 percent ownership interests in the assets, liabilities and expenses of the Big Stone Station, Coyote Station and Wygen III, respectively. Each owner of the stations is responsible for financing its investment in the jointly owned facilities.

The Company's share of the station's operating expenses was reflected in the appropriate categories of operating expenses (fuel, operation and maintenance, and taxes, other than

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income) in the Statement of Income.
At December 31, the Company's share of the cost of utility plant in service and related accumulated depreciation for the stations was as follows:

	2012	2011
	(In thousands)	
Big Stone Station:		
Utility plant in service	$ 63,146	$ 63,715
Less accumulated depreciation	40,859	42,475
	$ 22,287	$ 21,240
Coyote Station:		
Utility plant in service	$ 135,073	$ 131,719
Less accumulated depreciation	87,524	86,788
	$ 47,549	$ 44,931
Wygen III:		
Utility plant in service	$ 63,462	$ 63,300
Less accumulated depreciation	3,368	2,106
	$ 60,094	$ 61,194

Note 13 - Regulatory Matters and Revenues Subject to Refund

On September 26, 2012, Montana-Dakota filed an application with the MTPSC for a natural gas rate increase. Montana-Dakota requested a total increase of $3.5 million annually or approximately 5.9 percent above current rates. The requested increase includes the costs associated with the increased investment in facilities, including ongoing investment in new and replacement distribution facilities, the landfill gas production facility, a region operations building, automated meter reading and a new customer billing system. Montana-Dakota requested an interim increase, subject to refund, of $1.7 million or approximately 2.9 percent. On April 12, 2013, the MTPSC issued an Interim Order authorizing an interim increase of approximately $850,000 annually to be effective with service rendered April 15, 2013, subject to refund.

On December 21, 2012, Montana-Dakota filed an application with the SDPUC for a natural gas rate increase. Montana-Dakota requested a total increase of $1.5 million annually or approximately 3.3 percent above current rates. The requested increase includes the costs associated with the increased investment in facilities, including ongoing investment in new and replacement distribution facilities, the landfill gas production facility, an operations building, automated meter reading and a new customer billing system.

Note 14 - Commitments and Contingencies

Claims and Litigation

The Company is party to claims and lawsuits arising out of its business. The Company accrues a liability for those contingencies when the incurrence of a loss is probable and the amount can be reasonably estimated. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the minimum of the range is accrued. The Company does not accrue liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated or when the liability is believed to be only reasonably possible or remote. For contingencies where an unfavorable outcome is probable or reasonably possible and which are material, the Company discloses the nature of the contingency and, where feasible, an estimate of the possible loss. The Company had accrued liabilities of $1.1 million and $569,000 for contingencies related to litigation as of December 31, 2012 and 2011, respectively.

Operating leases

The Company leases certain equipment, facilities and land under operating lease agreements. The amounts of annual minimum lease payments due under these leases as of December 31, 2012, were $3.9 million in 2013, $3.9 million in 2014, $2.7 million in 2015, $2.6 million in 2016, $1.1 million in 2017 and $20.7 million thereafter. Rent expense was $2.8 million and $2.7 million for the years ended December 31, 2012 and 2011, respectively.

Purchase commitments

The Company has entered into various commitments, largely natural gas and coal supply, purchased power, and natural gas transportation and storage contracts. These commitments range from one to 12 years. The commitments under these contracts as of December 31, 2012, were $151.4 million in 2013, $54.8 million in 2014, $46.9 million in 2015, $35.4 million in 2016, $13.6 million in 2017 and $12.5 million thereafter. These commitments were not reflected in the Company's financial statements. Amounts purchased under various commitments for the years ended December 31, 2012 and 2011, were $241.5 million and $237.7 million.

MONTANA PLANT IN SERVICE (ASSIGNED & ALLOCATED)

Year: 2012

	Account Number & Title	Last Year	This Year	% Change
1				
2	**Intangible Plant**			
3				
4	301 Organization			
5	302 Franchises & Consents			
6	303 Miscellaneous Intangible Plant	$4,999,520	$4,994,372	-0.10%
7				
8	**TOTAL Intangible Plant**	$4,999,520	$4,994,372	-0.10%
9				
10	**Production Plant**			
11				
12	Steam Production			
13				
14	310 Land & Land Rights	$245,202	$230,326	-6.07%
15	311 Structures & Improvements	12,439,715	11,808,791	-5.07%
16	312 Boiler Plant Equipment	41,895,864	40,275,472	-3.87%
17	313 Engines & Engine Driven Generators			
18	314 Turbogenerator Units	11,541,084	11,483,520	-0.50%
19	315 Accessory Electric Equipment	3,839,028	3,608,352	-6.01%
20	316 Miscellaneous Power Plant Equipment	3,815,031	3,785,973	-0.76%
21				
22	**TOTAL Steam Production Plant**	$73,775,924	$71,192,434	-3.50%
23				
24	Nuclear Production			
25				
26	320 Land & Land Rights			
27	321 Structures & Improvements			
28	322 Reactor Plant Equipment		NOT	
29	323 Turbogenerator Units		APPLICABLE	
30	324 Accessory Electric Equipment			
31	325 Miscellaneous Power Plant Equipment			
32				
33	**TOTAL Nuclear Production Plant**			
34				
35	Hydraulic Production			
36				
37	330 Land & Land Rights			
38	331 Structures & Improvements			
39	332 Reservoirs, Dams & Waterways		NOT	
40	333 Water Wheels, Turbines & Generators		APPLICABLE	
41	334 Accessory Electric Equipment			
42	335 Miscellaneous Power Plant Equipment			
43	336 Roads, Railroads & Bridges			
44				
45	**TOTAL Hydraulic Production Plant**			

