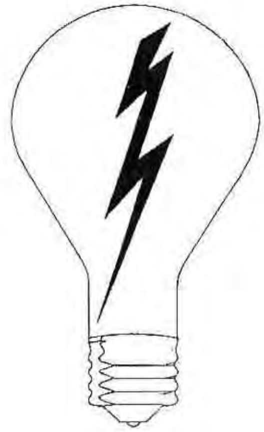
YEAR ENDING 2016

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

Company Name: Montana-Dakota Utilities Co. **SCHEDULE 1**

IDENTIFICATION Year: 2016

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:	Tamie A. Aberle
5a.	Telephone Number:	(701) 222-7856

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	David L. Goodin (Chairman), Bismarck, ND	-
2	Doran N. Schwartz, Bismarck, ND	-
3	Nicole A. Kivisto, Bismarck, ND	-
4	Daniel S. Kuntz, Bismarck, ND	-
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.	
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Company Name: Montana-Dakota Utilities Co. **SCHEDULE 3**

Officers Year: 2016

Line No.	Title of Officer (a)	Department Supervised (b)	Name (c)
1	President & Chief	Executive	Nicole A. Kivisto
2	Executive Officer		
3			
4	Vice President	Electric Supply	Jay W. Skabo
5			
6	Vice President	Operations	Patrick C. Darras
7			
8	Executive Vice President	Regulatory Affairs, Customer Service,	Garret Senger 1/
9		and Gas Supply	
10			
11	Controller	Accounting	Tammy J. Nygard 2/
12			
13	Vice President	Human Resources	Anne M. Jones 3/
14			
15	General Counsel and Secretary		Daniel S. Kuntz 4/
16			
17	Vice President	Chief Financial Officer	Doran Schwartz 5/
18			
19	Vice President	Chief Accounting Officer	Jason Vollmer 6/
20			
21			
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30			
31	1/ Effective March 7, 2016, Garret Senger replaced responsibility over accounting function with responsibility		
32	over Customer Service and Gas Supply.		
33	2/ Effective July 11, 2016, Tammy J. Nygard assumed responsibility for Montana-Dakota accounting function,		
34	transferred from Garret Senger.		
35	3/ Effective January 1, 2016, Anne M. Jones became Vice President of Human Resources for MDU Resources		
36	Group, Inc.		
37	4/ Effective January 9, 2016, Daniel S. Kuntz replaced Paul K. Sandness as General Counsel and Secretary.		
38	5/ Effective March 7, 2016, Doran Schwartz assumed responsibility over the accounting function for MDU		
39	Resources Group, Inc.		
40	6/ Effective March 7, 2016, Jason Vollmer became Chief Accounting Officer for MDU Resources Group, Inc.		

Company Name: Montana-Dakota Utilities Co. **SCHEDULE 4**

CORPORATE STRUCTURE

Year: 2016

	Subsidiary/Company Name	Line of Business	Earnings (000's)	Percent of Total
1	Montana-Dakota Utilities Co./	Electric and Natural Gas	$69,324	108.75%
2	Great Plains Natural Gas Co.	Distribution		
3	(Divisions of MDU Resources			
4	Group, Inc.)/Cascade			
5	Natural Gas Corp. and			
6	Intermountain Gas Company			
7				
8	WBI Holdings, Inc.	Pipeline, Midstream and Refining	(154,290)	(242.03%)
9				
10				
11	Knife River Corporation	Construction Materials and	102,687	161.08%
12		Contracting		
13				
14	MDU Construction Services	Construction Services	33,945	53.25%
15	Group, Inc.			
16				
17	Centennial Energy Resources LLC/	Other	2,940	4.61%
18	Centennial Holdings Capital LLC			
19				
20	Eliminations		9,142	14.34%
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
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49				
50	**TOTAL**		$63,748	100.00%

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

CORPORATE ALLOCATIONS - ELECTRIC

Year: 2016

Items Allocated	Classification	Allocation Method	$ to MT Utility	MT %	$ to Other
Audit Costs	Administrative & General	Various Corporate Overhead Allocation Factors	$10,202	3.45%	$285,288
Advertising	Administrative & General	Various Corporate Overhead Allocation Factors and/or Actual Costs Incurred	4,996	3.47%	139,163
Air Service	Administrative & General	Various Corporate Overhead Allocation Factors, Time Studies, and/or Actual Costs Incurred	947	1.67%	55,666
Automobile	Administrative & General	Various Corporate Overhead Allocation Factors, Time Studies, and/or Actual Costs Incurred	235	3.18%	7,146
Bank Services	Administrative & General	Various Corporate Overhead Allocation Factors and/or Actual Costs Incurred	12,434	3.44%	349,417
Computer Rental	Administrative & General	Various Corporate Overhead Allocation Factors, Time Studies, and/or Actual Costs Incurred	72	3.57%	1,943
Consultant Fees	Administrative & General	Various Corporate Overhead Allocation Factors and/or Actual Costs Incurred	33,549	3.03%	1,074,549
Contract Services	Administrative & General	Various Corporate Overhead Allocation Factors and/or Actual Costs Incurred	43,578	2.32%	1,837,960
Corporate Aircraft	Administrative & General	Various Corporate Overhead Allocation Factors, Time Studies, and/or Actual Costs Incurred	2,202	3.36%	63,303
Directors Expenses	Administrative & General	Corporate Overhead Allocation Factor	101,735	3.44%	2,852,310
Employee Benefits	Administrative & General	Various Corporate Overhead Allocation Factors, Time Studies, and/or Actual Costs Incurred	4,167	3.43%	117,484

Company Name: Montana-Dakota Utilities Co.

SCHEDULE 5

CORPORATE ALLOCATIONS - ELECTRIC

Year: 2016

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	205	3.47%	5,704
Employee Reimbursable Expenses	Administrative & General	Various Corporate Overhead Allocation Factors, Time Studies, and/or Actual Costs Incurred	2,643	2.68%	95,840
Legal Retainers & Fees	Administrative & General	Various Corporate Overhead Allocation Factors and/or Actual Costs Incurred	35,182	3.46%	981,637
Meal Allowance	Administrative & General	Various Corporate Overhead Allocation Factors, Time Studies, and/or Actual Costs Incurred	4	4.94%	77
Meals & Entertainment	Administrative & General	Various Corporate Overhead Allocation Factors, Time Studies, and/or Actual Costs Incurred	2,836	3.19%	86,031
Moving Expense	Administrative & General	Various Corporate Overhead Allocation Factors and/or Actual Costs Incurred	0	0.00%	0
Industry Dues & Licenses	Administrative & General	Various Corporate Overhead Allocation Factors, Time Studies, and/or Actual Costs Incurred	2,860	3.20%	86,644
Office Expenses	Administrative & General	Various Corporate Overhead Allocation Factors and/or Actual Costs Incurred	2,037	2.68%	73,984
Prepaid Insurance	Administrative & General	Various Corporate Overhead Allocation Factors and Allocation Factors Based on Actual Experience	33,008	11.72%	248,737
Permits and Filing Fees	Administrative & General	Various Corporate Overhead Allocation Factors and/or Actual Costs Incurred	1,024	3.39%	29,196

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

CORPORATE ALLOCATIONS - ELECTRIC

Year: 2016

	Items Allocated	Classification	Allocation Method	$ to MT Utility	MT %	$ to Other
1	Postage & Express Mail	Administrative & General	Various Corporate Overhead Allocation Factors and/or	5	3.33%	145
2			Actual Costs Incurred			
3						
4	Payroll	Administrative & General	Various Corporate Overhead Allocation Factors, Time	679,112	3.26%	20,121,131
5			Studies, and/or Actual Costs Incurred			
6						
7	Rental	Administrative & General	Various Corporate Overhead Allocation Factors and/or	5	3.33%	145
8			Actual Costs Incurred			
9						
10	Reference Materials	Administrative & General	Various Corporate Overhead Allocation Factors and/or	5,573	3.45%	156,055
11			Actual Costs Incurred			
12						
13	Reimbursements	Administrative & General	Various Corporate Overhead Allocation Factors and/or	(106)	3.53%	(2,895)
14			Actual Costs Incurred			
15						
16	Seminars & Meeting	Administrative & General	Various Corporate Overhead Allocation Factors, Time	2,235	3.46%	62,311
17	Registrations		Studies, and/or Actual Costs Incurred			
18						
19						
20	Software Maintenance	Administrative & General	Various Corporate Overhead Allocation Factors, Time	39,446	2.62%	1,465,016
21			Studies, and/or Actual Costs Incurred			
22						
23	Telephone & Cell Phones	Administrative & General	Various Corporate Overhead Allocation Factors and/or	5,713	1.78%	315,415
24			Actual Costs Incurred			
25						
26	Training Material	Administrative & General	Various Corporate Overhead Allocation Factors, Time	1,124	3.40%	31,895
27			Studies, and/or Actual Costs Incurred			
28						
29						
30						
31	**TOTAL**			$1,027,023	3.25%	$30,541,297

Company Name: **Montana-Dakota Utilities Co.** **SCHEDULE 6**

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY - ELECTRIC

Year: 2016

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		Contract Services		$148,673		$39,925
3		Marketing		100		
4						
5		Capital	Actual Costs Incurred			
6		Contract Services		70,021		10,666
7		Materials		1,344		310
8						
9		Other Transactions/Reimbursements				
10		Balance Sheet Acct		2,306,458		0
11		Resources Cost Ctrs		13,048		0
12						
13		Total Knife River Corporation Operating Revenues for the Year 2016			$1,874,270,000	
14		Excludes Intersegment Eliminations				
15	**TOTAL**	**Grand Total Affiliate Transactions**		$2,539,644	0.1355%	$50,901

Company Name: **Montana-Dakota Utilities Co.** **SCHEDULE 6**

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY - ELECTRIC

Year: 2016

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 HOLDINGS, INC.**	Expense	Actual Costs Incurred			
2		Contract Services		$61,978		$15,932
3		Fuel		62,652		0
4		Material		0		0
5		Miscellaneous		13,584		3,456
6						
7		Capital	Actual Costs Incurred			
8		Contract Services		45,070		$10,383
9		Materials		0		0
10		Miscellaneous		(2)		0
11						
12		Other Transactions/Reimbursements	Actual Costs Incurred			
13						
14		Balance sheet accounts		172,076		0
15		Resources Cost Centers		28,901		0
16						
17		Total WBI Operating Revenues for the Year 2016			$141,506,000	
18		Excludes Intersegment Eliminations				
19	**TOTAL**	**Grand Total Affiliate Transactions**		$384,259	0.2715%	$29,771

Company Name: **Montana-Dakota Utilities Co.** **SCHEDULE 6**

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY - ELECTRIC

Year: 2016

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**	Contract Services		($272)		$0
3		Materials		11,359		0
4		Miscellaneous		96		0
5						
6		Capital	Actual Costs Incurred			
7		Contract Services		650,709		0
8		Materials		899		130
9						
10		Other Transactions/Reimbursements	Actual Costs Incurred			
11		Resources Cost Centers		30,519		0
12		Balance Sheet Accounts		274,325		0
13						
14						
15						
16		Total MDU Construction Services Group, Inc Operating Revenues for the Year 2016			$1,073,272,000	
17		Excludes Intersegment Eliminations				
18	**TOTAL**	**Grand Total Affiliate Transactions**		$967,635	0.0902%	$130

Company Name: Montana-Dakota Utilities Co. **SCHEDULE 6**

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY - ELECTRIC

Year: 2016

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	* Various Corporate Overhead			
2	**CAPITAL, LLC**	Contract Services	Allocation Factors and/or	$243,999		$48,205
3		Corporate Aircraft	Actual Costs Incurred	24,658		8,978
4		Office Expense		353,370		69,813
5		Miscellaneous		762,888		150,718
6						
7		Capital	Actual Costs Incurred			
8		Corporate Aircraft		6,329		417
9						
10		Other Transactions/Reimbursements	Actual Costs Incurred			
11		Resources Cost Centers		139,576		0
12		Balance Sheet Accounts		3,870,586		0
13						
14		Total Centennial Holdings Capital, LLC Operating Revenues for the Year 2016			$8,643,000	
15		Excludes Intersegment Eliminations				
16	**TOTAL**	**Grand Total Affiliate Transactions**		$5,401,406	62.4946%	$278,131

Company Name: **Montana-Dakota Utilities Co.** **SCHEDULE 6**

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY - ELECTRIC

Year: 2016

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			
2		Cost of Service		$196,897		$38,899
3		Office Expenses		2,438		444
4		Payroll		118,771		23,437
5		Other		4,272		581
6						
7		Capital	Actual Costs Incurred			
8		Other		74		1
9						
10		Other Transactions/Reimbursements	Actual Costs Incurred			
11		Clearing		(3,989)		0
12		Balance Sheet Accounts		19,809		0
13		Other		0		0
14						
15		Total MDU Energy Capital Operating Revenues for the Year 2016			$527,205,000	
16						
17	**TOTAL**	**Grand Total Affiliate Transactions**		$338,272	0.0642%	$63,362

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 7**

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY Year: 2016

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	$69,607		
4		Advertising	Costs Incurred	33,771		
5		Air Service		15,925		
6		Automobile		1,883		
7		Bank Services		85,752		
8		Corporate Aircraft		15,977		
9		Consultant Fees		255,493		
10		Contract Services		809,194		
11		Computer Rental		473		
12		Directors Expenses		698,064		
13		Employee Benefits		29,048		
14		Employee Meeting		1,387		
15		Employee Reimbursable Expense		26,978		
16		Express Mail		-		
17		Insurance		-		
18		Legal Retainers & Fees		237,692		
19		Moving Allowance		-		
20		Meal Allowance		18		
21		Cash Donations		20,207		
22		Meals & Entertainment		21,581		
23		Industry Dues & Licenses		21,264		
24		Office Expenses		21,255		
25		Supplemental Insurance		(333,756)		
26		Permits & Filing Fees		7,289		
27		Postage		35		
28		Payroll		5,139,518		
29		Reimbursements		(690)		
30		Reference Materials		38,169		
31		Rental		36		
32		Seminars & Meeting Registrations		15,390		
33		Software Maintenance		418,309		
34		Telephone/Cell Expenses		97,199		
35		Training		7,893		
36		**Total MDU Resources Group, Inc.**		$7,754,961	0.4574%	

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2016

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		Contract Services		$59,073		
4		Communications		258,819		
5		Employee Discounts		17,244		
6		Dues, Permits, and Filing Fees		61,150		
7		Legal		19,800		
8		Sponsorship		49,070		
9		Electric Consumption		207,059		
10		Gas Consumption		158,532		$21,241
11		Bank Fees		31,705		
12		Computer/Software Support		1,170,684		
13		Office Expense		22,016		
14		Cost of Service		717,768		160,594
15		Audit Costs		700,595		
16		Auto		573		
17		Travel		15,077		
18		Employee Benefits		63,837		
19						
20						
21		**Total Montana-Dakota Utilities Co.**		$3,553,002	0.2095%	$181,835
22						
23		OTHER TRANSACTIONS/REIMBURSEMENT	Actual Costs Incurred			
24						
26		Federal & State Tax Liability Payments		$70,204,554		
28		Miscellaneous Reimbursements		(590,992)		
29						
30		**Total Other Transactions/Reimbursements**		$69,613,562	4.1057%	
31						
32		**Grand Total Affiliate Transactions**		$80,921,525	4.7726%	$181,835
33						
34		**Total Knife River Corporation Operating Expenses for 2016-Excludes Intersegment Eliminations**			$1,695,551,000	

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

KNIFE RIVER CORPORATION

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 7**

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY Year: 2016

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	$46,010		
4		Advertising	Studies and/or Actual Costs	22,276		
5		Air Service	Incurred	4,975		
6		Automobile		1,090		
7		Bank Services		56,686		
8		Corporate Aircraft		10,297		
9		Consultant Fees		169,764		
10		Contract Services		244,750		
11		Computer Rental		308		
12		Directors Expenses		461,438		
13		Employee Benefits		19,110		
14		Employee Meeting		916		
15		Employee Reimbursable Expense		12,461		
16		Express Mail		-		
17		Insurance		-		
18		Legal Retainers & Fees		157,109		
19		Moving Allowance		-		
20		Meal Allowance		12		
21		Cash Donations		13,354		
22		Meals & Entertainment		13,132		
23		Industry Dues & Licenses		14,010		
24		Office Expenses		12,402		
25		Supplemental Insurance		(220,719)		
26		Permits & Filing Fees		4,819		
27		Postage		23		
28		Payroll		3,377,252		
29		Reimbursements		(456)		
30		Reference Materials		25,146		
31		Rental		24		
32		Seminars & Meeting Registrations		10,050		
33		Software Maintenance		268,549		
34		Telephone/Cell Expenses		74,059		
35		Training		5,203		
36		**Total MDU Resources Group, Inc.**		$4,804,050	4.7143%	

Company Name: Montana-Dakota Utilities Co. **SCHEDULE 7**

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2016

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 Direct Charges	Actual Costs Incurred			
3		Audit Costs		$307,741		
4		Auto		280		
5		Bank Fees		14,719		
6		Communication Services		32,906		
7		Computer/Software Support		388,087		
8		Contract Services		200,586		
9		Utility/Merchandise Discounts		23,906		
10		Dues, Permits, and Filing Fees		86,230		
11		Misc Employee Benefits		261,350		
12		Electric Consumption		397,280		$250,402
13		Gas Consumption		30,381		18,248
14		Cost of Service		158,427		35,447
15		Legal Fees		10,533		
16		Office Expense		15,773		
17		Sponsorship		32,500		
18		Training Registration		-		
19		Travel		14,556		
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33		**Total Montana-Dakota Utilities Co.**		$1,975,255	1.9384%	$304,097

Company Name: Montana-Dakota Utilities Co.