MONTANA PLANT IN SERVICE (ASSIGNED & ALLOCATED)

Year: 2012

	Account Number & Title		Last Year	This Year	% Change
1					
2		Production Plant (cont.)			
3					
4	Other Production				
5					
6	340	Land & Land Rights	$16,015	$15,043	-6.07%
7	341	Structures & Improvements	1,911,471	1,826,111	-4.47%
8	342	Fuel Holders, Producers & Accessories	615,456	592,299	-3.76%
9	343	Prime Movers			
10	344	Generators	34,070,544	32,985,507	-3.18%
11	345	Accessory Electric Equipment	4,234,556	4,222,381	-0.29%
12	346	Miscellaneous Power Plant Equipment	60,017	56,942	-5.12%
13					
14		**TOTAL Other Production Plant**	$40,908,059	$39,698,283	-2.96%
15					
16		**TOTAL Production Plant**	$114,683,983	$110,890,717	-3.31%
17					
18		**Transmission Plant**			
19					
20	350	Land & Land Rights	$917,666	$669,464	-27.05%
21	352	Structures & Improvements	431	404	-6.26%
22	353	Station Equipment	20,030,668	19,350,392	-3.40%
23	354	Towers & Fixtures	1,141,369	1,072,374	-6.04%
24	355	Poles & Fixtures	7,847,999	8,025,465	2.26%
25	356	Overhead Conductors & Devices	6,135,449	6,102,731	-0.53%
26	357	Underground Conduit	290,798	273,155	-6.07%
27	358	Underground Conductors & Devices	555,438	521,740	-6.07%
28	359	Roads & Trails			
29					
30		**TOTAL Transmission Plant**	$36,919,818	$36,015,725	-2.45%
31					
32		**Distribution Plant**			
33					
34	360	Land & Land Rights	$266,705	$265,312	-0.52%
35	361	Structures & Improvements			
36	362	Station Equipment	7,219,869	8,049,285	11.49%
37	363	Storage Battery Equipment			
38	364	Poles, Towers & Fixtures	6,865,432	7,143,237	4.05%
39	365	Overhead Conductors & Devices	5,208,118	5,418,047	4.03%
40	366	Underground Conduit	12,967	12,967	0.00%
41	367	Underground Conductors & Devices	7,136,847	8,140,633	14.06%
42	368	Line Transformers	9,514,029	10,408,202	9.40%
43	369	Services	4,609,910	4,923,513	6.80%
44	370	Meters	3,052,105	3,057,734	0.18%
45	371	Installations on Customers' Premises	778,786	834,170	7.11%
46	372	Leased Property on Customers' Premises			
47	373	Street Lighting & Signal Systems	1,686,196	1,696,459	0.61%
48					
49		**TOTAL Distribution Plant**	$46,350,964	$49,949,559	7.76%

MONTANA PLANT IN SERVICE (ASSIGNED & ALLOCATED)

Year: 2012

	Account Number & Title		Last Year	This Year	% Change
1					
2	**General Plant**				
3					
4	389	Land & Land Rights	$2,061	$2,055	-0.29%
5	390	Structures & Improvements	135,830	135,830	0.00%
6	391	Office Furniture & Equipment	210,019	205,890	-1.97%
7	392	Transportation Equipment	1,282,247	1,331,513	3.84%
8	393	Stores Equipment			
9	394	Tools, Shop & Garage Equipment	568,305	670,545	17.99%
10	395	Laboratory Equipment	29,550	27,448	-7.11%
11	396	Power Operated Equipment	2,012,794	2,447,750	21.61%
12	397	Communication Equipment	487,797	570,743	17.00%
13	398	Miscellaneous Equipment	6,523	6,523	0.00%
14	399	Other Tangible Property			
15					
16	**TOTAL General Plant**		$4,735,126	$5,398,297	14.01%
17					
18	**Common Plant**				
19					
20	389	Land & Land Rights	$194,629	$159,418	-18.09%
21	390	Structures & Improvements	3,720,919	3,700,325	-0.55%
22	391	Office Furniture & Equipment	637,503	848,520	33.10%
23	392	Transportation Equipment	1,257,951	1,306,177	3.83%
24	393	Stores Equipment	13,000	11,043	-15.05%
25	394	Tools, Shop & Garage Equipment	109,028	80,382	-26.27%
26	395	Laboratory Equipment			
27	396	Power Operated Equipment			
28	397	Communication Equipment	346,799	314,046	-9.44%
29	398	Miscellaneous Equipment	108,819	144,662	32.94%
30	399	Other Tangible Property			
31					
32	**TOTAL Common Plant**		$6,388,648	$6,564,573	2.75%
33					
34					
35	**TOTAL Electric Plant in Service**		$214,078,059	$213,813,243	-0.12%

MONTANA DEPRECIATION SUMMARY

Year: 2012

	Functional Plant Classification	Plant Cost	Accumulated Depreciation Last Year Bal.	Accumulated Depreciation This Year Bal.	Current Avg. Rate
1					
2	Steam Production 1/	$74,186,817	$61,255,765	$58,436,007	3.28%
3	Nuclear Production				
4	Hydraulic Production				
5	Other Production	39,698,283	6,935,616	7,541,996	4.43%
6	Transmission	36,015,725	18,751,885	18,769,138	1.42%
7	Distribution	49,949,559	24,524,076	24,820,180	2.09%
8	General	7,382,858	3,261,730	3,625,273	2.71%
9	Common	9,574,384	5,613,099	5,352,173	3.06%
10	**TOTAL**	$216,807,626	$120,342,171	$118,544,767	2.88%

MONTANA MATERIALS & SUPPLIES (ASSIGNED & ALLOCATED)

SCHEDULE 21

	Account	Last Year Bal.	This Year Bal.	%Change
1				
2	151 Fuel Stock	$1,692,096	$1,448,243	-14.41%
3	152 Fuel Stock Expenses Undistributed			
4	153 Residuals			
5	154 Plant Materials & Operating Supplies:			
6	Assigned to Construction (Estimated)			
7	Assigned to Operations & Maintenance			
8	Production Plant (Estimated)	582,686	576,820	-1.01%
9	Transmission Plant (Estimated)	1,143,338	652,300	-42.95%
10	Distribution Plant (Estimated)	786,182	1,178,303	49.88%
11	Assigned to Other			
12	155 Merchandise			
13	156 Other Materials & Supplies			
14	157 Nuclear Materials Held for Sale			
15	163 Stores Expense Undistributed			
16				
17	**TOTAL Materials & Supplies**	$4,204,302	$3,855,666	-8.29%

MONTANA REGULATORY CAPITAL STRUCTURE & COSTS

SCHEDULE 22

	Commission Accepted - Most Recent		% Cap. Str.	% Cost Rate	Weighted Cost
1	Docket Number	2007.7.79			
2	Order Number	6846f			
3					
4	Common Equity		50.67%	10.25%	5.19%
5	Preferred Stock		3.58%	4.61%	0.17%
6	Long Term Debt		38.18%	7.22%	2.76%
7	Short Term Debt		7.57%	6.11%	0.46%
8	**TOTAL**		100.00%		8.58%
9					
10	Actual at Year End				
11					
12	Common Equity		54.122%	10.250%	5.548%
13	Preferred Stock		2.192%	4.585%	0.101%
14	Long Term Debt		39.953%	6.846%	2.735%
15	Short Term Debt		3.733%	1.406%	0.052%
16	**TOTAL**		100.000%		8.436%

1/ Includes deferred AFUDC, depreciation and interest on Coyote and acquisition adjustment.

STATEMENT OF CASH FLOWS

Year: 2012

	Description	Last Year	This Year	% Change
1	Increase/(decrease) in Cash & Cash Equivalents:			
2				
3	**Cash Flows from Operating Activities:**			
4	Net Income	$213,026,346	($754,434)	-100.35%
5	Depreciation	43,254,010	44,085,955	1.92%
6	Amortization	799,169	359,112	-55.06%
7	Deferred Income Taxes - Net	33,443,170	30,106,065	-9.98%
8	Investment Tax Credit Adjustments - Net	73,338	(57,381)	-178.24%
9	Change in Operating Receivables - Net	3,880,302	27,095,103	598.27%
10	Change in Materials, Supplies & Inventories - Net	(8,012,994)	1,127,458	114.07%
11	Change in Operating Payables & Accrued Liabilities - Net	10,633,165	(6,116,385)	-157.52%
12	Change in Other Regulatory Assets	(38,067,475)	8,529,038	122.41%
13	Change in Other Regulatory Liabilities	2,245,939	(316,175)	-114.08%
14	Allowance for Other Funds Used During Construction (AFUDC)	(2,056,639)	(3,097,868)	-50.63%
15	Change in Other Assets & Liabilities - Net	36,086,437	(17,630,258)	-148.86%
16	Less Undistributed Earnings from Subsidiary Companies	(75,909,717)	143,869,235	289.53%
17	Other Operating Activities (explained on attached page)			
18	**Net Cash Provided by/(Used in) Operating Activities**	$219,395,051	$227,199,465	3.56%
19				
20	**Cash Inflows/Outflows From Investment Activities:**			
21	Construction/Acquisition of Property, Plant and Equipment			
22	(net of AFUDC & Capital Lease Related Acquisitions)	($77,793,567)	($150,633,728)	-93.63%
23	Acquisition of Other Noncurrent Assets	203,053	11,802	-94.19%
24	Proceeds from Disposal of Noncurrent Assets			
25	Investments In and Advances to Affiliates			
26	Contributions and Advances from Affiliates	(3,006,643)	3,612,427	220.15%
27	Disposition of Investments in and Advances to Affiliates			
28	Other Investing Activities: Depreciation & RWIP on Nonutility Plant	174,706	184,926	5.85%
29	**Net Cash Provided by/(Used in) Investing Activities**	($80,422,451)	($146,824,573)	-82.57%
30				
31	**Cash Flows from Financing Activities:**			
32	Proceeds from Issuance of:			
33	Long-Term Debt			
34	Preferred Stock			
35	Common Stock	5,743,321	87,945	-98.47%
36	Other:	359,820	22,423	-93.77%
37	Net Increase in Short-Term Debt			
38	Other: Commercial Paper		76,000,000	100.00%
39	Payment for Retirement of:			
40	Long-Term Debt	(107,074)	(21,401)	80.01%
41	Preferred Stock			
42	Common Stock			
43	Other: Adjustment to Retained Earnings	1,798		-100.00%
44	Net Decrease in Short-Term Debt	(20,000,000)		100.00%
45	Dividends on Preferred Stock	(685,003)	(685,003)	0.00%
46	Dividends on Common Stock	(123,659,801)	(159,083,992)	-28.65%
48	**Net Cash Provided by (Used in) Financing Activities**	($138,346,939)	($83,680,028)	39.51%
49				
50	**Net Increase/(Decrease) in Cash and Cash Equivalents**	$625,661	($3,305,136)	-628.26%
51	**Cash and Cash Equivalents at Beginning of Year**	$6,275,013	$6,900,674	9.97%
52	**Cash and Cash Equivalents at End of Year**	$6,900,674	$3,595,538	-47.90%