SCHEDULE 7

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2016

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		$18,754,677		
6		Miscellaneous Reimbursements		(93,573)		
7		**Total Other Transactions/Reimbursements**		$18,661,104	18.3126%	
8						
9		**Grand Total Affiliate Transactions**		$25,440,409	24.9653%	$304,097
10						
11						
12						
13		**Total WBI Energy Operating Expenses for 2016 - Excludes Intersegment Eliminations**			$101,903,000	

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 7**

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY Year: 2016

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	$24,800		
4		Advertising	Studies and/or Actual Costs	12,222		
5		Air Service	Incurred	17,186		
6		Automobile		854		
7		Bank Services		30,455		
8		Corporate Aircraft		6,257		
9		Consultant Fees		91,716		
10		Contract Services		160,533		
11		Computer Rental		172		
12		Directors Expenses		248,291		
13		Employee Benefits		10,928		
14		Employee Meeting		495		
15		Employee Reimbursable Expense		17,740		
16		Express Mail		-		
17		Insurance		-		
18		Legal Retainers & Fees		84,915		
19		Moving Allowance		-		
20		Meal Allowance		8		
21		Cash Donations		7,292		
22		Meals & Entertainment		10,752		
23		Industry Dues & Licenses		7,754		
24		Office Expenses		11,807		
25		Supplemental Insurance		(115,419)		
26		Permits & Filing Fees		2,560		
27		Postage		13		
28		Payroll		2,063,228		
29		Reimbursements		(249)		
30		Reference Materials		13,619		
31		Rent		13		
32		Seminars & Meeting Registrations		6,146		
33		Software Maintenance		232,071		
34		Telephone/Cell Expenses		58,297		
35		Training Material		3,224		
36		**Total MDU Resources Group, Inc.**		$3,007,680	0.2950%	

Company Name: Montana-Dakota Utilities Co. **SCHEDULE 7**

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2016

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	Audit Costs		$474,742		
3		Auto		8,200		
4		Bank Fees		71,569		
5		Communication Services		140,226		
6		Computer/Software Support		797,751		
7		Contract Services		54,246		
8		Cost of Service		234,644		$52,500
9		Electric Consumption		-		
10		Gas Consumption		3,144		3,144
11		Legal		1,810		
12		Dues, Permits, and Filing Fees		41,039		
13		Misc Employee Benefits		263,419		
14		Office Expense		22,448		
15		Payroll		1,250,532		
16		Sponsorship		17,000		
17		Travel		19,031		
18						
19		**Total Montana-Dakota Utilities Co.**		$3,399,801	0.3335%	$55,644
20						
21		OTHER TRANSACTIONS/REIMBURSEMENTS	Actual Costs Incurred			
22		Federal & State Tax Liability Payments		$15,171,393		
23		Miscellaneous Reimbursements		(435,737)		
24						
25		**Total Other Transactions/Reimbursements**		$14,735,656	1.4453%	
26						
27		**Grand Total Affiliate Transactions**		$21,143,137	2.0737%	$55,644
28						
29		**Total MDU Construction Services Group, Inc. Operating Expenses for 2016**			$1,019,567,000	
30		**Excludes Intersegment Eliminations**				

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 7**

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2016

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		Dues, Permits, and Filing Fees		$550		
5		Bank Fees		2,571		
6						
8						
9		Intercompany Settlements	Actual costs incurred			
10		Dues, Permits, and Filing Fees		300		
11		**Total Montana-Dakota Utilities Co.**		$3,421	4.8183%	$0
12						
13		OTHER TRANSACTIONS/REIMBURSEMENTS	Actual costs incurred			
14		Federal & State Tax Liability Payments		$852,445		
15						
16		**Total Other Transactions/Reimbursements**		$852,445	1200.6268%	$0
17						
18		**Grand Total Affiliate Transactions**		$855,866	1205.4451%	$0
19						
20		**Total Centennial Energy Resources International Operating Expenses for 2016**			$71,000	
21		**Excludes Intersegment Eliminations**				

Company Name: Montana-Dakota Utilities Co. **SCHEDULE 7**

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY Year: 2016

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	Bank Fees		$1,169		
4		Contract Services		873		
5		Materials		566,488		
6		Office Expense		27,368		
7		Travel		-		
8		Electric Consumption		173,418		
9		Gas Consumption		10,808		
10		Payroll		364,407		
11		Legal		145		
12		Dues, Permits, and Filing Fees		395		
13		Miscellaneous		439		
14						
15						
16		**Total Montana-Dakota Utilities Co.**		$1,145,510	22.9561%	$0
17		OTHER TRANSACTIONS/REIMBURSEMENTS				
18		Miscellaneous Reimbursements		($9,140)		
19		Federal & State Tax Liability Payments		2,933,625		
20		**Total Other Transactions/Reimbursements**		$2,924,485	58.6069%	$0
21						
22		**Grand Total Affiliate Transactions**		$4,069,995	81.5630%	$0
23						
24		**Total CHCC Operating Expenses for 2016**			$4,990,000	
25		**Excludes Intersegment Eliminations**				

Company Name: Montana-Dakota Utilities Co. **SCHEDULE 7**

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY Year: 2016

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	$67,775		
4		Advertising	Studies and/or Actual Costs	33,135		
5		Air Service	Incurred	10,223		
6		Automobile		1,543		
7		Bank Services		82,567		
8		Corporate Aircraft		14,138		
9		Consultant Fees		254,743		
10		Contract Services		294,453		
11		Computer Rental		450		
12		Directors Expenses		675,718		
13		Employee Benefits		26,913		
14		Employee Meeting		1,359		
15		Employee Reimbursable Expense		18,696		
16		Express Mail		-		
17		Insurance		-		
18		Legal Retainers & Fees		234,673		
19		Moving Allowance		-		
20		Meal Allowance		12		
21		Cash Donations		20,553		
22		Meals & Entertainment		19,121		
23		Industry Dues & Licenses		20,273		
24		Office Expenses		13,149		
25		Supplemental Insurance		(291,688)		
26		Permits & Filing Fees		6,790		
27		Postage		35		
28		Payroll		4,411,045		
29		Reimbursements		(702)		
30		Reference Materials		37,002		
31		Rental		34		
32		Seminars & Meeting Registrations		13,838		
33		Software Maintenance		248,438		
34		Telephone/Cell Expenses		42,777		
35		Training		7,084		
36		**Total MDU Resources Group, Inc.**		$6,264,147	1.2892%	

Company Name: Montana-Dakota Utilities Co. **SCHEDULE 7**

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY Year: 2016

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/	Executive Departments	1/ Various Corporate Overhead			
3		Automobile	Allocation Factors, Cost of	$464		
4		Materials	Service Factors, Time Studies	5		
5		Employee Benefits	and/or Actual Costs Incurred	12,598		
6		Office Expenses		5,890		
7		Contract Services		40,047		
8		Payroll		1,138,989		
9		Travel		58,364		
10		Other		10,367		
11						
12		General & Administrative	1/ Various Corporate Overhead			
13		Office Expenses	Allocation Factors, Cost of	33		
14			Service Factors, Time Studies			
15			and/or Actual Costs Incurred			
16						
17		Other Miscellaneous Departments				
18		Payroll	1/ Various Corporate Overhead	30,212		
19		Travel	Allocation Factors, Cost of	2,203		
20		Office Expenses	Service Factors, Time Studies	34		
21		Employee Benefits	and/or Actual Costs Incurred	241		
22		Automobile		71		
23						
24						
25						
26						
27						
28						
29						
30						

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY

Year: 2016

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 & HR				
3		Employee Benefits	1/ Various Corporate Overhead	$47		
4		Payroll	Allocation Factors, Cost of	72		
5		Travel	Service Factors, Time Studies	-		
6		Office Expenses	and/or Actual Costs Incurred	17		
7		Automobile		-		
8						
9		Other Direct Charges	Actual costs incurred			
10		Audit		-		
11		Bank Fees		28,455		
12		Communications		4,221		
13		Computer Equip/Software		16,997		
14		Contract Services		97,267		
15		Employee Benefits		(5,308)		
16		Filing Fees		88,587		
17		Office Expenses		39		
18		Automobile		-		
19		Travel		415		
20		Legal		41,927		
21						
22						
23		Intercompany Settlements	Actual costs incurred			
24		O&M				
25		Auto		614		
26		Contract Services		773,125		
27		Cost of Service		1,992,876		$445,888
28		Employee Benefits		57,535		
29		Marketing		42,289		
30		Material		20,830		
31		Miscellaneous		436,433		
32		Office Expenses		653,197		
33		Payroll		11,201,498		
34		SISP		115,752		
35		Software Maintenance		1,465,647		
36		Travel		182,470		
37						

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY Year: 2016

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		$448,886		
4		LTIP		384,975		
5		MII		240,414		
6		Payflex		(28,292)		
7		Prepaid		442,232		
8		Miscellaneous		(4,787)		
9						
10		Capital	Actual costs incurred			
11		Contract Services		44,667		
12		Material		287,863		
13		Misc Employee Benefit		447		
14		Misc Other		25,860		
15		Office Expenses		37,010		
16		Payroll		1,258,324		
17		Travel		39,126		
18		Utility Group Project Allocation		1,574,437		
19		**Total Montana-Dakota Utilities Co.**		$23,265,682	4.7882%	$445,888
20						
21		OTHER TRANSACTIONS/REIMBURSEMENTS				
22		Federal & State Tax Liability Payments		$6,633,175		
23		Miscellaneous Reimbursements		(400,596)		
24						
25		**Total Other Transactions/Reimbursements**		$6,232,579	1.2827%	$0
26						
27		**Grand Total Affiliate Transactions**		$35,762,408	7.3601%	$445,888
28						
29		**Total MDU Energy Capital Operating Expenses for 2016**			$485,898,000	
30		**Excludes Intersegment Eliminations**				

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.

Company Name: Montana-Dakota Utilities Co. **SCHEDULE 7**

AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY Year: 2016

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		$141,185		
5		Dues, Permits, and Filing Fees		250		
6		Contract Services		220,489		
7		Bank Fees		2,729		
8		Legal		42,601		
9		Miscellaneous		295		
10		**Total Montana-Dakota Utilities Co.**		$407,549		
11						
12		**Grand Total Affiliate Transactions**		$407,549		
13						
14						
15						

Company Name: Montana-Dakota Utilities Co. **SCHEDULE 8**

MONTANA UTILITY INCOME STATEMENT

Year: 2016

	Account Number & Title		Last Year	This Year	% Change
1	400	Total Operating Revenues	$58,912,866	$61,064,795	3.65%
2					
3		Operating Expenses			
4	401	Operation Expenses	$34,273,821	$37,393,430	9.10%
5	402	Maintenance Expense	4,260,117	4,715,339	10.69%
6		Total O & M Expenses	38,533,938	42,108,769	9.28%
7					
8	403	Depreciation Expense	6,951,142	9,094,703	30.84%
9	404-405	Amortization of Electric Plant	308,230	324,121	5.16%
10	406	Amort. of Plant Acquisition Adjustments	0	0	0.00%
11	407	Amort. of Property Losses, Unrecovered Plant			
12		& Regulatory Study Costs			
13	408.1	Taxes Other Than Income Taxes	3,898,998	4,781,994	22.65%
14	409.1	Income Taxes - Federal	(587,135)	(5,592,728)	-852.55%
15		- Other	162,985	(490,271)	-400.81%
16	410.1	Provision for Deferred Income Taxes	9,077,761	12,066,098	32.92%
17	411.1	(Less) Provision for Def. Inc. Taxes - Cr.	6,827,988	9,128,257	33.69%
18	411.4	Investment Tax Credit Adjustments			
19	411.6	(Less) Gains from Disposition of Utility Plant			
20	411.7	Losses from Disposition of Utility Plant			
21					
22		**Total Utility Operating Expenses**	$51,517,931	$53,164,429	3.20%
23		**NET UTILITY OPERATING INCOME**	$7,394,935	$7,900,366	6.83%

MONTANA UTILITY REVENUES

SCHEDULE 9

	Account Number & Title		Last Year	This Year	% Change
1		Sales of Electricity			
2					
3	440	Residential	$16,294,655	$15,752,019	-3.33%
4	442	Commercial & Industrial - Small	9,763,839	9,407,947	-3.65%
5		Commercial & Industrial - Large	29,067,062	28,063,842	-3.45%
6	444	Public Street & Highway Lighting	907,156	914,233	0.78%
7	445	Other Sales to Public Authorities	471,828	467,422	-0.93%
8	446	Sales to Railroads & Railways			
9	448	Interdepartmental Sales			
10		Net Unbilled Revenue	98,618	1,845	-98.13%
11					
12		**Total Sales to Ultimate Consumers**	$56,603,158	$54,607,308	-3.53%
13	447	Sales for Resale	91,189	267,723	193.59%
14					
15		**Total Sales of Electricity**	$56,694,347	$54,875,031	-3.21%
16	449.1	(Less) Provision for Rate Refunds			
17					
18		**Total Revenue Net of Provision for Refunds**	$56,694,347	$54,875,031	-3.21%
19		Other Operating Revenues			
20	450	Forfeited Discounts & Late Payment Revenues	52,642	$50,591	-3.90%
21	451	Miscellaneous Service Revenues	$32,372	31,989	-1.18%
22	453	Sales of Water & Water Power			
23	454	Rent From Electric Property	1,238,885	1,048,744	-15.35%
24	455	Interdepartmental Rents			
25	456	Other Electric Revenues	894,620	5,058,440	465.43%
26					
27		**Total Other Operating Revenues**	$2,218,519	$6,189,764	179.00%
28		**TOTAL OPERATING REVENUES**	$58,912,866	$61,064,795	3.65%

MONTANA OPERATION & MAINTENANCE EXPENSES

	Account Number & Title	Last Year	This Year	% Change
1	Power Production Expenses			
2				
3	Steam Power Generation			
4	Operation			
5	500 Operation Supervision & Engineering	$445,733	$483,890	8.56%
6	501 Fuel	9,410,902	11,743,398	24.79%
7	502 Steam Expenses	1,125,442	1,505,787	33.80%
8	503 Steam from Other Sources			
9	504 (Less) Steam Transferred - Cr.			
10	505 Electric Expenses	378,155	415,720	9.93%
11	506 Miscellaneous Steam Power Expenses	861,645	908,776	5.47%
12	507 Rents	2,546	2,817	10.64%
13				
14	TOTAL Operation - Steam	12,224,423	15,060,388	23.20%
15				
16	Maintenance			
17	510 Maintenance Supervision & Engineering	186,463	206,658	10.83%
18	511 Maintenance of Structures	192,293	150,788	-21.58%
19	512 Maintenance of Boiler Plant	1,312,993	1,557,800	18.64%
20	513 Maintenance of Electric Plant	403,295	332,178	-17.63%
21	514 Maintenance of Miscellaneous Steam Plant	359,348	438,556	22.04%
22				
23	TOTAL Maintenance - Steam	2,454,392	2,685,980	9.44%
24	**TOTAL Steam Power Production Expenses**	$14,678,815	$17,746,368	20.90%
25				
26	Nuclear Power Generation			
27	Operation			
28	517 Operation Supervision & Engineering			
29	518 Nuclear Fuel Expense			
30	519 Coolants & Water			
31	520 Steam Expenses			
32	521 Steam from Other Sources	NOT	NOT	
33	522 (Less) Steam Transferred - Cr.	APPLICABLE	APPLICABLE	
34	523 Electric Expenses			
35	524 Miscellaneous Nuclear Power Expenses			
36	525 Rents			
37				
38	TOTAL Operation - Nuclear			
39				
40	Maintenance			
41	528 Maintenance Supervision & Engineering			
42	529 Maintenance of Structures			
43	530 Maintenance of Reactor Plant Equipment	NOT	NOT	
44	531 Maintenance of Electric Plant	APPLICABLE	APPLICABLE	
45	532 Maintenance of Miscellaneous Nuclear Plant			
46				
47	TOTAL Maintenance - Nuclear			
48	**TOTAL Nuclear Power Production Expenses**			

Company Name: Montana-Dakota Utilities Co.