LONG TERM DEBT

Year: 2012

	Description	Issue Date Mo./Yr.	Maturity Date Mo./Yr.	Principal Amount	Net Proceeds	Outstanding Per Balance Sheet	Yield to Maturity	Annual Net Cost Inc. Prem/Disc.	Total Cost % 1/
1	6.61% Senior Notes	09/09	09/16	$25,000,000	$24,423,218	$25,000,000	6.61%	$1,780,000	7.12%
2	6.66% Senior Notes	10/09	09/16	25,000,000	24,423,218	25,000,000	6.66%	1,793,000	7.17%
3	5.98% Senior Notes	12/03	12/33	30,000,000	29,456,832	30,000,000	5.98%	1,861,500	6.21%
4	6.33 % Senior Notes	08/06	08/26	100,000,000	89,123,930	100,000,000	6.33%	7,514,000	7.51%
5	6.04 % Senior Notes	09/08	09/18	100,000,000	99,637,568	100,000,000	6.04%	6,181,000	6.18%
6									
7									
8									
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10									
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17									
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21									
22									
23									
24									
25									
26	**TOTAL**			$280,000,000	$267,064,766	$280,000,000		$19,129,500	6.83%

1/ Includes interest expense, bond discount expense, debt issuance expense and loss on bond reacquistion and redemption.

PREFERRED STOCK

Year: 2012

	Series	Issue Date Mo./Yr.	Shares Issued	Par Value	Call Price 1/	Net Proceeds	Cost of Money	Principal Outstanding	Annual Cost	Embed. Cost %
1	4.50 % Cumulative	01/51	100,000	$100	$105	$10,000,000	4.50%	$10,000,000	$450,000	4.50%
2	4.70 % Cumulative	12/55	50,000	100	102	5,000,000	4.70%	5,000,000	235,000	4.70%
3	5.10 % Cumulative 2/	05/61	50,000	100	102	4,947,548	5.28%	386,100	20,400	5.28%
4										
5										
6										
7										
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26										
27										
28										
29										
30										
31										
32	**TOTAL**					$19,947,548		$15,386,100	$705,400	4.58%

1/ Plus accrued dividends
2/ Per GAAP, classified as long-term debt

Company Name: Montana-Dakota Utilities Co.

SCHEDULE 26

COMMON STOCK

Year: 2012

		Avg. Number of Shares Outstanding 1/	Book Value Per Share	Earnings Per Share 2/	Dividends Per Share	Retention Ratio	Market Price High	Market Price Low	Price/ Earnings Ratio 3/
1	January								
2									
3	February								
4									
5	March	188,830,529	$14.61	$0.19	$0.1675	11.84%	$22.50	$21.14	20.7
6									
7	April								
8									
9	May								
10									
11	June	188,830,529	14.86	0.29	0.1675	42.24%	23.21	20.76	19.1
12									
13	July								
14									
15	August								
16									
17	September	188,830,529	14.45	(0.16)	0.1675	-204.69%	23.11	21.42	4/
18									
19	October								
20									
21	November								
22									
23	December	188,830,529	13.95	(0.32)	0.1725	-153.91%	22.23	19.59	4/
24									
30	TOTAL Year End	188,830,529	$13.95	$0.00	$0.6750	0.00%			4/

1/ Basic shares

2/ Basic earnings per share.

3/ Calculated on 12 months ended using closing stock price.

4/ Not meaningful due to the effects of write-down(s) of oil and gas properties.

MONTANA EARNED RATE OF RETURN

Year: 2012

	Description	Last Year	This Year	% Change
	Rate Base			
1				
2	101 Plant in Service 1/	$214,892,242	$214,458,975	-0.20%
3	108 (Less) Accumulated Depreciation 2/	117,954,549	116,250,397	-1.44%
4				
5	**NET Plant in Service**	$96,937,693	$98,208,578	1.31%
6	CWIP in Service Pending Reclassification	$1,274,249	$792,300	-37.82%
7				
8	Additions			
9	151 Fuel Stocks	$1,692,096	$1,448,243	-14.41%
10	154, 156 Materials & Supplies	2,512,206	2,407,423	-4.17%
11	165 Prepayments	37,703	37,447	-0.68%
12	189 Unamortized Loss on Debt	1,282,639	1,091,022	-14.94%
13				
14	**TOTAL Additions**	$5,524,644	$4,984,135	-9.78%
15	Deductions			
16	190 Accumulated Deferred Income Taxes	$22,437,962	$25,901,244	15.43%
17	252 Customer Advances for Construction	402,657	817,960	103.14%
18	255 Accumulated Def. Investment Tax Credits	19	0	-100.00%
19	Other Deductions			
20				
21	**TOTAL Deductions**	$22,840,638	$26,719,204	16.98%
22	**TOTAL Rate Base**	$80,895,948	$77,265,809	-4.49%
23				
24	**Net Earnings**	$8,479,063	$7,887,933	-6.97%
25				
26	**Rate of Return on Average Rate Base**	10.23%	9.97%	-2.54%
27				
28	**Rate of Return on Average Equity**	13.11%	13.09%	-0.15%
29	Major Normalizing Adjustments & Commission			
30	Ratemaking Adjustments to Utility Operations			
31	Adjustments to Operating Revenues 3/			
32	Late Payment Revenues	$15,097	$15,358	1.73%
33	Gain from Disposition of Property 4/	18,105	14,817	-18.16%
34				
35	Adjustments to Operating Expenses 3/			
36	Elimination of Promotional & Institutional Advertising	(9,982)	(6,344)	36.45%
37	Elimination of Supplemental Insurance	(137,831)	0	100.00%
38				
39	Adjustments to Tax Deductions			
40	Elimination of 401K Tax Deduction	128,035	0	-100.00%
41				
42	Other Adjustments to Federal & State Income Taxes			
43	Federal & State Out of Period & Closing/Filing	2,239,730	2,396,833	7.01%
44	Deferred Federal & State Out of Period & Closing/Filing	(1,764,992)	(2,332,219)	-32.14%
45				
46	Total Adjustments to Operating Income	($421,758)	($28,095)	-93.34%
47				
48	**Adjusted Rate of Return on Average Rate Base**	9.72%	9.94%	2.26%
49				
50	**Adjusted Rate of Return on Average Equity**	12.18%	13.03%	6.98%