Year: 2016

MONTANA OPERATION & MAINTENANCE EXPENSES

	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	NOT	
7	538 Electric Expenses	APPLICABLE	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	NOT	
16	543 Maint. of Reservoirs, Dams & Waterways	APPLICABLE	APPLICABLE	
17	544 Maintenance of Electric Plant			
18	545 Maintenance of Miscellaneous Hydro Plant			
19				
20	TOTAL Maintenance - Hydraulic			
21	**TOTAL Hydraulic Power Production Expenses**			
22				
23	Other Power Generation			
24	Operation			
25	546 Operation Supervision & Engineering	$11,062	$53,876	387.04%
26	547 Fuel	809,426	968,299	19.63%
27	548 Generation Expenses	119,327	520,193	335.94%
28	549 Miscellaneous Other Power Gen. Expenses	78,497	98,370	25.32%
29	550 Rents	32,013	157,605	392.32%
30				
31	TOTAL Operation - Other	1,050,325	1,798,343	71.22%
32				
33	Maintenance			
34	551 Maintenance Supervision & Engineering	16,384	17,923	9.39%
35	552 Maintenance of Structures	6,764	1,481	-78.10%
36	553 Maintenance of Generating & Electric Plant	139,546	167,289	19.88%
37	554 Maintenance of Misc. Other Power Gen. Plant	2,834	2,103	-25.79%
38				
39	TOTAL Maintenance - Other	165,528	188,796	14.06%
40	**TOTAL Other Power Production Expenses**	$1,215,853	$1,987,139	63.44%
41				
42	Other Power Supply Expenses			
43	555 Purchased Power	$11,324,486	$4,723,147	-58.29%
44	556 System Control & Load Dispatching	313,393	433,852	38.44%
45	557 Other Expenses			
46				
47	TOTAL Other Power Supply Expenses	$11,637,879	$5,156,999	-55.69%
48	**TOTAL Power Production Expenses**	$27,532,547	$24,890,506	-9.60%

Company Name: Montana-Dakota Utilities Co.

Year: 2016

MONTANA OPERATION & MAINTENANCE EXPENSES

	Account Number & Title		Last Year	This Year	% Change
1	Transmission Expenses				
2	Operation				
3	560	Operation Supervision & Engineering	$306,772	$863,355	181.43%
4	561	Load Dispatching	337,495	424,522	25.79%
5	562	Station Expenses	119,603	118,421	-0.99%
6	563	Overhead Line Expenses	37,368	63,090	68.83%
7	564	Underground Line Expenses			
8	565	Transmission of Electricity by Others	1,350,514	5,775,632	327.66%
9	566	Miscellaneous Transmission Expenses	10,770	7,159	-33.53%
10	567	Rents	193,312	20,642	-89.32%
11	575	Day-Ahead and Real-Time Market Administration	102,519	116,468	13.61%
12					
13	TOTAL Operation - Transmission		2,458,353	7,389,289	200.58%
14	Maintenance				
15	568	Maintenance Supervision & Engineering	7,049	6,464	-8.30%
16	569	Maintenance of Structures			
17	570	Maintenance of Station Equipment	180,332	150,608	-16.48%
18	571	Maintenance of Overhead Lines	173,458	160,385	-7.54%
19	572	Maintenance of Underground Lines			
20	573	Maintenance of Misc. Transmission Plant			
21					
22	TOTAL Maintenance - Transmission		360,839	317,457	-12.02%
23	**TOTAL Transmission Expenses**		$2,819,192	$7,706,746	173.37%
24					
25	Distribution Expenses				
26	Operation				
27	580	Operation Supervision & Engineering	$377,542	$393,454	4.21%
28	581	Load Dispatching			
29	582	Station Expenses	99,499	75,891	-23.73%
30	583	Overhead Line Expenses	208,666	159,768	-23.43%
31	584	Underground Line Expenses	175,580	330,234	88.08%
32	585	Street Lighting & Signal System Expenses	27,097	34,487	27.27%
33	586	Meter Expenses	198,545	273,293	37.65%
34	587	Customer Installations Expenses	58,954	49,614	-15.84%
35	588	Miscellaneous Distribution Expenses	626,160	615,141	-1.76%
36	589	Rents	40,895	41,016	0.30%
37					
38	TOTAL Operation - Distribution		1,812,938	1,972,898	8.82%
39	Maintenance				
40	590	Maintenance Supervision & Engineering	80,761	69,183	-14.34%
41	591	Maintenance of Structures			
42	592	Maintenance of Station Equipment	14,171	23,158	63.42%
43	593	Maintenance of Overhead Lines	648,293	772,915	19.22%
44	594	Maintenance of Underground Lines	160,907	184,559	14.70%
45	595	Maintenance of Line Transformers	54,965	63,134	14.86%
46	596	Maintenance of Street Lighting, Signal Systems	58,697	56,553	-3.65%
47	597	Maintenance of Meters	628	172	-72.61%
48	598	Maintenance of Miscellaneous Dist. Plant	173,242	235,456	35.91%
49					
50	TOTAL Maintenance - Distribution		1,191,664	1,405,130	17.91%
51	**TOTAL Distribution Expenses**		$3,004,602	$3,378,028	12.43%

MONTANA OPERATION & MAINTENANCE EXPENSES

Year: 2016

	Account Number & Title	Last Year	This Year	% Change
1	Customer Accounts Expenses			
2	Operation			
3	901 Supervision	$17,707	$23,708	33.89%
4	902 Meter Reading Expenses	68,392	82,753	21.00%
5	903 Customer Records & Collection Expenses	486,946	583,772	19.88%
6	904 Uncollectible Accounts Expenses	188,269	204,527	8.64%
7	905 Miscellaneous Customer Accounts Expenses	47,499	49,859	4.97%
8				
9	TOTAL Customer Accounts Expenses	$808,813	$944,619	16.79%
10				
11	Customer Service & Information Expenses			
12	Operation			
13	907 Supervision	$7,371	$8,343	13.19%
14	908 Customer Assistance Expenses	5,703	6,738	18.15%
15	909 Informational & Instructional Adv. Expenses	26,023	28,476	9.43%
16	910 Miscellaneous Customer Service & Info. Exp.	143	98	-31.47%
17				
18	TOTAL Customer Service & Info Expenses	$39,240	$43,655	11.25%
19				
20	Sales Expenses			
21	Operation			
22	911 Supervision	$43	$103	139.53%
23	912 Demonstrating & Selling Expenses	15,745	23,807	51.20%
24	913 Advertising Expenses	2,496	2,672	7.05%
25	916 Miscellaneous Sales Expenses	2,706	2,765	2.18%
26				
27	TOTAL Sales Expenses	$20,990	$29,347	39.81%
28				
29	Administrative & General Expenses			
30	Operation			
31	920 Administrative & General Salaries	$1,066,595	$1,366,556	28.12%
32	921 Office Supplies & Expenses	689,657	727,201	5.44%
33	922 (Less) Administrative Expenses Transferred - Cr.			
34	923 Outside Services Employed	128,337	131,170	2.21%
35	924 Property Insurance	168,105	203,706	21.18%
36	925 Injuries & Damages	322,285	339,561	5.36%
37	926 Employee Pensions & Benefits	1,532,560	1,624,192	5.98%
38	927 Franchise Requirements			
39	928 Regulatory Commission Expenses	88,381	228,667	158.73%
40	929 (Less) Duplicate Charges - Cr.			
41	930 Miscellaneous General Expenses	102,845	172,886	68.10%
42	931 Rents	122,095	203,953	67.04%
43				
44	TOTAL Operation - Admin. & General	4,220,860	4,997,892	18.41%
45	Maintenance			
46	935 Maintenance of General Plant	87,694	117,976	34.53%
47				
48	**TOTAL Administrative & General Expenses**	$4,308,554	$5,115,868	18.74%
49	**TOTAL Operation & Maintenance Expenses**	$38,533,938	$42,108,769	9.28%

MONTANA TAXES OTHER THAN INCOME Year: 2016

	Description of Tax	Last Year	This Year	% Change
1	Payroll Taxes	$463,304	$549,358	18.57%
2	Secretary of State	276	300	8.70%
3	Highway Use Tax	725	862	18.90%
4	Montana Consumer Counsel	16,310	68,256	318.49%
5	Montana PSC	106,008	175,180	65.25%
6	Montana Electric	49,078	52,903	7.79%
7	Coal Conversion	237,131	246,624	4.00%
8	Delaware Franchise	20,024	21,055	5.15%
9	Property Taxes	3,006,142	3,595,878	19.62%
10	Wind Generation Tax	0	71,578	0.00%
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50	**TOTAL MT Taxes Other Than Income**	$3,898,998	$4,781,994	22.65%

PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES - ELECTRIC

Year: 2016

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1	ABB ENTERPRISE SOFTWARE INC	Software License & Maint - nMarket SSP	$198,861	$34,789	17.49%
2					
3	AECOM INC.	Contract Services - L&C CCR Compliance	12,983,576	2,991,219	23.04%
4					
5	AEVENIA INC	Contract Services	1,615,267	335,544	20.77%
6					
7	AGRI INDUSTRIES, INC.	Pipeline Install, Directional Drilling	178,906	68,618	38.35%
8					
9	AMERICAN FINANCIAL PRINTING, INC	Annual Report Preporation	108,569	3,668	3.38%
10					
11	AMERICAN GAS ASSOCIATION	Industrial Membership	303,189	0	0.00%
12					
13	AMERICAN POWER SERVICES INC	Contract Services - Heskett Station	175,634	40,463	23.04%
14					
15	ARBOR SOLUTIONS TREE SERVICE LLC	Tree Trimming	182,350	56,835	31.17%
16					
17	ARVIG CONSTRUCTION	Contractor Services	478,944	0	0.00%
18					
19	B&H UTILITY SERVICES, INC.	Contractor Services	202,610	0	0.00%
20					
21	BARR ENGINEERING COMPANY	Engineering Services - L&C & Heskett	279,100	64,300	23.04%
22					
23	BENCO EQUIPMENT CO.	Vehicle Maintenance	269,707	77	0.03%
24					
25	BIG COUNTRY ENERGY SERVICES	Contract Services - Glendive Turbine	81,666	18,815	23.04%
26					
27	BLUE HERON CONSULTING CORPORATION	Consulting Services	549,025	15,605	2.84%
28					
29	BRAUN INTERTEC CORPORATION	Engineering Services - Rice Project	76,431	17,609	23.04%
30					
31	BROADRIDGE	Contract Services	131,223	4,433	3.38%
32					
33	BULLINGER TREE SERVICE	Tree Trimming	471,960	2,576	0.55%
34					
35	BUTLER MACHINERY CO	Equipment Maintenance - Heskett	102,488	22,811	22.26%
36					
37	C&A TECHNOLOGY LLC	Contract Services - JDE Assesment	82,374	2,355	2.86%
38					
39	CA CONTRACTING INC	Contract Services	284,941	0	0.00%
40					
41	CGI TECHNOLOGIES AND SOLUTIONS INC	Consulting Services - PragmaCad	265,165	13,073	4.93%
42					
43	CHIEF CONSTRUCTION INC	Construction Services	798,392	0	0.00%
44					
45	CLIENT FOCUSED MEDIA, INC	Informational Advertising	256,573	15,079	5.88%
46					
47	COHEN TAUBER SPIEVACK & WAGNER, PC	Legal Services	349,985	10,068	2.88%
48					
49	COP CONSTRUCTION LLC	Contractor Services	109,768	0	0.00%
50					

PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES - ELECTRIC

Year: 2016

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1	CORVAL CONSTRUCTORS INC	Construction Services - Rice Project	$2,760,920	$636,074	23.04%
2					
3	CREDIT COLLECTIONS BUREAU	Account Collections	91,312	0	0.00%
4					
5	CROWLEY FLECK PLLP	Legal Services	112,096	30,067	26.82%
6					
7	CST STORAGE	Contract Services - Limestone Silo	110,613	25,483	23.04%
8					
9	CYBER ADVISORS, INC	Software Maintenance	183,691	7,775	4.23%
10					
11	DATALINK CORPORATION	Software Maintenance	181,304	8,043	4.44%
12					
13	DEANGELO BROTHERS INC.	Contract Services	126,409	7,793	6.16%
14					
15	DELOITTE & TOUCHE LLP	Auditing & Consulting Services	2,312,954	7,812	0.34%
16					
17	DENNYS ELECTRIC MOTOR REPAIR INC	Line Install - Boring	516,604	0	0.00%
18					
19	DIS TECHNOLOGIES	GIS Data Conversion	77,900	9,336	11.98%
20					
21	DNV-GL	GI Essentials	214,180	15,843	7.40%
22					
23	DUANE MORRIS, LLP	Legal Services	607,587	21,682	3.57%
24					
25	EDISON ELECTRIC INSTITUTE	Industrial Membership	130,311	22,428	17.21%
26					
27	ELECTRIC COMPANY OF SOUTH DAKOTA, THE	Contract Services - Line Extensions	347,950	0	0.00%
28					
29	ELECTRO-TEST AND MAINTENANCE, INC.	Contract Services - Substations	228,430	34,069	14.91%
30					
31	ENGINEERED PUMP SERVICES, INC	Contract Services	147,199	33,912	23.04%
32					
33	ERNST & YOUNG LLP	Tax Services	150,275	9,113	6.06%
34					
35	ESRI	Consulting Services	159,036	3,363	2.11%
36					
37	EVERIST,THOMAS S	Directors Fees	75,272	2,595	3.45%
38					
39	FABYANSKE, WESTRA, HART & THOMSON, P.A.	Legal Services	95,707	22,049	23.04%
40					
41	FAGG, KAREN B	Directors Fees	75,199	2,592	3.45%
42					
43	FEDERAL ENERGY REGULATORY COMMISSION	Annual Charge	97,269	19,217	19.76%
44					
45	FIS ENERGY SYSTEMS, INC	Software Maintenance	96,252	0	0.00%
46					
47	FISCHER CONTRACTING	Construction Services	710,239	0	0.00%
48					
49	FITCH RATINGS	Credit Rating Maintenance	149,010	3,904	2.62%
50					

PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES - ELECTRIC Year: 2016

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1	FOROS TRUE BOUTIQUE	Consulting Services	$518,430	$17,514	3.38%
2					
3	FORRESTER, GARY	Lobbying & Promotion	120,185	4,150	3.45%
4					
5	FOSTER CONSTRUCTION SERVICES LLC	Construction Services - Poplar Warehouse	334,787	178,527	53.33%
6					
7	FRANZ CONSTRUCTION INC	Contract Services - Power Plant	197,067	44,924	22.80%
8					
9	GAGNON, INC	Contract Services	124,735	28,737	23.04%
10					
11	GARTNER INC	Leadership Essentials	119,117	3,407	2.86%
12					
13	GE - WIND TURBINE PARTS/TRAINING	Replace Servers - Wind Farms	112,332	29,309	26.09%
14					
15	GRANT THORNTON LLP	Consulting Services	244,160	4,697	1.92%
16					
17	GRAYCOR BLASTING COMPANY INC	Contract Services - Boiler	261,601	60,269	23.04%
18					
19	HDR INC	Engineering Services	326,009	252,701	77.51%
20					
21	HIGH VOLTAGE, INC	Contractor Services	2,113,965	251,146	11.88%
22					
23	HIGHMARK ERECTORS INC	Contractor Services	992,550	149,082	15.02%
24					
25	HONEYWELL	SE & SP Support Renewal	80,070	18,447	23.04%
26					
27	INDOOR SERVICES, INC	Janitorial Services	153,137	14,372	9.39%
28					
29	INDUSTRIAL CONTRACTORS, INC	Contractor Services	2,548,240	587,076	23.04%
30					
31	INFRASOURCE	Underground Gas Line Installation	466,672	0	0.00%
32					
33	INSIGHT	Software Maintenance	1,054,354	19,125	1.81%
34					
35	INTERMOUNTAIN TREE EXPERT CO	Tree Trimming	94,074	0	0.00%
36					
37	ITRON INC	Contractor Services & Software Maint	293,651	13,753	4.68%
38					
39	J.B. CONSTRUCTION INC	Pipeline Services	289,174	6,382	2.21%
40					
41	JACKSON UTILITIES LLC	Gas & Elec Line Install - Directional Boring	1,629,658	0	0.00%
42					
43	JACOBSEN TREE EXPERTS	Tree Trimming	524,733	48,589	9.26%
44					
45	JMAC RESOURCES INC	Contract Services - WC Substation	129,226	0	0.00%
46					
47	JOHN HANCOCK LIFE INSURANCE COMPANY	Retirement Plan Services	76,500	2,949	3.85%
48					
49	JOHNSON, DENNIS	Director Fees	81,192	2,799	3.45%
50					

PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES - ELECTRIC

Year: 2016

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1	K&L GATES LLP	Legal Services	$117,648	$23,454	19.94%
2					
3	KADRMAS LEE & JACKSON	Engineering Services	788,368	5,561	0.71%
4					
5	KELLER CONSTRUCTION LLC	Contracting Services - SD Storm Damage	118,264	0	0.00%
6					
7	LIGNITE ENERGY COUNCIL	Membership Dues	112,919	21,313	18.87%
8					
9	M C M GENERAL CONTRACTORS, INC	Construction Services	492,103	0	0.00%
10					
11	MAJOR LEAGUE BLASTING, LLC	Contract Services - Boiler Cleaning	210,345	48,460	23.04%
12					
13	MANAGED DESIGN, INC	Software Design	94,838	5,742	6.05%
14					
15	MARCO INC	Software Maintenance	86,688	1,635	1.89%
16					
17	MAVO	Contractor Services	82,192	18,936	23.04%
18					
19	MCDERMOTT, WILL & EMERY LLP	Legal Services	184,271	6,423	3.49%
20					
21	MERJENT	Contract Services - GP Gas Lines	145,774	0	0.00%
22					
23	MICROBEAM TECHNOLOGIES, INC	Testing - Heskett Pur Bed	316,909	73,011	23.04%
24					
25	MICROSOFT CORPORATION	Software Maintenance	1,445,744	29,332	2.03%
26					
27	MIDPOINT TECHNOLOGY INC	Software Maintenance	122,320	8,496	6.95%
28					
29	MILLCREEK ENGINEERING COMPANY	Engineering Services	464,287	106,965	23.04%
30					
31	MINNESOTA DEPARTMENT OF COMMERCE	Environment Review & Permits	79,207	0	0.00%
32					
33	MINNESOTA VALLEY TESTING	Fuel Sampling & Testing	296,967	70,364	23.69%
34					
35	MMI EXCAVATION LLC	Contract Services - Bis Sub-station	110,340	0	0.00%
36					
37	MONTANA DEPT OF ENVIRONMENTAL QUALITY	Environment Monitoring	81,001	18,661	23.04%
38					
39	MORTON BUILDINGS INC	Construct Warehouse - Marshall	379,922	0	0.00%
40					
41	NATIONAL CONDUCTOR CONSTRUCTORS	Contract Services - Substations	337,990	9,194	2.72%
42					
43	NERC	Contract Services - Quarterly Assessment	164,256	37,842	23.04%
44					
45	NORTHERN NATURAL GAS COMPANY	Upgrade Marshall TBS	440,200		0.00%
46					
47	NYSE MARKET INC	Financial services	204,624	6,913	3.38%
48					
49	OLYMPUS TECHNICAL SERVICES INC	PS&I remediate Billings Gas Plant	81,541	1,495	1.83%
50					

PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES - ELECTRIC

Year: 2016

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1	ONE CALL LOCATORS LTD	Line Locating Services	$2,339,406	$78,636	3.36%
2					
3	OPEN SYSTEMS INTERNATIONAL, INC	Software Maintenance	835,865	176,515	21.12%
4					
5	OPEN TEXT CORPORATION	Software Maintenance	75,822	2,737	3.61%
6					
7	OPTIV SECURITY, INC	Software Maintenance	630,230	13,165	2.09%
8					
9	ORACLE CORP	Software Maintenance	1,855,514	54,439	2.93%
10					
11	ORMAT NEVADA INC	Energy Converter Maintenance	230,051	53,000	23.04%
12					
13	OSMOSE UTILITIES	Pole Inspections	318,258	158,406	49.77%
14					
15	PEARCE, HARRY J	Directors Fees	156,025	5,380	3.45%
16					
17	PEARSON MANAGEMENT GROUP INC	Consulting Services - L&C Rice Units	125,824	28,988	23.04%
18					
19	POWERPLAN, INC	Consulting Services - Software	1,566,871	174,282	11.12%
20					
21	PRESORT PLUS LLC	Mail Delivery & Pickup	94,681	8,097	8.55%
22					
23	PRESTFELDT SURVEYING	Surveying Services	94,051	0	0.00%
24					
25	PRIMORIS AEVENIA, INC.	Contract Services - TL089-1 Storm Damage	567,329	130,704	23.04%
26					
27	Q3 CONTRACTING	Construction Services	1,344,658	0	0.00%
28					
29	R W LYALL & COMPANY INC	Contractor Services	108,000	0	0.00%
30					
31	RAILWORKS TRACK SYSTEMS, INC.	Contract Services - Heskett - Repl - RR Tie	95,579	22,020	23.04%
32					
33	ROCKY MOUNTAIN LINE SYSTEMS, INC	Contract Services	784,226	0	0.00%
34					
35	RUSHMORE UNDERGROUND UTILITIES	Contract Services	164,114	0	0.00%
36					
37	SARGENT & LUNDY LLC	Engineering Services	531,742	120,760	22.71%
38					
39	SCHULTE TA INC	Contract Services - Reconductor	536,733	0	0.00%
40					
41	SOUTHERN CROSS CORP	Construction Services - Gas	778,605	0	0.00%
42					
43	SPHERION STAFFING LLC	Temp Services	212,182	13,880	6.54%
44					
45	STANDARD & POOR'S	Financial Services	303,750	11,895	3.92%
46					
47	STATE-LINE CONTRACTORS INC	Construction Services	77,491	0	0.00%
48					
49	TCH CONSTRUCTION	Contract Serv - Replace Underground Lines	183,053	164,638	89.94%
50					

PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES - ELECTRIC

Year: 2016

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1	TELVENT USA LLC	GIS System	$78,025	$1,357	1.74%
2					
3	THOMSON REUTERS (TAX & ACCOUNTING) INC	Consulting Services	127,128	4,376	3.44%
4					
5	TRC ENVIRONMENTAL CORPORATION	Testing Pollution Control Equip	289,770	66,759	23.04%
6					
7	TREASURY MANAGEMENT SERVICES	Banking Services	372,465	24,189	6.49%
8					
9	TRUE NORTH CONTRACTING LLC	Contract Services	106,815	0	0.00%
10					
11	TURBINEPROS	Contractor - L&C Turbine Work	75,517	17,398	23.04%
12					
13	U S BANK	Banking Services	126,065	8,607	6.83%
14					
15	UNITED ACCOUNTS INC	Credit Collection s	92,488	0	0.00%
16					
17	URS CORPORATION	Lewis & Clark Pollution Control	1,793,750	413,253	23.04%
18					
19	US ECOLOGY IDAHO INC	Contract Services - PCB Transformers	77,814	8,618	11.08%
20					
21	USIC LOCATING SERVICES, INC	Line Locating Services	155,936	0	0.00%
22					
23	VIRTUAL HOLD TECHNOLOGY, LLC	Software Maintenance	79,267	1,258	1.59%
24					
25	VOLT MANAGEMENT CORP	Contract Services - Software	91,207	3,053	3.35%
26					
27	WANZEK CONSTRUCTION INC	Contractor Services	486,900	127,037	26.09%
28					
29	WARTSILA NORTH AMERICA, INC.	Contract Services	76,665	17,662	23.04%
30					
31	WEISZ & SONS INC	Contractor Services	76,665	0	0.00%
32					
33	WELLS FARGO SHAREOWNERS SERVICES	Stock Transfer Agent	318,448	11,049	3.47%
34					
35	WEST INC	TS Wind Farm - Post Const Monitoring	100,246	26,155	26.09%
36					
37	WESTERN AREA POWER ADMINISTRATION	Transmission Charge	286,405	62,998	22.00%
38					
39	WORKFORCE SERVICES, INC	Vehicle Maintenance	342,466	0	0.00%
40					
41	XEROX CORPORATION	Copier Leases	140,741	15,540	11.04%
42					
43	XYLEM DEWATERING SOLUTIONS INC	Contract Services	143,185	32,988	23.04%
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50					
	Total Payments for Services		$69,586,788	$8,932,678	12.84%

Company Name: **Montana-Dakota Utilities Co.** **SCHEDULE 13**

POLITICAL ACTION COMMITTEES / POLITICAL CONTRIBUTIONS Year: 2016

	Description	Total Company	Montana	% Montana
1	Contributions to Candidates by PAC	$61,367	$8,430	13.74%
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43	**TOTAL Contributions**	$61,367	$8,430	13.74%

Company Name: Montana-Dakota Utilities Co. **SCHEDULE 14**

PENSION COSTS

Year: 2016

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: 0	Is the Plan Over Funded? No		
5				

	Item	Current Year	Last Year	% Change
6	Item	Current Year	Last Year	% Change
7	**Change in Benefit Obligation**	(000's)	(000's)	
8	Benefit obligation at beginning of year	$251,676	$269,583	-6.64%
9	Service cost	-	-	0.00%
10	Interest cost	9,679	9,678	0.01%
11	Plan participants' contributions	-	-	0.00%
12	Amendments	-	-	0.00%
13	Actuarial (Gain) Loss	(99)	(13,276)	99.25%
14	Curtailment gain	-	-	0.00%
15	Benefits paid	(15,398)	(14,309)	-7.61%
16	Benefit obligation at end of year	$245,858	$251,676	-2.31%
17	**Change in Plan Assets**			
18	Fair value of plan assets at beginning of year	$183,045	$201,078	-8.97%
19	Actual return on plan assets	14,566	(5,906)	346.63%
20	Employer contribution	-	2,182	-100.00%
21	Plan participants' contributions	-	-	0.00%
22	Benefits paid	(15,398)	(14,309)	-7.61%
23	Fair value of plan assets at end of year	$182,213	$183,045	-0.45%
24	**Funded Status**	($63,645)	($68,631)	7.26%
25	Unrecognized net actuarial loss	108,983	115,715	-5.82%
26	Unrecognized prior service cost	-	-	0.00%
27	Unrecognized net transition obligation	-	-	0.00%
28	Accrued benefit cost	$45,338	$47,084	-3.71%
29	**Weighted-Average Assumptions as of Year End**			
30	Discount rate	3.82	3.98	-4.02%
31	Expected return on plan assets	6.75	6.75	0.00%
32	Rate of compensation increase	-	-	0.00%
33	**Components of Net Periodic Benefit Costs**			
34	Service cost	-	-	0.00%
35	Interest cost	9,679	9,678	0.01%
36	Expected return on plan assets	(11,467)	(12,295)	6.73%
37	Amortization of prior service cost	-	-	0.00%
38	Recognized net actuarial loss	3,534	4,016	-12.00%
39	Curtailment loss	-	-	0.00%
40	Net periodic benefit cost	$1,746	$1,399	24.80%
41	**Montana Intrastate Costs:**			
42	Pension costs	$1,746	$1,399	24.80%
43	Pension costs capitalized	373	340	9.71%
44	Accumulated pension asset (liability) at year end	$45,338	$47,084	-3.71%
45	**Number of Company Employees:**			
46	Covered by the plan	1,546	1,591	-2.83%
47	Not covered by the plan	771	736	4.76%
48	Active	469	514	-8.75%
49	Retired	954	969	-1.55%
50	Deferred vested terminated	123	108	13.89%

Company Name: Montana-Dakota Utilities Co. **SCHEDULE 15**

OTHER POST EMPLOYMENT BENEFITS (OPEBS)

Year: 2016

	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	3.83	4.04	-5.20%
8	Expected return on plan assets	5.75	5.75	0.00%
9	Medical cost inflation rate	4.50	6.00	-25.00%
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	TOTAL COMPANY			
16	**Change in Benefit Obligation**	(000's)	(000's)	
17	Benefit obligation at beginning of year	$46,752	$53,003	-11.79%
18	Service cost	716	914	-21.66%
19	Interest cost	1,749	1,835	-4.69%
20	Plan participants' contributions	825	806	2.36%
21	Amendments	-	-	0.00%
22	Actuarial (Gain) Loss	(6,443)	(6,049)	-6.51%
23	Acquisition	-	-	0.00%
24	Benefits paid	(3,332)	(3,757)	-11.31%
25	Benefit obligation at end of year	$40,267	$46,752	-13.87%
26	**Change in Plan Assets**			
27	Fair value of plan assets at beginning of year	$47,449	$50,124	-5.34%
28	Actual return on plan assets	2,275	240	847.92%
29	Acquisition	-	-	0.00%
30	Employer contribution	36	36	0.00%
31	Plan participants' contributions	825	806	2.36%
32	Benefits paid	(3,332)	(3,757)	-11.31%
33	Fair value of plan assets at end of year	$47,253	$47,449	-0.41%
34	**Funded Status**	$6,986	$697	902.30%
35	Unrecognized net actuarial loss	-	-	0.00%
36	Unrecognized prior service cost	-	-	0.00%
37	Unrecognized transition obligation	-	-	0.00%
38	Accrued benefit cost	$6,986	$697	902.30%
39	**Components of Net Periodic Benefit Costs**			
40	Service cost	$716	$914	-21.66%
41	Interest cost	1,749	1,835	-4.69%
42	Expected return on plan assets	(2,591)	(2,681)	3.36%
43	Amortization of prior service cost	(976)	(976)	0.00%
44	Recognized net acturial gain	502	985	-49.04%
45	Transition amount amortization	-	-	0.00%
46	Net periodic benefit cost	($600)	$77	-879.22%
47	**Accumulated Post Retirement Benefit Obligation**			
48	Amount funded through VEBA	$861	$842	2.26%
49	Amount funded through 401(h)	-	-	0.00%
50	Amount funded through Other ________	-	-	0.00%
51	TOTAL	$861	$842	2.26%
52	Amount that was tax deductible - VEBA (1)	$36	$36	0.00%
53	Amount that was tax deductible - 401(h)	-	-	0.00%
54	Amount that was tax deductible - Other ________	-	-	0.00%
55	TOTAL	$36	$36	0.00%

(1) Estimated

Company Name: Montana-Dakota Utilities Co. **SCHEDULE 15**

Other Post Employment Benefits (OPEBS) Continued Year: 2016

	Item	Current Year	Last Year	% Change
1	**Number of Company Employees:**			
2	Covered by the plan	1,332	1,417	-6.00%
3	Not covered by the plan	36	37	-2.70%
4	Active	602	672	-10.42%
5	Retired	552	564	-2.13%
6	Spouses/dependants covered by the plan	178	181	-1.66%
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	The requested information will be provided after the entry of a protective order which maintains the confidentiality of the information being provided. Montana-Dakota, submitted a Motion for Protective Order on April 21, 2015 in Docket No. N2015.2.17.						
6							
7							
8							
9							
10							

Company Name: Montana-Dakota Utilities Co. **SCHEDULE 17**

Year: 2016

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/	% Increase Total Compensation
1	David L. Goodin President & CEO	$755,000	$1,055,490	$1,700,501	$3,510,991	$2,558,148	37%
2	Doran N. Schwartz Vice President and CFO	$380,000	$351,481	$403,148	$1,134,629	$818,052	39%
3	David C. Barney President and CEO of Knife River Corporation	$406,800	$593,114	$376,702	$1,376,616	$1,290,413	7%
4	Jeffrey S. Thiede President & CEO of MDU Construction Services Group	$425,000	$489,600	$411,306	$1,325,906	$1,002,265	32%
5	Martin A. Fritz President and CEO of WBI Energy, Inc.	$400,000	$416,000	$427,248	$1,243,248	N/A	N/A

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.

long-term incentive compensation and annual incentive awards for our CEO and those executive officers whose overall compensation is likely to exceed $1 million are structured to be deductible for purposes of Section 162(m). All incentive compensation in excess of $1 million paid to our named executive officers in 2016 satisfied the requirements for deductibility.

The compensation committee also considers the accounting and cash flow implications of various forms of executive compensation. We expense salaries and annual incentive compensation as earned. For our equity awards, we record the accounting expense in accordance with Financial Accounting Standards Board 718, which is generally expensed over the vesting period.