1/ Excludes Acquisition Adjustment of $2,500,349 for 2011 and $2,348,651 for 2012.
2/ Excludes Acquisition Adjustment of $2,387,622 for 2011 and $2,294,370 for 2012.
3/ Updated amounts, net of taxes.
4/ Amortized over 5 years.

MONTANA COMPOSITE STATISTICS

Year: 2012

		Description	Amount
1			
2		Plant (Intrastate Only) (000 Omitted)	
3			
4	101	Plant in Service	$219,247
5	107	Construction Work in Progress	1,238
6	114	Plant Acquisition Adjustments	
7	105	Plant Held for Future Use	
8	154, 156	Materials & Supplies	2,407
9		(Less):	
10	108, 111	Depreciation & Amortization Reserves	116,250
11	252	Contributions in Aid of Construction	818
12			
13		**NET BOOK COSTS**	$105,824
14			
15		Revenues & Expenses (000 Omitted)	
16			
17	400	Operating Revenues	$53,445
18			
19	403 - 407	Depreciation & Amortization Expenses	$6,242
20		Federal & State Income Taxes	2,152
21		Other Taxes	3,833
22		Other Operating Expenses	33,331
23		TOTAL Operating Expenses	$45,558
24			
25		Net Operating Income	$7,887
26			
27		Other Income	708
28		Other Deductions	2,021
29			
30		**NET INCOME**	$6,574
31			
32		Customers (Intrastate Only)	
33			
34		Year End Average:	
35		Residential	18,886
36		Small General	5,662
37		Large General	286
38		Other	214
39			
40		**TOTAL NUMBER OF CUSTOMERS**	25,048
41			
42		Other Statistics (Intrastate Only)	
43			
44		Average Annual Residential Use (Kwh))	9,621
45		Average Annual Residential Cost per (Kwh) (Cents) * 1/	$0.086
46		* Avg annual cost = [(cost per Kwh x annual use) + (mo. svc chrg x 12)]/annual use	
47		Average Residential Monthly Bill	$68.95
48		Gross Plant per Customer	$8,753

1/ Reflects average revenue for 2012.

MONTANA CUSTOMER INFORMATION

Year: 2012

	City/Town	Population (Includes Rural) 1/	Residential Customers	Commercial Customers	Industrial & Other Customers	Total Customers
1	Antelope	51	71	24	3	98
2	Bainville	208	141	52	7	200
3	Baker	1,741	990	356	20	1,366
4	Brockton	255	104	25	3	132
5	Carlyle	Not Available	2	5		7
6	Culbertson	714	380	157	4	541
7	Fallon	164	182	107	1	290
8	Fairview	840	416	107	5	528
9	Flaxville	71	59	27	3	89
10	Forsyth	1,777	1,030	284	16	1,330
11	Froid	185	150	51	3	204
12	Glendive	4,935	3,369	839	56	4,264
13	Homestead	Not Available	22	9	2	33
14	Ismay	19	22	19	1	42
15	Kinsey	Not Available	113	58		171
16	Medicine Lake	225	190	53	4	247
17	Miles City	8,410	4,546	1,038	55	5,639
18	Outlook	47	60	40	11	111
19	Plentywood	1,734	1,011	275	7	1,293
20	Plevna	162	95	33	4	132
21	Poplar	810	887	177	18	1,082
22	Poplar Oil Field	Not Available		7	10	17
23	Redstone	Not Available	16	21	1	38
24	Reserve	23	24	13	3	40
25	Rosebud	111	68	61	4	133
26	Savage	Not Available	142	32	3	177
27	Scobey	1,017	598	181	3	782
28	Sidney	5,191	2,528	517	35	3,080
29	Terry	605	360	112	10	482
30	Whitetail	Not Available	26	25	1	52
31	Wibaux	589	305	106	11	422
32	Wolf Point	2,621	1,475	329	18	1,822
33	MT Oil Fields	Not Available	8	67	92	167
34	**TOTAL Montana Customers**	32,505	19,390	5,207	414	25,011

1/ 2010 Census.

MONTANA EMPLOYEE COUNTS 1/

Year: 2012

	Department	Year Beginning	Year End	Average
1	Electric	20	21 (1)	20 (1)
2	Gas	40 (1)	42	41
3	Accounting	7	4	6
4	Management	4	4	4
5	Service	29	31	30
6	Communications/Substation/Training	2	1	2
7	Power Production	33	35	34
8				
9				
10				
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41				
42				
43				
44	**TOTAL Montana Employees**	135 (1)	138 (1)	137 (1)

1/ Parentheses denotes part-time.