Stock Ownership Requirements

Executives participating in our Long-Term Performance-Based Incentive Plan are required within five years of appointment or promotion into an executive level to own our common stock equal to a multiple of their base salary as outlined in the stock ownership policy. Stock owned through our 401(k) plan or by a spouse is considered in ownership calculations. Unvested performance shares are not considered in ownership calculations. The level of stock ownership compared to the ownership requirements is determined based on the closing sale price of our stock on the last trading day of the year and base salary at December 31 of the same year. The table shows the named executive officers' holdings as a multiple of their base salary as of December 31, 2016:

Name	Ownership Policy Multiple of Base Salary within 5 Years	Actual Holdings as a Multiple of Base Salary as of 12/31/2016	Ownership requirement must be met by:
David L. Goodin	4X	3.26	1/1/2018
Doran N. Schwartz	3X	3.81	Ownership requirement met
David C. Barney	3X	0.61	1/1/2019
Jeffrey S. Thiede	3X	0.20	1/1/2019
Martin A. Fritz	3X	—	1/1/2020

Deferral of Annual Incentive Compensation

We provide executives the opportunity to defer receipt of earned annual incentives. If an executive chooses to defer an annual incentive, we credit the deferral with interest at a rate determined by the compensation committee. For 2016, the committee chose to use an interest rate of 4.5% based on an average of the Moody's U.S. Long-Term Corporate Bond Yield Average for "A" and "Baa" rated companies. The compensation committee's reasons for using this interest rate recognized incentive deferrals are a low-cost source of capital for the company and are unsecured obligations and, therefore, carry a higher risk to the executives.

Clawback

In February 2016, we amended our Long-Term Incentive Plan and Executive Incentive Compensation Plan sections regarding the repayment of incentive compensation due to accounting restatements, commonly referred to as a clawback policy. The compensation committee may, or shall if required, take action to recover incentive-based compensation from specific executives in the event the company is required to restate its financial statements due to material noncompliance with any financial reporting requirements under the securities laws.

Policy Regarding Hedging Stock Ownership

Our executive compensation policy prohibits executive officers, which includes our named executive 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 section entitled "Security Ownership" 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
William E. McCracken
Patricia L. Moss

EXECUTIVE COMPENSATION TABLES

Summary Compensation Table for 2016

Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)[1]	Stock Awards ($) (e)[2]	Option Awards ($) (f)	Non-Equity Incentive Plan Compensation ($) (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (h)	All Other Compensation ($) (i)	Total ($) (j)
David L. Goodin	2016	755,000	—	1,441,954	—	1,055,490	218,301 [3]	40,246 [4]	3,510,991
President and CEO	2015	755,000	—	1,386,992	—	376,745	—	39,411	2,558,148
	2014	685,000	—	1,385,135	—	830,915	631,901	38,686	3,571,637
Doran N. Schwartz	2016	380,000	6,175	290,292	—	345,306	77,084 [3]	35,772 [4]	1,134,629
Vice President	2015	380,000	—	279,228	—	123,253	—	35,571	818,052
and CFO	2014	360,000	—	363,959	—	163,080	273,974	34,956	1,195,969
David C. Barney	2016	406,800	—	276,232	—	593,114	77,565 [3]	22,905 [4]	1,376,616
President and CEO of	2015	395,000	—	225,739	—	637,588	9,530	22,556	1,290,413
Knife River Corporation	2014	—	—	—	—	—	—	—	—
Jeffrey S. Thiede	2016	425,000	—	288,598	—	489,600	—	122,708 [4]	1,325,906
President and CEO of	2015	425,000	—	242,902	—	161,857	—	172,506	1,002,265
MDU Construction Services Group, Inc.	2014	400,000	—	323,529	—	730,150	—	96,481	1,550,160
Martin A. Fritz	2016	400,000	52,520	305,578	—	363,480	—	121,670 [4]	1,243,248
President and CEO of	2015	—	—	—	—	—	—	—	—
WBI Energy, Inc.	2014	—	—	—	—	—	—	—	—

[1] Amounts shown represent the incentive compensation determined by the compensation committee for the optimum refining production performance measure for 2016 due to the unforeseen economic conditions which lead to the sale of Dakota Prairie Refining, LLC. See "Annual Incentives" in the section entitled "Compensation Discussion and Analysis" for further information.

[2] Amounts in this column represent the aggregate grant date fair value of performance share award opportunities at target calculated in accordance with Financial Accounting Standards Board (FASB) generally accepted accounting principles for stock-based compensation in FASB Accounting Standards Codification Topic 718. This column was prepared assuming none of the awards were or will be forfeited. The amounts were calculated using the Monte Carlo simulation, as described in Note 10 of our audited financial statements in our Annual Report on Form 10-K for the year ended December 31, 2016. For 2016, the total aggregate grant date fair value of performance share award opportunities assuming the highest level of payout would be as follows:

Name	Aggregate grant date fair value at highest payout ($)
David L. Goodin	2,883,909
Doran N. Schwartz	580,584
David C. Barney	552,464
Jeffrey S. Thiede	577,196
Martin A. Fritz	611,156

[3] Amounts shown for 2016 represent the change in the actuarial present value for the named executive officers' accumulated benefits under the pension plan, SISP, and Excess SISP, collectively referred to as the "accumulated pension change," plus above-market earnings on deferred annual incentives as of December 31, 2016.

Name	Accumulated Pension Change ($)	Above Market Interest ($)
David L. Goodin	215,917	2,384
Doran N. Schwartz	77,084	—
David C. Barney	77,565	—

[4] All Other Compensation is comprised of:

Name	401(k) ($)[a]	Life Insurance Premium ($)	Matching Charitable Contributions ($)	Nonqualified Defined Contribution Plan ($)	Total ($)
David L. Goodin	38,425	621	1,200	—	40,246
Doran N. Schwartz	35,000	472	300	—	35,772
David C. Barney	21,200	505	1,200	—	22,905
Jeffrey S. Thiede	21,200	528	980	100,000	122,708
Martin A. Fritz	21,173	497	—	100,000	121,670

[a] Represents company contributions to the 401(k) plan, which includes matching contributions and retirement contributions made after the pension plans were frozen at December 31, 2009.

Grants of Plan-Based Awards in 2016

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			
Name (a)	Grant Date (b)	Threshold ($) (c)	Target ($) (d)	Maximum ($) (e)	Threshold (#) (f)	Target (#) (g)	Maximum (#) (h)	Grant Date Fair Value of Stock and Option Awards ($) (l)
David L. Goodin	2/11/2016 [1]	188,750	755,000	1,510,000	—	—	—	—
	2/11/2016 [2]	—	—	—	19,753	98,764	197,528	1,441,954
Doran N. Schwartz	2/11/2016 [3]	61,750	247,000	494,000	—	—	—	—
	2/11/2016 [2]	—	—	—	3,977	19,883	39,766	290,292
David C. Barney	2/11/2016 [1]	76,275	305,100	732,240	—	—	—	—
	2/11/2016 [2]	—	—	—	3,784	18,920	37,840	276,232
Jeffrey S. Thiede	2/11/2016 [1]	79,688	318,750	765,000	—	—	—	—
	2/11/2016 [2]	—	—	—	3,953	19,767	39,534	288,598
Martin A. Fritz	2/11/2016 [3]	65,000	260,000	520,000	—	—	—	—
	2/11/2016 [2]	—	—	—	4,186	20,930	41,860	305,578

[1] Annual incentive for 2016 granted pursuant to the MDU Resources Group, Inc. Long-Term Performance-Based Incentive Plan.

[2] Performance shares for the 2016-2018 performance period granted pursuant to the MDU Resources Group, Inc. Long-Term Performance-Based Incentive Plan.

[3] Annual incentive for 2016 granted pursuant to the MDU Resources Group, Inc. Executive Incentive Compensation Plan.

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

Annual Incentive

The compensation committee recommended the 2016 annual incentive award opportunities for our named executive officers and the board approved these opportunities at its meeting on February 11, 2016. The award opportunities at threshold, target, and maximum are reflected in columns (c), (d), and (e), respectively, of the Grants of Plan-Based Awards table. The actual amount paid with respect to 2016 performance is reflected in column (g) of the Summary Compensation Table.

As described in "Annual Incentives" in the section entitled "Compensation Discussion and Analysis," payment of annual award opportunities is dependent upon achievement of performance measures; actual payout may range from 0% to 200% of the target except for the construction materials & contracting and construction services segments which may range from 0% to 250% for achievement of certain performance measures.

Messrs. Goodin, Barney, and Thiede received their 2016 annual incentive award opportunities pursuant to the Long-Term Performance-Based Incentive Plan. To be eligible to receive a payment, they must remain employed by the company through December 31, 2016. The performance measures associated with their annual incentive may not be adjusted if the adjustment would increase their annual incentive award payment, unless the compensation committee determined and established the adjustment in writing within 90 days of the beginning of the performance period. The compensation committee may at its sole discretion use negative discretion based on subjective or objective measures and adjust any annual incentive award payment downward.

Messrs. Schwartz and Fritz were awarded their annual incentive opportunities pursuant to the MDU Resources Group, Inc. Executive Incentive Compensation Plan. Under the Executive Incentive Compensation Plan, executives who retire during the year at age 65 remain eligible to receive an award, but executives who terminate employment for other reasons are not eligible for an award. The committee generally does not modify the performance measures; 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 measures, the committee, in consultation with the CEO, may modify the performance measures. The compensation committee has full discretion to determine the extent to which goals have been achieved, the payment level, and whether to adjust payment of awards downward based upon individual performance. For further discussion of the specific 2016 incentive plan performance measures and results, see "Annual Incentives" in the section entitled "Compensation Discussion and Analysis."

Long-Term Incentive

The compensation committee recommended long-term incentive award opportunities for the named executive officers in the form of performance shares, and the board approved the award opportunities at its meeting on February 11, 2016. The long-term incentive opportunities are presented as the number of performance shares at threshold, target, and maximum in columns (f), (g), and (h) of the Grants of Plan-Based Awards table. The value of the long-term performance-based incentive opportunities is based on the aggregate grant date fair value and is reflected in column (e) of the Summary Compensation Table and column (l) of the Grant of Plan-Based Awards table.

Depending on our 2016-2018 total stockholder return compared to the total three-year stockholder returns of our peer group companies, executives will receive from 0% to 200% of the target awards in February 2019. We also will pay dividend equivalents in cash on the number of shares actually vested for the performance period. The dividend equivalents will be paid in 2019 at the same time as the performance share awards vest. In the event the company's 2016-2018 total stockholder return is negative, the number of shares that would otherwise vest for the performance period will be reduced from 50% to 100%. For further discussion of the specific long-term incentive plan, see "Long-Term Incentives" in the section entitled "Compensation Discussion and Analysis."

Nonqualified Defined Contribution Plan

The compensation committee selects participants and approves contributions to the Nonqualified Defined Contribution Plan based on recommendations from the CEO. The purpose of the plan is to recognize outstanding performance coupled with enhanced retention as the Nonqualified Defined Contribution Plan requires a vesting period. The amount shown in column (i) - All Other Compensation of the Summary Compensation Table includes contributions of $100,000 each for Messrs. Thiede and Fritz. For further information, see the section entitled "Nonqualified Deferred Compensation for 2016."

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
David L. Goodin	755,000	—	3,510,991	21.5%
Doran N. Schwartz	380,000	6,175	1,134,629	34.0%
David C. Barney	406,800	—	1,376,616	29.6%
Jeffrey S. Thiede	425,000	—	1,325,906	32.1%
Martin A. Fritz	400,000	52,520	1,243,248	36.4%

Outstanding Equity Awards at Fiscal Year-End 2016

Name (a)	Stock Awards: Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested ($) (h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (i)[1]	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (j)[2]
David L. Goodin	—	—	375,533	10,804,084
Doran N. Schwartz	—	—	77,671	2,234,595
David C. Barney	—	—	68,802	1,979,434
Jeffrey S. Thiede	—	—	72,676	2,090,889
Martin A. Fritz	—	—	70,742	2,035,247

[1] Below is a breakdown by year of the outstanding performance share plan awards:

	2014 Award	2015 Award	2016 Award	
Performance Period End	12/31/2016	12/31/2017	12/31/2018	Total
David L. Goodin	33,677	144,328	197,528	375,533
Doran N. Schwartz	8,849	29,056	39,766	77,671
David C. Barney	7,472	23,490	37,840	68,802
Jeffrey S. Thiede	7,866	25,276	39,534	72,676
Martin A. Fritz	—	28,882	41,860	70,742

Shares for the 2014 award are shown at the target level (100%) based on results for the 2014-2016 performance cycle between threshold and target.

Shares for the 2015 award are shown at the maximum level (200%) based on results for the first two years of the 2015-2017 performance cycle above target.

Shares for the 2016 award are shown at the maximum level (200%) based on results for the first year of the 2016-2018 performance cycle above target.

[2] Value based on the number of performance shares reflected in column (i) multiplied by $28.77, the year-end per share closing stock price for 2016.

While for purposes of the Outstanding Equity Awards at Fiscal Year End 2016 table, the number of shares and value shown for the 2014-2016 performance cycle is at 100% of target, the actual results for the performance period certified by the compensation committee and approved by the board of directors on February 16, 2017 resulted in vesting at 68% of target. For further information, see "Long-Term Incentives" in the section entitled "Compensation Discussion and Analysis."

Option Exercises and Stock Vested During 2016

Name (a)	Stock Awards: Number of Shares Acquired on Vesting (#) (d)[1]	Value Realized on Vesting ($) (e)[2]
David L. Goodin	13,264	244,787
Doran N. Schwartz	3,661	67,564
David C. Barney	—	—
Jeffrey S. Thiede	—	—
Martin A. Fritz	—	—

[1] Reflects performance shares for the 2013-2015 performance period that vested on December 31, 2015, and were approved February 11, 2016.

[2] Reflects the value of vested performance shares based on the closing stock price of $16.31 per share on February 11, 2016, and the dividend equivalents paid on the vested shares.

Pension Benefits for 2016

Name (a)	Plan Name (b)	Number of Years Credited Service (#) (c)[1]	Present Value of Accumulated Benefit ($) (d)	Payments During Last Fiscal Year ($) (e)
David L. Goodin	Pension	26	1,107,307	—
	Basic SISP [2]	10	2,285,113	—
	Excess SISP [3]	26	36,888	—
Doran N. Schwartz	Pension	4	110,012	—
	Basic SISP [2]	9	821,142	—
	Excess SISP [3]	n/a	—	—
David C. Barney	Pension [3]	n/a	—	—
	Basic SISP [2]	10	1,383,697	—
	Excess SISP [3]	n/a	—	—
Jeffrey S. Thiede	Pension [3]	n/a	—	—
	Basic SISP [3]	n/a	—	—
	Excess SISP [3]	n/a	—	—
Martin A. Fritz	Pension [3]	n/a	—	—
	Basic SISP [3]	n/a	—	—
	Excess SISP [3]	n/a	—	—

[1] Years of credited service related to the pension plan reflects the years of participation in the plan as of December 31, 2009, when the pension plan was frozen. Years of credited service related to the Basic SISP reflects the years toward full vesting of the benefit which is 10 years. Years of credited service related to Excess SISP reflects the same number of credited years of services as the pension plan.

[2] The present value of accumulated benefits for the Basic SISP assumes the named executive officer would be fully vested in the benefit on the benefit commencement date; therefore, no reduction was made to reflect actual vesting levels.

[3] Messrs. Barney, Thiede, and Fritz are not eligible to participate in the pension plans. Messrs. Thiede and Fritz do not participate in the SISP. Mr. Goodin is the only named executive officer eligible to participate in the Excess SISP

The amounts shown for the pension plan, Basic SISP, and Excess SISP represent the actuarial present values of the executives' accumulated benefits accrued as of December 31, 2016, calculated using:

- a 3.54% discount rate for the Basic SISP and Excess SISP;
- a 3.80% discount rate for the pension plan;
- the Society of Actuaries RP-2014 Adjusted to 2006 Total Dataset Mortality with Scale MP-2016 for post-retirement mortality; and
- no recognition of future salary increases or pre-retirement mortality.

The actuary assumed a retirement age of 60 for the pension, Basic SISP, and Excess SISP benefits and assumed retirement benefits commence at age 60 for the pension and 65 for Basic and Excess SISP benefits.