MONTANA CONSTRUCTION BUDGET (ASSIGNED & ALLOCATED) Year: 2012

	Project Description	Total Company	Total Montana	
1	Projects>$1,000,000			
2	Common-General			
3	Construct District Office in Williston, ND	$5,179,162	$0	
4	Common-Intangible			
5	Replace Customer Information System	3,041,036	844,889	1/
6	Electric-Steam Production			
7	Upgrade Material Handling System for Coal/Limestone-Heskett	8,045,599	1,820,750	1/
8	Purchase Baghouse-Lewis & Clark	1,866,536	422,025	1/
9	Install Technology for Air Quality Control-Big Stone	6,646,515	1,504,378	1/
10	Electric-Other Production			
11	Install 88MW Combustion Turbine in ND	47,395,690	10,695,230	1/
12	Electric-Transmission			
13	Construct 115/41.6KV W junction substation-Dickinson, ND	4,657,791	0	
14	Construct 115KV Little Muddy substation-Williston, ND	4,237,342	958,065	1/
15	Install 115/69KV bay in Stanley, ND substation	1,931,769	0	
16	Replace 115/57KV transformer in Kenmare, ND	1,437,309	0	
17	Extend 60KV line-Little Muddy Substation to Williston, ND	2,173,620	0	
18	Construct 345KV line-Big Stone to Ellendale, ND	3,586,266	810,857	1/
19	Extend 60KV line-Ray to Epping, ND	2,243,055	0	
20	Raise 115KV line-Beulah to Dickinson, ND	1,410,042	318,811	1/
21	Raise 115KV line-Williston to Tioga, ND	1,091,179	246,716	1/
22	Reroute 115KV line loop-Dickinson, ND	1,613,315	0	
23	Install 115KV line loop-Kenmare to Lignite, ND	1,208,526	0	
24	Install optical ground wire-Heskett to Wishek, ND	1,701,921	384,805	1/
25	Gas-Distribution			
26	Install 12" main loop line extension-Williston, ND	2,684,825	0	
27	Other Projects<$1,000,000			
28	Electric			
29	Production	11,478,786	2,555,273	1/
30	Integrated Transmission	4,113,955	1,551,325	1/
31	Direct Transmission	7,723,422	315,905	2/
32	Distribution	29,442,921	4,196,597	2/
33	General	3,223,599	656,488	1/
34	Common:			
35	General Office	2,530,756	527,594	1/
36	Other Direct	626,729	77,129	2/
37	Total Electric	$59,140,168	$9,880,311	
38	Gas			
39	Production	0	0	
40	Distribution	19,476,843	6,220,912	1/
41	General	1,867,887	550,024	2/
42	Intangible	141,546	40,976	2/
43	Common:			
44	General Office	1,775,385	520,703	1/
45	Other Direct	265,485	67,846	2/
46	Total Gas	$23,527,146	$7,400,461	
47	TOTAL	$184,818,812	$35,287,298	

1/ Allocated to Montana.
2/ Directly assigned to Montana.

TOTAL INTEGRATED SYSTEM & MONTANA PEAK AND ENERGY

Year: 2012

Integrated System

		Peak Day of Month	Peak Hour	Peak Day Volumes Megawatts	Total Monthly Volumes Energy (Mwh)	Non-Requirements Sales For Resale (Mwh)
1	Jan.	18	1900	510.8	283,246	151
2	Feb.	27	900	444.0	252,172	55
3	Mar.	2	1100	403.5	224,210	1,717
4	Apr.	24	1600	360.1	209,626	
5	May	17	1700	390.5	224,700	685
6	Jun.	26	1700	518.2	220,303	281
7	Jul.	19	1800	573.5	291,079	299
8	Aug.	29	1700	538.1	249,148	5,576
9	Sep.	1	1900	449.6	204,942	2,979
10	Oct.	25	2000	396.0	233,189	1,412
11	Nov.	29	1900	448.3	249,082	939
12	Dec.	26	1900	480.2	296,829	
13	**TOTAL**				2,938,526	14,094

Montana

		Peak Day of Month	Peak Hour	Peak Day Volumes Megawatts	Total Monthly Volumes Energy (Mwh)	Non-Requirements Sales For Resale (Mwh)
14	Jan.	18	1900	114.5		
15	Feb.	27	900	101.6		
16	Mar.	2	1100	77.1		
17	Apr.	24	1600	84.0		
18	May	17	1700	88.7		
19	Jun.	26	1700	117.1		
20	Jul.	19	1800	141.8	Not Available	Not Available
21	Aug.	29	1700	127.1		
22	Sep.	1	1900	108.8		
23	Oct.	25	2000	86.4		
24	Nov.	29	1900	107.5		
25	Dec.	26	1900	120.8		
26	**TOTAL**					

TOTAL SYSTEM Sources & Disposition of Energy

SCHEDULE 33

	Sources	Megawatthours	Disposition	Megawatthours
1	Generation (Net of Station Use)			
2	Steam	2,094,368	Sales to Ultimate Consumers	
3	Nuclear		(Include Interdepartmental)	2,996,528
4	Hydro - Conventional			
5	Hydro - Pumped Storage		Requirements Sales	
6	Other	205,318	for Resale	
7	(Less) Energy for Pumping			
8	**NET Generation**	2,299,686	Non-Requirements Sales	
9	Purchases	893,965	for Resale	14,094
10	Power Exchanges			
11	Received	57,625	Energy Furnished	
12	Delivered	81,074	Without Charge	
13	**NET Exchanges**	(23,449)		
14	Transmission Wheeling for Other		Energy Used Within	
15	Received	1,805,965	Electric Utility	
16	Delivered	1,696,545		
17	**NET Transmission Wheeling**	109,420	Total Energy Losses	223,446
18	Transmission by Others Losses	(45,554)		
19	**TOTAL**	3,234,068	**TOTAL**	3,234,068

Montana-Dakota's annual peak occurred during HE1800 July 19, 2012. All generation units were available for operation during the peak hour. The following units were on line and providing energy.