Pension Plan

The MDU Resources Group, Inc. Pension Plan for Non-Bargaining Unit Employees (pension plan) applies to employees hired before 2006 and was amended to cease benefit accruals as of December 31, 2009. The benefits under the pension plan are based on a participant's average annual salary over the 60 consecutive month period where the participant received the highest annual salary between 1999 and 2009. Benefits are paid as straight life annuities for single participants and as actuarially reduced annuities with a survivor benefit for married participants unless they choose otherwise.

Supplemental Income Security Plan

The Supplemental Income Security Plan (SISP), a defined benefit nonqualified retirement plan, is offered to select key managers and executives. SISP benefits are determined by reference to levels defined within the plan. Our compensation committee, after receiving recommendations from our CEO, determined each participant's level within the plan. On February 11, 2016, the SISP plan was amended so no new participants would be added to the plan and current benefit levels were frozen for existing participants.

Basic SISP Benefits

Basic SISP is a supplemental retirement benefit intended to augment the retirement income provided under the pension plans. The Basic SISP benefits are subject to the following ten-year vesting schedule:

- 0% vesting for less than three years of participation;
- 20% vesting for three years of participation;
- 40% vesting for four years of participation; and
- an additional 10% vesting for each additional year of participation up to 100% vesting for ten years of participation.

Participants can elect to receive the Basic SISP as:

- monthly retirement benefits only;
- monthly death benefits paid to a beneficiary only; or
- a combination of retirement and death benefits, where each benefit is reduced proportionately.

Regardless of the election, if the participant dies before the SISP retirement benefit commences, only the SISP death benefit is provided.

Basic SISP benefits vested as of December 31, 2004, are grandfathered under Section 409A of the Internal Revenue Code (Section 409A) and are subject to the SISP provisions then in effect. Typically, the grandfathered Section 409A SISP benefits are paid over 15 years, with benefits commencing when the participant attains age 65 or when the participant retires if they work beyond age 65. Basic SISP benefits vesting after December 31, 2004 are governed by amended provisions in the plan intended to comply with Section 409A. The SISP benefits for key employees as defined by Section 409A commence six months after the participant attains age 65 or when the participant retires if they work beyond age 65. The benefits are paid over a 173 month period where the first payment includes the equivalent of six-months of payments plus interest equal to one-half of the annual prime interest rate on the participant's last date of employment.

The following are Messrs. Goodin and Barney's benefits under the grandfathered provision and those subject to Section 409A.

	Grandfathered ($)	Subject to §409A ($)	Total ($)
David L. Goodin	247,951	2,037,162	2,285,113
David C. Barney	339,092	1,044,605	1,383,697

Excess SISP Benefits

Excess SISP is an excess retirement benefit relating to Internal Revenue Code limitations on retirement benefits provided under the pension plans. Excess SISP benefits are equal to the difference between 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 the actual benefits payable to the participant under the pension plans. Participants are only eligible for the Excess SISP benefits if the participant is fully vested under the pension plan, their employment terminates prior to age 65, and benefits under the pension plan are reduced due to limitations under the Internal Revenue Code on plan compensation.

In 2009, the SISP was amended to limit eligibility for the Excess SISP benefit. Mr. Goodin is the only named executive officer eligible for the Excess SISP benefit and must remain employed with the company until age 60 in order to receive the 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.

Both Basic and Excess SISP benefits are forfeited if the participant's employment is terminated for cause.

Nonqualified Deferred Compensation for 2016

Deferred Annual Incentive Compensation

Executives participating in the annual 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 2016 was 4.5% based on an average of the Moody's U.S. Long-Term Corporate Bond Yield Average for "A" and "Baa" rated companies. 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 earned. The amounts are paid in accordance with the participant's election in either a lump sum or in monthly installments not to exceed 120 months. In the event of a change of control, all amounts deferred would immediately become payable. For purposes of deferred annual incentive compensation, a change of control is defined as:

- an acquisition during an 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 gross fair market value of all of our assets.

Nonqualified Defined Contribution Plan

The company adopted the Nonqualified Defined Contribution Plan, effective January 1, 2012, to provide deferred compensation for a select group of employees. The compensation committee determines the amount of employer contributions under the Nonqualified Defined Contribution Plan and the obligations under the plan constitute an unsecured promise of the company to make such payments. The company credits contributions to plan accounts which capture the hypothetical investment experience based on the participant's elections which individually vest four years after each contribution in accordance with the terms of the plan. Amounts shown as aggregate earnings in the table below for Messrs. Thiede and Fritz reflect the change in investment value at market rates. Participants may elect to receive their vested contributions and investment earnings either in a lump sum upon separation from service with the company or in annual installments over a period of years upon the later of (i) separation from service and (ii) age 65. Plan benefits become fully vested if the participant dies while actively employed. Benefits are forfeited if the participant's employment is terminated for cause.

The table below includes individual contributions from deferrals of annual incentive compensation and company contributions under the Nonqualified Defined Contribution Plan:

Name (a)	Executive Contributions in Last FY ($) (b)	Registrant Contributions in Last FY ($) (c)	Aggregate Earnings in Last FY ($) (d)	Aggregate Withdrawals/ Distributions ($) (e)	Aggregate Balance at Last FYE ($) (f)
David L. Goodin	188,373	—	7,305	—	195,677 [1]
Doran N. Schwartz	—	—	—	—	—
David C. Barney	—	—	—	—	—
Jeffrey S. Thiede	—	100,000	28,044	—	396,929 [2]
Martin A. Fritz	—	100,000	13,936	—	211,748 [2]

[1] Mr. Goodin deferred 50% of his 2015 annual incentive compensation which was $376,745 as reported in the Summary Compensation Table for 2015.

[2] Messrs. Thiede and Fritz each received $100,000 under the Nonqualified Defined Contribution Plan for 2016. Mr. Thiede's balance also includes contributions of $150,000 for 2015, $75,000 for 2014, and $33,000 for 2013. Mr. Fritz's balance includes contributions of $100,000 for 2015. Each of these amounts is reported in column (i) of the Summary Compensation Table in the Proxy Statement for its respective year, where applicable.

Potential Payments upon Termination or Change of Control

The Potential Payments upon Termination or Change of Control table shows the payments and benefits our named executive officers would receive in connection with a variety of employment termination scenarios or upon a change of control. For the named executive officers, the information assumes the terminations or the change of control occurred on December 31, 2016.

The table excludes compensation and benefits that our named executive officers would have already earned during their employment with us whether or not a termination or change of control event had occurred or 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 nonqualified defined contribution or deferred annual compensation amounts which are shown and explained in the Nonqualified Deferred Compensation for 2016 table.

Compensation

Upon a change of control, annual incentives granted under our Long-Term Performance-Based Incentive Plan (LTIP) would vest at target and be paid in cash. Messrs. Goodin, Barney, and Thiede were awarded their annual incentives for 2016 under the LTIP and would receive the value of their annual incentive compensation at the target amount under the change of control scenarios. No amounts are shown for annual incentives in the tables for Messrs. Goodin, Barney, and Thiede under termination scenarios, as they would be eligible to receive their annual incentives at the level of performance measures were achieved for the performance period regardless of termination scenarios occurring on December 31, 2016.

Messrs. Schwartz and Fritz were granted their annual incentive awards under the Executive Incentive Compensation Plan (EICP) which has no change of control provision in regards to annual incentive compensation other than for deferred compensation and requires participants to remain employed with the company through the service year to be eligible for a payout. No amounts are shown for annual incentives in the tables for Messrs. Schwartz and Fritz, as they would be eligible to receive their annual incentive at the level performance measures were achieved for the performance period regardless of termination or change of control scenarios occurring on December 31, 2016.

Upon a change of control, performance share awards under the LTIP would be deemed fully earned and vest at their target levels for all named executive officers. For this purpose, the term "change of control" is defined in the LTIP as:

- the acquisition by an individual, entity, or group of 20% or more of our outstanding common stock;
- a majority of our board of directors whose election or nomination was not approved by a majority of the incumbent 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.

For termination scenarios, performance share awards are forfeited if the participant's employment terminates for any reason before the participant has reached age 55 and completed 10 years of service. If a participant's employment is terminated other than for cause after reaching age 55 and completing 10 years of service, performance shares are prorated as follows:

- termination of employment during the first year of the performance period = shares are forfeited;
- termination of employment during the second year of the performance period = performance shares earned are prorated based on the number of months employed during the performance period; and
- termination of employment during the third year of the performance period = full amount of any performance shares earned are received.

Based on the above criteria, the named executive officers would earn performance shares upon termination or a change of control as follows:

	David L. Goodin	Doran N. Schwartz	David C. Barney	Jeffrey S. Thiede	Martin A. Fritz
As of December 31, 2016, has the participant reached age 55 and have 10 years of service?	Yes	No	Yes	No	No
Performance Share Cycle 2014-2016	Fully Earned	Forfeited	Fully Earned	Forfeited	Forfeited
Performance Share Cycle 2015-2017	Prorated	Forfeited	Prorated	Forfeited	Forfeited
Performance Share Cycle 2016-2018	Forfeited	Forfeited	Forfeited	Forfeited	Forfeited

For purposes of calculating the performance share value, the number of vesting shares was multiplied by the closing stock price for the last market day of the year, which was December 30, 2016. Dividend equivalents based on the number of vesting shares are also included in the amounts presented.

Benefits and Perquisites

Basic SISP benefits presented in the table represent the present value of vested Basic SISP as of December 31, 2016 commencing at age 65 and payable for 15 years. Only Messrs. Goodin, Schwartz, and Barney are eligible for Basic SISP benefits. Present value was determined using a 3.54% discount rate. The terms of the Basic SISP benefit are described following the Pension Benefits for 2016 table. In the event of death, Messrs. Goodin, Schwartz, and Barney's beneficiaries would receive monthly death benefit payments for 15 years.

The monthly SISP retirement and death benefits used in the present value calculations were:

	Monthly SISP Retirement Payment ($)	Monthly SISP Death Payment ($)
David L. Goodin	23,040	46,080
Doran N. Schwartz	8,744	21,872
David C. Barney	9,125	21,872

The Basic SISP amounts under a disability scenario as shown for Messrs. Schwartz and Barney reflect credit for an additional year of vesting of their 2014 SISP upgrades which would result in full vesting of the upgrade.

We provide disability benefits to some of our salaried employees equal to 60% of their base salary, subject to a salary limit of $200,000 for officers and $100,000 for other salaried employees when calculating benefits. For all eligible employees, disability payments continue until age 65 if disability occurs at or before age 60 and for five years if disability occurs between the ages of 60 and 65. Disability benefits are reduced for amounts paid as retirement benefits. The disability amounts in the table 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. For Messrs. Goodin and Schwartz, who participate in the pension plan, the amount represents the present value of the disability benefit after reduction for retirement benefits using a discount rate of 3.8%. Because Mr. Goodin's retirement benefit is greater than the disability benefit, the amount shown is zero. For Messrs. Barney, Thiede, and Fritz, who do not participate in the pension plan, the amount represents the present value of the disability benefit without reduction for retirement benefits using the discount rate of 3.54% which is associated with the SISP plan which is considered a reasonable rate for purposes of the calculation.

Severance

The compensation committee generally considers providing severance benefits on a case-by-case basis. Because severance payments are at the discretion of the compensation committee, no amounts are presented in the tables with the exception of Mr. Fritz. Mr. Fritz's offer letter provided for a lump sum payment if his employment terminates during the two years after his date of hire as a result of: (1) a change of control of the company; (2) the company divests WBI Holdings, Inc. or a significant portion of its assets; (3) a material diminution of his authority or job duties and/or a change to whom he reports; or (4) a reduction in his base salary other than a reduction in base salary imposed on all senior officers.

Potential Payments upon Termination or Change of Control Table

Executive Benefits and Payments Upon Termination or Change of Control	Voluntary Termination ($)	Not for Cause Termination ($)	Death ($)	Disability ($)	Change of Control (With Termination) ($)	Change of Control (Without Termination) ($)
David L. Goodin						
Compensation:						
Annual Incentive	—	—	—	—	755,000	755,000
Performance Shares	2,498,923	2,498,923	2,498,923	2,498,923	6,142,835	6,142,835
Benefits and Perquisites:						
Basic SISP	2,283,801	2,283,801	—	2,283,801	2,283,801	—
SISP Death Benefits	—	—	6,447,100	—	—	—
Disability Benefits	—	—	—	—	—	—
Total	**4,782,724**	**4,782,724**	**8,946,023**	**4,782,724**	**9,181,636**	**6,897,835**
Doran N. Schwartz						
Compensation:						
Annual Incentive	—	—	—	—	—	—
Performance Shares	—	—	—	—	1,300,761	1,300,761
Benefits and Perquisites:						
Basic SISP	659,072	659,072	—	824,254	659,072	—
SISP Death Benefits	—	—	3,060,134	—	—	—
Disability Benefits	—	—	—	713,381	—	—
Total	**659,072**	**659,072**	**3,060,134**	**1,537,635**	**1,959,833**	**1,300,761**
David C. Barney						
Compensation:						
Annual Incentive	—	—	—	—	305,100	305,100
Performance Shares	468,381	468,381	468,381	468,381	1,145,462	1,145,462
Benefits and Perquisites:						
Basic SISP	1,141,490	1,141,490	—	1,368,036	1,141,490	—
SISP Death Benefits	—	—	3,060,134	—	—	—
Disability Benefits	—	—	—	275,389	—	—
Total	**1,609,871**	**1,609,871**	**3,528,515**	**2,111,806**	**2,592,052**	**1,450,562**
Jeffrey S. Thiede						
Compensation:						
Annual Incentive	—	—	—	—	318,750	318,750
Performance Shares	—	—	—	—	1,209,696	1,209,696
Benefits and Perquisites:						
Disability Benefits	—	—	—	506,165	—	—
Total	**—**	**—**	**—**	**506,165**	**1,528,446**	**1,528,446**
Martin A. Fritz						
Compensation:						
Annual Incentive	—	—	—	—	—	—
Performance Shares	—	—	—	—	1,054,943	1,054,943
Benefits and Perquisites:						
Disability Benefits	—	—	—	600,673	—	—
Severance	—	500,000	—	—	500,000	—
Total	**—**	**500,000**	**—**	**600,673**	**1,554,943**	**1,054,943**

Company Name: Montana-Dakota Utilities Co.

Year: 2016

BALANCE SHEET

	Account Number & Title		Last Year	This Year	% Change
1		**Assets and Other Debits**			
2					
3	**Utility Plant**				
4	101	Electric Plant in Service	$1,172,942,231	$1,300,936,832	10.91%
5	101.1	Property Under Capital Leases			
6	102	Electric Plant Purchased or Sold			
7	104	Electric Plant Leased to Others			
8	105	Electric Plant Held for Future Use			
9	106	Completed Constr. Not Classified - Electric	485,131,928	440,416,305	-9.22%
10	107	Construction Work in Progress - Electric	39,979,542	59,471,191	48.75%
11	108	(Less) Accumulated Depreciation	(540,299,158)	(570,038,828)	5.50%
12	111	(Less) Accumulated Amortization	(1,734,529)	(2,056,608)	18.57%
13	114	Electric Plant Acquisition Adjustments	10,387,642	10,387,642	0.00%
14	115	(Less) Accum. Amort. Electric Plant Acq. Adj.	(10,387,642)	(10,387,642)	0.00%
15	120	Nuclear Fuel (Net)			
16		Other Utility Plant	657,284,320	677,653,122	3.10%
17		Accum. Depr. and Amort. - Other Utl. Plant	(282,699,614)	(296,220,741)	4.78%
18					
19		**Total Utility Plant**	$1,530,604,720	$1,610,161,273	5.20%
20					
21	**Other Property & Investments**				
22	121	Nonutility Property	$15,640,751	$16,090,676	2.88%
23	122	(Less) Accum. Depr. & Amort. of Nonutil. Prop.	(3,678,472)	(4,352,234)	18.32%
24	123	Investments in Associated Companies			
25	123.1	Investments in Subsidiary Companies	1,722,350,774	1,603,873,802	-6.88%
26	124	Other Investments	66,784,202	70,369,897	5.37%
27	125	Sinking Funds			
28					
29		**Total Other Property & Investments**	$1,801,097,255	$1,685,982,141	-6.39%
30					
31	**Current & Accrued Assets**				
32	131	Cash	$2,770,168	$3,946,952	42.48%
33	132-134	Special Deposits	14,275	2,279,900	15871.28%
34	135	Working Funds	150,750	212,131	40.72%
35	136	Temporary Cash Investments			
36	141	Notes Receivable			
37	142	Customer Accounts Receivable	20,902,043	24,806,476	18.68%
38	143	Other Accounts Receivable	3,953,301	3,663,520	-7.33%
39	144	(Less) Accum. Provision for Uncollectible Accts.	(448,073)	(481,777)	7.52%
40	145	Notes Receivable - Associated Companies			
41	146	Accounts Receivable - Associated Companies	33,128,824	34,423,691	3.91%
42	151	Fuel Stock	5,373,602	4,528,869	-15.72%
43	152	Fuel Stock Expenses Undistributed			
44	153	Residuals and Extracted Products			
45	154	Plant Materials and Operating Supplies	19,057,339	17,336,690	-9.03%
46	155	Merchandise			
47	156	Other Material & Supplies			
48	163	Stores Expense Undistributed			
49	164.1	Gas Stored Underground - Current	11,509,418	12,822,648	11.41%
50	165	Prepayments	5,671,080	5,936,055	4.67%
51	166	Advances for Gas Explor., Devl. & Production			
52	171	Interest & Dividends Receivable			
53	172	Rents Receivable			
54	173	Accrued Utility Revenues	39,280,240	47,631,992	21.26%
55	174	Miscellaneous Current & Accrued Assets			
56					
57		**Total Current & Accrued Assets**	$141,362,967	$157,107,147	11.14%

Company Name: Montana-Dakota Utilities Co.

Year: 2016

BALANCE SHEET

Account Number	Account Title	Last Year	This Year	% Change
	Assets and Other Debits (cont.)			
Deferred Debits				
181	Unamortized Debt Expense	$2,533,923	$2,276,700	-10.15%
182.1	Extraordinary Property Losses			
182.2	Unrecovered Plant & Regulatory Study Costs	2,993,931	3,406,606	13.78%
182.3	Other Regulatory Assets	203,700,877	217,540,263	6.79%
183	Prelim. Electric Survey & Investigation Chrg.	619,177	948,016	53.11%
183.1	Prelim. Nat. Gas Survey & Investigation Chrg.	0	12,888	100.00%
183.2	Other Prelim. Nat. Gas Survey & Invtg. Chrgs.			
184	Clearing Accounts	985	(35,372)	-3691.07%
185	Temporary Facilities			
186	Miscellaneous Deferred Debits	21,453,443	26,117,491	21.74%
187	Deferred Losses from Disposition of Util. Plant			
188	Research, Devel. & Demonstration Expend.			
189	Unamortized Loss on Reacquired Debt	5,968,060	5,297,814	-11.23%
190	Accumulated Deferred Income Taxes	69,928,510	87,892,895	25.69%
191	Unrecovered Purchased Gas Costs	(3,670,064)	1,874,756	-151.08%
192.1	Unrecovered Incremental Gas Costs			
192.2	Unrecovered Incremental Surcharges			
	Total Deferred Debits	$303,528,842	$345,332,057	13.77%
TOTAL ASSETS & OTHER DEBITS		$3,776,593,784	$3,798,582,618	0.58%
	Liabilities and Other Credits			
Proprietary Capital				
201	Common Stock Issued	$195,804,665	$195,843,297	0.02%
202	Common Stock Subscribed			
204	Preferred Stock Issued	15,000,000	15,000,000	0.00%
205	Preferred Stock Subscribed			
207	Premium on Capital Stock	1,236,677,978	1,239,047,477	0.19%
211	Miscellaneous Paid-In Capital			
213	(Less) Discount on Capital Stock			
214	(Less) Capital Stock Expense	(6,558,718)	(6,569,697)	0.17%
216	Appropriated Retained Earnings	570,240,768	595,204,310	4.38%
216.1	Unappropriated Retained Earnings	426,114,449	317,077,496	-25.59%
217	(Less) Reacquired Capital Stock	(3,625,813)	(3,625,813)	0.00%
219	Accumulated Other Comprehensive Income	(37,148,174)	(35,732,744)	3.81%
	Total Proprietary Capital	$2,396,505,155	$2,316,244,326	-3.35%
Long Term Debt				
221	Bonds			
222	(Less) Reacquired Bonds			
223	Advances from Associated Companies			
224	Other Long Term Debt	625,264,519	681,754,986	9.03%
225	Unamortized Premium on Long Term Debt			
226	(Less) Unamort. Discount on Long Term Debt-Dr.			
	Total Long Term Debt	$625,264,519	$681,754,986	9.03%

BALANCE SHEET

	Account Number & Title		Last Year	This Year	% Change
1	**Total Liabilities and Other Credits (cont.)**				
2					
3	**Other Noncurrent Liabilities**				
4	227	Obligations Under Cap. Leases - Noncurrent			
5	228.1	Accumulated Provision for Property Insurance			
6	228.2	Accumulated Provision for Injuries & Damages	$1,073,542	$122,938	-88.55%
7	228.3	Accumulated Provision for Pensions & Benefits	53,421,814	46,541,513	-12.88%
8	228.4	Accumulated Misc. Operating Provisions			
9	229	Accumulated Provision for Rate Refunds	916,543	1,343,280	46.56%
10	230	Asset Retirement Obligations	103,736,547	119,521,302	15.22%
11					
12	**TOTAL Other Noncurrent Liabilities**		$159,148,446	$167,529,033	5.27%
13					
14	**Current & Accrued Liabilities**				
15	231	Notes Payable			
16	232	Accounts Payable	$53,267,087	$36,758,884	-30.99%
17	233	Notes Payable to Associated Companies			
18	234	Accounts Payable to Associated Companies	6,621,950	5,591,989	-15.55%
19	235	Customer Deposits	1,479,642	1,425,667	-3.65%
20	236	Taxes Accrued	10,994,840	14,992,270	36.36%
21	237	Interest Accrued	8,195,895	7,531,734	-8.10%
22	238	Dividends Declared	36,783,577	37,767,342	2.67%
23	239	Matured Long Term Debt			
24	240	Matured Interest			
25	241	Tax Collections Payable	1,008,226	937,989	-6.97%
26	242	Miscellaneous Current & Accrued Liabilities	21,606,234	30,518,735	41.25%
27	243	Obligations Under Capital Leases - Current			
28					
29	**TOTAL Current & Accrued Liabilities**		$139,957,451	$135,524,610	-3.17%
30					
31	**Deferred Credits**				
32	252	Customer Advances for Construction	$22,189,157	$23,481,419	5.82%
33	253	Other Deferred Credits	94,382,563	91,493,076	-3.06%
34	254	Other Regulatory Liabilities	12,397,095	22,896,238	84.69%
35	255	Accumulated Deferred Investment Tax Credits	1,752,301	1,640,385	-6.39%
36	256	Deferred Gains from Disposition Of Util. Plant			
37	257	Unamortized Gain on Reacquired Debt			
38	281-283	Accumulated Deferred Income Taxes	324,997,097	358,018,545	10.16%
39					
40	**TOTAL Deferred Credits**		$455,718,213	$497,529,663	9.17%
41					
42	**TOTAL LIABILITIES & OTHER CREDITS**		$3,776,593,784	$3,798,582,618	0.58%

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Definitions

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

AFUDC	Allowance for funds used during construction
ASC	FASB Accounting Standards Codification
Big Stone Station	475-MW coal-fired electric generating facility near Big Stone City, South Dakota (22.7 percent ownership)
Cascade	Cascade Natural Gas Corporation, an indirect wholly owned subsidiary of MDU Energy Capital
Centennial	Centennial Energy Holdings, Inc., a direct wholly owned subsidiary of the Company
Company	MDU Resources Group, Inc.
Coyote Station	427-MW coal fired electric generating facility near Beulah, North Dakota (25 percent ownership)
EBITDA	Earnings before interest, taxes, depreciation and amortization
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
Intermountain	Intermountain Gas Company, an indirect wholly owned subsidiary of MDU Energy Capital
K-Plan	Company's 401(k) Retirement Plan
MDU Energy Capital	MDU Energy Capital, LLC, a direct wholly owned subsidiary of the Company
MISO	Midcontinent Independent System Operator, Inc.
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 which was terminated effective December 5, 2016
Wygen III	100-MW coal-fired electric generating facility near Gillette, Wyoming (25 percent ownership)
WYPSC	Wyoming Public Service Commission

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. The Company provides service to approximately 143,000 electric and 294,000 natural gas residential, commercial, industrial and municipal customers in 278 communities and adjacent rural areas as of December 31, 2016.

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 $761.0 million; current and accrued assets would increase by $820.4 million; deferred debits would increase by $904.5 million; long-term debt would increase by $1.1 billion; other noncurrent liabilities and current and accrued liabilities would increase by $366.6 million; and deferred credits would increase by $1.1 billion as of December 31, 2016. Furthermore, operating revenues would increase by $3.6 billion and operating expenses, excluding income taxes, would increase by $3.3 billion for the twelve months ended December 31, 2016. In addition, net cash provided by operating activities would increase by $221.4 million; net cash used in investing activities would increase by $156.5 million; net cash used in financing activities would increase by $103.9 million; the effect of exchange rate changes on cash would increase by $4,000; and the net change in cash and cash equivalents would be a decrease of $39.0 million for the twelve months ended December 31, 2016. 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.

Management has also evaluated the impact of events occurring after December 31, 2016, up to the date of issuance of these 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 $856,000 and $963,000 at December 31, 2016 and 2015, respectively.

The allowance for doubtful accounts is determined through a review of past due balances and other specific account data. Account balances are written off when management determines the amounts to be uncollectible. The Company's allowance for doubtful accounts at December 31, 2016 and 2015 was $482,000 and $448,000, 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:

	2016	2015
	(In thousands)	
Plant materials and operating supplies	$ 17,337	$ 19,057
Gas stored underground-current	12,822	11,509
Fuel stock	4,529	5,374
Total	$ 34,688	$ 35,940

The remainder of natural gas in storage, which largely represents the cost of gas required to maintain pressure levels for normal operating purposes, was $2.7 million and $2.4 million at December 31, 2016 and 2015, respectively.

Investments
The Company's investments include its investment in subsidiary companies, the cash surrender value of life insurance policies, an insurance contract, and other miscellaneous investments. The Company measures its investment in the insurance 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 12.

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

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service. The amount of AFUDC capitalized for the years ended December 31 was as follows:

	2016	2015
	(In thousands)	
AFUDC - borrowed	$ 357	$ 3,909
AFUDC - equity	$ (3)	$ 7,275

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 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:

	2016	2015	Weighted Average Depreciable Life in Years
	(Dollars in thousands, where applicable)		
Electric:			
Generation	$ 1,036,373	$ 1,003,173	39
Distribution	398,382	375,612	44
Transmission	284,048	255,842	57
Construction in progress	62,110	42,435	-
Other	103,107	104,650	14
Natural gas distribution:			
Distribution	481,727	459,603	43
Construction in progress	5,698	6,992	-
Other	114,728	115,046	12
Less accumulated depreciation, depletion and amortization	878,704	835,121	
Net utility plant	$ 1,607,469	$ 1,528,232	
Nonutility property	$ 16,091	$ 15,641	
Less accumulated depreciation, depletion and amortization	4,352	3,678	
Net nonutility property	$ 11,739	$ 11,963	

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 impairment losses were recorded in 2016 and 2015. 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 segment management regularly reviews 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 impairment loss, if any. The impairment is computed by comparing the implied fair value of the 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, 2016 and 2015, there were no impairment losses recorded. At December 31, 2016, 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 4.9 percent, and a long-term growth rate projection of 3.3 percent were utilized in the goodwill impairment test performed in the fourth quarter of 2016. 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 $47.6 million and $39.3 million at December 31, 2016 and 2015, 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.

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 which are filed annually. Natural gas costs recoverable or refundable, as applicable, through rate adjustments were $1.9 million and $(3.7) million at December 31, 2016 and 2015, respectively, which is included in unrecovered purchased gas costs.

Income taxes
The Company and its subsidiaries file consolidated 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. Taxes refundable to customers and 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 values 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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New accounting standards

Revenue from Contracts with Customers In May 2014, the FASB issued guidance on accounting for revenue from contracts with customers. The guidance provides for a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. This guidance was to be effective for the Company on January 1, 2017. In August 2015, the FASB issued guidance deferring the effective date of the revenue guidance one year and allowing entities to early adopt. With this decision, the guidance will be effective for the Company on January 1, 2018. Entities will have the option of using either a full retrospective or modified retrospective approach to adopting the guidance. Under the modified approach, an entity would recognize the cumulative effect of initially applying the guidance with an adjustment to the opening balance of retained earnings in the period of adoption. In addition, the modified approach will require additional disclosures. The Company is planning to adopt the guidance using the modified retrospective approach and continues to evaluate the effects it will have on its results of operations, financial position, cash flows and disclosures.

Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent) In May 2015, the FASB issued guidance on fair value measurement and disclosure requirements removing the requirement to include investments in the fair value hierarchy for which fair value is measured using the net asset value per share practical expedient. The new guidance also removes the requirement to make certain disclosures for all investments that are eligible to be measured at net asset value using the practical expedient, and rather limits those disclosures to investments for which the practical expedient has been elected. This guidance was effective for the Company on January 1, 2016, with early adoption permitted. The application of this guidance affected the Company's disclosures; however, it did not impact the Company's results of operations, financial position or cash flows.

Simplifying the Measurement of Inventory In July 2015, the FASB issued guidance regarding inventory that is measured using the first-in, first-out or average cost method. The guidance does not apply to inventory measured using the last-in, first-out or the retail inventory method. The guidance requires inventory within its scope to be measured at the lower of cost or net realizable value, which is the estimated selling price in the normal course of business less reasonably predictable costs of completion, disposal and transportation. These amendments more closely align GAAP with IFRS. This guidance was effective for the Company on January 1, 2017, on a prospective basis. The Company does not anticipate the guidance will have a material effect on its results of operations, financial position or cash flows.

Recognition and Measurement of Financial Assets and Financial Liabilities In January 2016, the FASB issued guidance regarding the classification and measurement of financial instruments. The guidance revises the way an entity classifies and measures investments in equity securities, the presentation of certain fair value changes for financial liabilities measured at fair value and amends certain disclosure requirements related to the fair value of financial instruments. This guidance will be effective for the Company on January 1, 2018, with early adoption of certain amendments permitted. The guidance should be applied using a modified retrospective approach with the exception of equity securities without readily determinable fair values which will be applied prospectively. The Company is evaluating the effects the adoption of the new guidance will have on its results of operations, financial position, cash flows and disclosures.

Leases In February 2016, the FASB issued guidance regarding leases. The guidance requires lessees to recognize a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term on the statement of financial position for leases with terms of more than 12 months. This guidance also requires additional disclosures. This guidance will be effective for the Company on

January 1, 2019, and should be applied using a modified retrospective approach with early adoption permitted. The Company is evaluating the effects the adoption of the new guidance will have on its results of operations, financial position, cash flows and disclosures.

Improvements to Employee Share-Based Payment Accounting In March 2016, the FASB issued guidance regarding simplification of several aspects of the accounting for share-based payment transactions. The guidance will affect the income tax consequences, classification of awards as either equity or liabilities, classification on the statement of cash flows and calculation of dilutive shares. Certain amendments of this guidance are to be applied retrospectively and others prospectively. The Company adopted the guidance on January 1, 2017. All amendments in the guidance that apply to the Company were adopted on a prospective basis resulting in no adjustments being made to retained earnings. The Company anticipates the guidance will impact the Consolidated Statements of Income and the Consolidated Balance Sheets, as well as the dilutive earnings per share calculation, on a prospective basis with all taxes related to share-based payments recognized as income tax expense or benefit and no longer recognized in additional paid-in capital. The Company anticipates the guidance will not have a material impact on its cash flows.

Classification of Certain Cash Receipts and Cash Payments In August 2016, the FASB issued guidance to clarify the classification of certain cash receipts and payments in the statement of cash flows. The guidance is intended to standardize the presentation and classification of certain transactions, including cash payments for debt prepayment or extinguishment, proceeds from insurance claim settlements and distributions from equity method investments. In addition, the guidance clarifies how to classify transactions that have characteristics of more than one class of cash flows. This guidance will be effective for the Company on January 1, 2018, with early adoption permitted. An entity that elects early adoption must adopt all the amendments in the same period and apply any adjustments as of the beginning of the fiscal year. Entities must apply the guidance retrospectively unless it is impracticable to do so, in which case they may apply it prospectively as of the earliest date practicable. The Company is evaluating the effects the adoption of the new guidance will have on its cash flows and disclosures.

Clarifying the Definition of a Business In January 2017, the FASB issued guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The guidance provides a screen to determine when an integrated set of assets and activities is not a business. The guidance will also affect other aspects of accounting, such as determining reporting units for goodwill testing. The guidance will be effective for the Company on January 1, 2018, and should be applied on a prospective basis with early adoption permitted for transactions that occur before the issuance or effective date of the amendments and only when the transactions have not been reported in the financial statements or made available for issuance. The Company is evaluating the effects the adoption of the new guidance will have on its results of operations, financial position, cash flows and disclosures.