Big Stone	106.9	
Cedar Hills	1.9	
Coyote	87.5	
Diamond Willow	0.0	
Glendive Turbine	33.7	
Glen Ullin Ormat	4.2	
Heskett #1	0.0	Offline
Heskett #2	67.6	
Lewis & Clark	38.1	

Montana-Dakota also purchased 234.51 Mw from MISO to meet the peak demand. The remaining demand was purchased from Western Area Power Administration through Balancing Authority services and was paid back in-kind the following month.

SOURCES OF ELECTRIC SUPPLY

Year: 2012

	Type	Plant Name	Location	Annual Peak (MW)	Annual Energy (Mwh)
1	Combustion Turbine	Williston Plant	Williston, ND	0.00	(7.1)
2	Combustion Turbine	Miles City Turbine	Miles City, MT	18.80	1,573.0
3	Thermal	Lewis & Clark Station	Sidney, MT	52.65	253,720.7
4	Combustion Turbine	Glendive Turbine	Glendive, MT	77.87	10,595.9
5	Thermal	Heskett Station	Mandan, ND	103.33	477,434.9
6	Thermal	Big Stone Station 1/	Milbank, SD	107.93	590,866.9
7	Thermal	Coyote Station 1/	Beulah, ND	107.42	557,129.8
8	Wind	Diamond Willow	Baker, MT	30.10	90,956.2
9	Heat Recovery	Glen Ullin Ormat Sub	Glen Ullin, ND	6.40	38,996.0
10	Wind	Cedar Hills	Rhame, ND	20.20	62,726.7
11					
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41	**Total**			524.70	2,083,993.0

1/ Reflects Montana-Dakota Utilities share.

Outage Start Date/Time	Outage End Date/Time	Brief Description of Primary Cause 1/
		Big Stone Plant: Unit #1
01/21/2012 06:02	01/21/2012 17:51	Tripped offline
01/21/2012 18:18	01/21/2012 19:33	High drum level trip
02/02/2012 09:00	02/04/2012 10:37	Tube leak
02/15/2012 08:22	02/16/2012 22:57	Tube leak
02/18/2012 23:51	02/21/2012 10:43	Tube leak
02/29/2012 11:50	02/29/2012 13:38	Control oil leak - #2 turbine governor valve
03/09/2012 14:52	03/10/2012 23:33	Tube leak
04/04/2012 07:38	04/04/2012 09:02	Boiler feed pump high pressure oil trip
04/11/2012 21:58	04/13/2012 19:48	Tube leak
04/19/2012 13:50	04/19/2012 15:14	Unit trip - Low drum level
06/05/2012 17:56	06/17/2012 00:40	Spring outage
07/07/2012 22:24	07/08/2012 09:23	Hydrogen Cooler Cleaning
08/01/2012 01:41	08/02/2012 14:24	Tube leak
09/28/2012 18:59	09/30/2012 03:14	Tube leak
		Coyote Station: Unit #1
01/23/2012 19:50	01/25/2012 04:55	Boiler tube leak
03/30/2012 00:49	04/01/2012 00:00	Scheduled major outage
04/01/2012 00:00	05/15/2012 11:49	Scheduled major outage - turbine and boiler work
05/17/2012 11:25	05/17/2012 14:15	"B" boiler feed pump tripped causing the unit to trip
05/30/2012 01:22	05/31/2012 02:12	Winbox air leaks and coal leaks
06/29/2012 06:06	07/01/2012 14:23	"B" zone inlet expasion joint tear and casing repairs
07/18/2012 05:49	07/18/2012 07:16	Unit trip lightning strike 345kV line.
07/31/2012 14:57	07/31/2012 17:37	345kV line fault unit trip.
09/03/2012 22:16	09/07/2012 13:25	Boiler wash outage.
09/23/2012 17:39	09/25/2012 05:13	Screen tube failure.
10/07/2012 19:47	10/09/2012 19:27	Came offline to balance a gas recirculation fan.
11/12/2012 21:12	11/15/2012 05:06	Primary superheat tube leak.
11/19/2012 04:21	01/01/2013 00:00	Generator ground to neutral fault.

Outage Start Date/Time	Outage End Date/Time	Brief Description of Primary Cause 1/
		Lewis & Clark Station: Unit #1
1/4/2012 4:35	1/4/2012 18:38	Scrubber disc cleaning
4/3/2012 4:46	4/4/2012 11:07	Installation of new spray nozzles.
4/14/2012 18:04	6/10/2012 1:51	Planned major turbine overhaul
6/10/2012 5:25	6/10/2012 9:22	Turbine extraction non return valve gasket burned out
6/10/2012 11:25	6/10/2012 19:30	Variable frequency drive on induced draft fan tripped
6/14/2012 11:21	6/14/2012 16:00	Turbine control oil filter plugged up
8/1/2012 22:42	8/2/2012 10:35	Clean scrubber - buildup caused by nozzle leak
9/28/2012 22:03	10/1/2012 0:00	Scheduled fall maintenance and cleaning outage
10/1/2012 0:00	10/8/2012 9:14	Scheduled fall maintenance and cleaning outage
10/24/2012 22:10	10/26/2012 8:57	Fixed low pressure feed water heater tube leaks and leak in heater shell
12/19/2012 5:27	12/19/2012 15:01	Scrubber disc cleaning
		R.M. Heskett Station: Unit #1
02/25/2012 08:59	02/26/2012 07:58	87MT1 relay issue on stepup transformer
05/16/2012 13:35	05/18/2012 23:59	87MT1 relay issue on stepup transformer
05/18/2012 23:59	05/25/2012 19:45	Maintenance outage
07/18/2012 23:13	07/24/2012 23:50	Failed communication card in solid state exciter.
09/14/2012 22:13	09/23/2012 19:10	Maintenance outage.
		R.M. Heskett Station: Unit #2
01/12/2012 13:47	01/23/2012 03:55	Turbine governor motor failed
06/01/2012 21:17	06/12/2012 22:00	Scheduled maintenance and cleaning outage
06/12/2012 22:00	06/14/2012 20:30	In bed floor tube leak during startup
06/14/2012 20:30	06/15/2012 22:24	Logic system problems
06/29/2012 18:31	06/29/2012 20:30	High forced draft fan duct pressure trip due to boiler excursion
06/29/2012 20:30	07/01/2012 20:28	Generator disconnect switch linkage problems
07/06/2012 00:16	07/09/2012 12:10	Boiler - fluid bed agglomeration.
07/09/2012 12:10	07/09/2012 16:09	Gland leak off blowing too much steam
10/09/2012 21:00	10/22/2012 04:07	Maintenance outage.

1/ Outages longer than 1 hour, other than reserve shutdowns for economic dispatch.

Company Name: **Montana-Dakota Utilities Co.** **SCHEDULE 35**

MONTANA CONSERVATION & DEMAND SIDE MANAGEMENT PROGRAMS

Year: 2012

	Program Description	Current Year Expenditures	Last Year Expenditures	% Change	Planned Savings (MW & MWH)	Achieved Savings (MW & MWH)	Difference (MW & MWH)
1							
2	MT Conservation & DSM Program	$92,916	$3,576	2498.32%	N/A	56.8 MWh	N/A
3	(As Detailed on Schedule 35B)						
4							
5							
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30							
31							
32	**TOTAL**	$92,916	$3,576	2498.32%	N/A	56.8 MWh	N/A

Company Name: Montana-Dakota Utilities Co. SCHEDULE 35A

ELECTRIC UNIVERSAL SYSTEM BENEFITS PROGRAMS

Year: 2012

	Program Description	Actual Current Year Expenditures	Contracted or Committed Current Year Expenditures	Total Current Year Expenditures	Expected savings (MW and MWh)	Most recent program evaluation
1	Local Conservation					
2	Commercial Lighting	$10,916	$0	10,916	26.0 MWh	2012
3	Potential Study	80,175	0	80,175	0.0 MWh	2012
4	Commercial Motors	1,825	0	1,825	30.8 MWh	2012
5						
6						
7	Market Transformation					
8						
9						
10						
11						
12						
13	Renewable Resources					
14						
15						
16						
17						
18						
19	Research & Development					
20						
21						
22						
23						
24						
25	Low Income					
26	Discounts	$309,707	$0	$309,707		2012
27						
28	Weatherization		177,000	177,000		
29						
30	Furnace Safety		25,000	25,000		2012
31						
32	Education	5,367	0	5,367		2012
33						
34	Energy Audits		10,000	10,000		2012
35	Large Customer Self Directed					
36		$235,225	$0	$235,225		
37						
38						
39						
40						
41	Total	$643,215	$212,000	$855,215	56.8 MWh	2012
42	Number of customers that received low income rate discounts			(Average)	1,651	
43	Average monthly bill discount amount ($/mo)				$15.63	
44	Average LIEAP-eligible household income				N/A	
45	Number of customers that received weatherization assistance				N/A	
46	Expected average annual bill savings from weatherization				N/A	
47	Number of residential audits performed				N/A	

Company Name: Montana-Dakota Utilities Co. SCHEDULE 35B

MONTANA CONSERVATION & DEMAND SIDE MANAGEMENT PROGRAMS Year: 2012

	Program Description	Actual Current Year Expenditures	Contracted or Committed Current Year Expenditures	Total Current Year Expenditures	Expected savings (MW and MWh)	Most recent program evaluation
1	Local Conservation					
2	Commercial Lighting	$10,916	$0	$10,916	26.0 MWh	2012
3	Potential Study	80,175	0	80,175	0.0 MWh	2012
4	Commercial Motors	1,825	0	1,825	30.8 MWh	2012
5						
6						
7						
8	Demand Response					
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15	Market Transformation					
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21						
22	Research & Development					
23						
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29	Low Income					
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35	Other					
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44						
45						
46	Total	$92,916	$0	$92,916	56.8 MWh	2012

MONTANA CONSUMPTION AND REVENUES

Year: 2012

	Sales of Electricity	Operating Revenues Current Year	Operating Revenues Previous Year	MegaWatt Hours Sold Current Year	MegaWatt Hours Sold Previous Year	Avg. No. of Customers Current Year	Avg. No. of Customers Previous Year
1	Residential	$15,359,106	$14,938,802	181,708	179,961	18,886	18,606
2	Small General	9,463,999	8,811,963	124,656	117,846	5,662	5,503
3	Large General	24,308,656	23,496,466	432,249	432,552	286	277
4	Lighting	837,536	841,263	9,831	9,971	107	93
5	Municipal Pumping	455,265	416,506	7,603	7,232	107	107
6	Sales to Other Utilities		452,611	Not Applicable	Not Applicable	Not Applicable	Not Applicable
7							
8							
9							
10							
11							
12							
13	**TOTAL**	$50,424,562	$48,957,611	756,047	747,562	25,048	24,586