Simplifying the Test for Goodwill Impairment In January 2017, the FASB issued guidance on simplifying the test for goodwill impairment by eliminating Step 2, which required an entity to measure the amount of impairment loss by comparing the implied fair value of reporting unit goodwill with the carrying amount of such goodwill. This guidance requires entities to perform a quantitative impairment test, previously Step 1, to identify both the existence of impairment and the amount of impairment loss by comparing the fair value of a reporting unit to its carrying amount. Entities will continue to have the option of performing a qualitative assessment to determine if the quantitative impairment test is necessary. The guidance also requires additional disclosures if an entity has one or more reporting units with zero or negative carrying amounts of net assets. The guidance will be effective for the Company on January 1, 2020, and should be applied on a prospective basis with early adoption permitted. The Company is evaluating the effects the adoption of the new guidance will have on its results of operations, financial position, cash flows and disclosures.

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 income (loss) resulted from postretirement liability adjustments and other comprehensive income (loss) recorded by its subsidiaries.

The postretirement liability adjustment in other comprehensive income was $1.7 million and $(2.0) million, net of tax of $(1.0) million and $1.2 million, for the years ended December 31, 2016 and 2015, respectively.

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

Twelve Months Ended December 31, 2016	Postretirement Liability Adjustment	Subsidiary Other Comprehensive Loss	Total Accumulated Other Comprehensive Loss
		(In thousands)	
Balance at December 31, 2015	$ (5,952)	$ (31,196)	$ (37,148)
Other comprehensive income (loss) before reclassifications	310	(1,911)	(1,601)
Amounts reclassified from accumulated other comprehensive loss	1,355	1,661	3,016
Net current-period other comprehensive income (loss)	1,665	(250)	1,415
Balance at December 31, 2016	**$ (4,287)**	**$ (31,446)**	**$ (35,733)**

Twelve Months Ended December 31, 2015	Postretirement Liability Adjustment	Subsidiary Other Comprehensive Loss	Total Accumulated Other Comprehensive Loss
		(In thousands)	
Balance at December 31, 2014	$ (3,994)	$ (38,109)	$ (42,103)
Other comprehensive income (loss) before reclassifications	249	(680)	(431)
Amounts reclassified from accumulated other comprehensive loss	103	3,028	3,131
Amounts reclassified from accumulated other comprehensive loss to a regulatory asset	(2,310)	4,565	2,255
Net current-period other comprehensive income (loss)	(1,958)	6,913	4,955
Balance at December 31, 2015	**$ (5,952)**	**$ (31,196)**	**$ (37,148)**

Reclassifications out of accumulated other comprehensive loss were as follows:

Twelve Months Ended December 31,	2016	2015	Location on Statement of Income
	(In thousands)		
Amortization of postretirement liability losses included in net periodic benefit cost (credit)	$ **(2,182)**	$ (165)	(a)
	827	62	Income taxes
	(1,355)	(103)	
Subsidiary reclassifications out of accumulated other comprehensive loss	**(1,661)**	(3,028)	Equity in earnings of Subsidiary Companies
Total reclassifications	$ **(3,016)**	$ (3,131)	

(a) Included in net periodic benefit cost (credit). For more information, see Note 12.

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Note 2 - Goodwill and Other Intangible Assets

The carrying amount of goodwill, which is related to the natural gas distribution business, remained unchanged at $4.8 million for the years ended December 31, 2016 and 2015. This amount is included in miscellaneous deferred debits. No impairments have been recorded in any periods.

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*	2016	2015
		(In thousands)	
Regulatory assets:			
Pension and postretirement benefits (a)	(h)	$ 101,611	$ 107,595
Taxes recoverable from customers (a)	Over plant lives	15,989	16,714
Asset retirement obligations (a) (b)	---	9,437	8,000
Unamortized loss on required debt	Up to 10 years	5,298	5,968
Costs related to identifying generation development (c)	Up to 10 years	3,407	3,808
Unrecovered purchased gas costs	Up to 1 year	1,875	(3,670)
Other (a) (d) (e)	Largely within 1 year	18,754	2,740
Total regulatory assets		156,371	141,155
Regulatory liabilities:			
Plant removal and decommissioning costs (b) (f)		57,363	56,735
Pension and postretirement benefits (f)		9,099	3,591
Taxes refundable to customers (f)		6,177	7,045
Accumulated provision for rate refunds		1,343	917
Other (f) (g)		2,992	3,158
Total regulatory liabilities		76,974	71,446
Net regulatory position		$ 79,397	$ 69,709

* Estimated recovery period for regulatory assets currently being recovered in rates charged to customers.
(a) Included in other regulatory assets on the Comparative Balance Sheet.
(b) Included in accumulated provision for depreciation, amortization and depletion on the Comparative Balance Sheet.
(c) Included in unrecovered plant and regulatory study costs on the Comparative Balance Sheet.
(d) Included in prepayments on the Comparative Balance Sheet.
(e) Included in miscellaneous deferred debits on the Comparative Balance Sheet.
(f) Included in other regulatory liabilities on the Comparative Balance Sheet.
(g) Included in accumulated deferred investment tax credits on the Comparative Balance Sheet.
(h) Recovered as expense is incurred.

The regulatory assets are expected to be recovered in rates charged to customers. A portion of the Company's regulatory assets are not earning a return; however, these regulatory assets are expected to be recovered from customers in future rates. As of December 31, 2016 and 2015, approximately $121.2 million and $122.2 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 or accumulated other comprehensive income (loss) in the period in which the discontinuance of regulatory accounting occurs.

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 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 $47.9 million and $45.2 million as of December 31, 2016 and 2015, respectively, are classified as Other Investments on the Comparative Balance Sheet. The net unrealized gains on these investments for the years ended December 31, 2016 and 2015, were $2.3 million and $1.1 million, respectively. 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 are valued at the net asset value of shares held at the end of the period, based on published market quotations on active markets, or using other known sources including pricing from outside sources.

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

Though the Company believes the methods used to estimate fair value are consistent with those used by other market participants, the use of other methods or assumptions could result in a different estimate of fair value. For the years ended December 31, 2016 and 2015, there were no transfers between Levels 1 and 2.

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

	Fair Value Measurements at December 31, 2016, 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, 2016
	(In thousands)			
Assets:				
Money market funds	$ —	$ 513	$ —	$ 513
Insurance contract*	—	47,861	—	47,861
Total assets measured at fair value	$ —	$ 48,374	$ —	$ 48,374

*The insurance contract invests approximately 52 percent in fixed-income investments, 22 percent in common stock of large-cap companies, 13 percent in common stock of mid-cap companies, 10 percent in common stock of small-cap companies, 1 percent in target date investments and 2 percent in cash equivalents.

	Fair Value Measurements at December 31, 2015, 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, 2015
	(In thousands)			
Assets:				
Money market funds	$ —	$ 410	$ —	$ 410
Insurance contract*	—	45,192	—	45,192
Total assets measured at fair value	$ —	$ 45,602	$ —	$ 45,602

*The insurance contract invests approximately 63 percent in fixed-income investments, 19 percent in common stock of large-cap companies, 9 percent in common stock of mid-cap companies, 7 percent in common stock of small-cap companies, 1 percent in target date investments and 1 percent in cash equivalents.

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:

	2016		2015	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	(In thousands)			
Long-term debt	**$ 681,755**	**$ 717,599**	$ 625,265	$ 652,415

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

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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 agreement, the Company must be in compliance with the applicable covenants and certain other conditions. 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 revolving credit facilities of the Company:

Company	Facility		Facility Limit	Amount Outstanding at December 31, 2016	Amount Outstanding at December 31, 2015	Letters of Credit at December 31, 2016	Expiration Date
					(Dollars in millions)		
MDU Resources Group, Inc.	Commercial paper/Revolving credit agreement	(a)	$ 175.0	$ 111.0 (b)	$ 44.5 (b)	$ —	5/8/19

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

(b) Amount outstanding under commercial paper program included in other long-term debt on the Comparative Balance Sheet.

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. 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 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.

On November 21, 2016, the Company entered into a $100.0 million note purchase agreement. The Company issued $40.0 million of Senior Notes under the agreement on November 21, 2016, with a due date of November 21, 2046, at an interest rate of 4.15 percent. The Company contracted to issue an additional $60.0 million of Senior Notes under the agreement on March 21, 2017, with due dates ranging from March 2032 to March 2037 at a weighted average interest rate of 3.61 percent.

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

	2016	2015
	(In thousands)	
Senior Notes at a weighted average rate of 5.02%, due on dates ranging from September 16, 2018 to November 21, 2046	$ **570,000**	$ 580,000
Commercial paper at an interest rate of 1.07%, supported by revolving credit agreement	**111,000**	44,500
Credit agreements at a weighted average rate of 5.63%, due on dates ranging from January 1, 2020 to November 30, 2038	**755**	765
Total long-term debt	$ **681,755**	$ 625,265

Schedule of Debt Maturities Long-term debt maturities for the five years and thereafter following December 31, 2016, were as follows:

	2017	2018	2019	2020	2021	Thereafter
			(In thousands)			
Long-term debt maturities	$110	$100,111	$111,111	$21	$13	$470,389

Note 6 - Asset Retirement Obligations

The Company records obligations related to retirement costs of natural gas distribution mains and lines, 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 as asset retirement obligations.

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

	2016	2015
	(In thousands)	
Balance at beginning of year	$ **103,737**	$ 6,510
Liabilities incurred	**10,834**	---
Liabilities settled	**(995)**	---
Accretion expense	**5,976**	939
Revisions in estimates	**(31)**	96,288
Balance at end of year	$ **119,521**	$ 103,737

The 2015 revisions in estimates consist principally of updated natural gas distribution mains and lines asset retirement obligation costs.

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

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

		2016		2015
	(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 2016 and 2015, 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
For the years 2016 and 2015, dividends declared on common stock were $.7550 and $.7350 per common share, respectively.

The Company's Stock Purchase Plan provided 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 provides participants the option to invest in the Company's common stock. From January 2014 through August 2015, the Stock Purchase Plan and K-Plan, with respect to Company stock, purchased shares of authorized but unissued common stock from the Company. From September 2015 through December 2016, the K-Plan purchased shares of common stock on the open market. At December 31, 2016, there were 7.8 million shares of common stock reserved for original issuance under the K-Plan. From September 2015 through December 4, 2016, the Stock Purchase Plan purchased shares of common stock on the open market. On December 5, 2016, the Stock Purchase Plan was terminated and all remaining shares reserved for original issuance under the plan have been de-registered.

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 following discusses the most restrictive limitations.

Pursuant to a covenant under a credit agreement, Centennial may only declare or pay distributions if as of the last day of any fiscal quarter, the ratio of Centennial's average consolidated indebtedness as of the last day of such fiscal quarter and each of the preceding three fiscal quarters to Centennial's Consolidated EBITDA does not exceed 3 to 1; and after giving effect to such distribution, all distributions made during the 12-month period ending on the last day of the fiscal quarter in which such distribution is made will not exceed the remainder of Centennial's Consolidated EBITDA minus Centennial's capital expenditures less the net cash proceeds from all sales of capital assets from continuing operations, for the immediately preceding 12-month period. Intermountain and Cascade have regulatory limitations on the amount of dividends each can pay. Based on these limitations, approximately $1.3 billion of the net assets of the Company's subsidiaries were restricted from being used to transfer funds to the Company at December 31, 2016. 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 $351 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, 2016. 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, 2016, there are 5.5 million remaining shares available to grant under these plans. The Company generally issues new shares of common stock to satisfy employee performance share awards and purchases shares on the open market for nonemployee director stock awards.

Total stock-based compensation expense (after tax), excluding the amount recognized by the Company's subsidiaries, was $808,000 and $721,000 in 2016 and 2015, respectively.

As of December 31, 2016, total remaining unrecognized compensation expense, excluding the amount to be recognized by the Company's subsidiaries, related to stock-based compensation was approximately $1.4 million (before income taxes) which will be amortized over a weighted average period of 1.5 years.

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

37,218 shares with a fair value of $1.1 million and 58,181 shares with a fair value of $1.1 million issued under this plan during the years ended December 31, 2016 and 2015, respectively.

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, 2016, were as follows:

Grant Date	Performance Period	Target Grant of Shares
February 2014	2014-2016	136,901
February 2015	2015-2017	200,112
June 2015	2015-2017	14,441
February 2016	2016-2018	310,583
March 2016	2016-2018	2,151

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 2016 and 2015 were:

	2016	2015
Weighted average grant-date fair value	**$ 14.60**	$ 18.98
Blended volatility range	**29.25% - 32.51%**	22.86% - 24.61%
Risk-free interest rate range	**.47% - .92%**	.05% - 1.07%
Weighted average discounted dividends per share	**$ 1.56**	$ 1.57

The fair value of the performance shares that vested during the year ended December 31, 2016 was $953,000. There were no performance shares that vested in 2015.

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A summary of the status of the performance share awards for the year ended December 31, 2016, was as follows:

	Number of Shares	Weighted Average Grant-Date Fair Value
Nonvested at beginning of period	565,896	$ 27.90
Granted	324,205	14.60
Less:		
Vested	58,401	29.01
Forfeited	167,512	27.30
Nonvested at end of period	664,188	$ 21.47

Note 10 - Income Taxes

Income before income taxes for the years ended December 31, 2016 and 2015, respectively was $62,176 and $62,282.

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

	2016	2015
		(In thousands)
Current:		
Federal	$ **(5,774)**	$ 12,202
State	**(1,657)**	1,879
	(7,431)	14,081
Deferred:		
Income taxes:		
Federal	**11,595**	1,566
State	**2,303**	506
Investment tax credit - net	**(112)**	(659)
	13,786	1,413
Total income tax expense	$ **6,355**	$ 15,494

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NOTES TO FINANCIAL STATEMENTS (Continued)

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

	2016	2015
	(In thousands)	
Deferred tax assets:		
Postretirement	$ **41,319**	$ 43,312
Production Tax Credits	**16,944**	3,400
Compensation-related	**13,049**	9,406
Customer advances	**8,852**	8,375
Other	**7,729**	5,435
Total deferred tax assets	**87,893**	69,928
Deferred tax liabilities:		
Depreciation and basis differences on property, plant and equipment	**297,848**	277,128
Postretirement	**41,039**	40,922
Regulatory matters	**5,937**	6,195
Cost recovery mechanisms	**4,635**	392
Other	**8,560**	360
Total deferred tax liabilities	**358,019**	324,997
Net deferred income tax liability	$ **(270,126)**	$ (255,069)

As of December 31, 2016 and 2015, the Company had a federal income tax credit carryforward of $16.9 million and $3.4 million respectively. The federal income tax credit carryforwards will expire in 2036 and 2037 if not utilized. As of December 31, 2016 and 2015, no valuation allowances have been recorded associated with previously identified deferred tax assets. Changes in tax regulations or assumptions regarding current and future taxable income could require valuation allowances in the future.

The following table reconciles the change in the net deferred income tax liability from December 31, 2015, to December 31, 2016, to deferred income tax expense:

	2016
	(In thousands)
Change in net deferred income tax liability from the preceding table	$ **15,057**
Deferred taxes associated with other comprehensive income	**(1,016)**
Other	**(255)**
Deferred income tax expense for the period	$ **13,786**

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

Years ended December 31,	2016		2015	
	Amount	%	Amount	%
	(Dollars in thousands)			
Computed tax at federal statutory rate	$ 21,762	35.0	$ 21,799	35.0
Increases (reductions) resulting from:				
Production tax credit	(13,544)	(21.8)	(3,400)	(5.5)
Deductible K-Plan dividends	(1,180)	(1.9)	(1,109)	(1.8)
Nonqualified benefit plan	(1,085)	(1.7)	(590)	(0.9)
Amortization and deferral of investment tax credit	(73)	(0.1)	231	0.4
AFUDC equity	1	0.0	(2,546)	(4.1)
State income taxes, net of federal income tax	1,183	1.9	1,068	1.7
Tax compliance and uncertain tax positions	---	---	136	0.2
Other	(709)	(1.2)	(95)	(0.1)
Total income tax expense	$ 6,355	10.2	$ 15,494	24.9

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 income tax examinations by tax authorities for years ending prior to 2012. With few exceptions, as of December 31, 2016, the Company is no longer subject to state and local income tax examinations by tax authorities for years ending prior to 2011.

For the year ended December 31, 2015, the Company recognized approximately $428,000 in interest expense, and $192,000 in interest income, related to income taxes. The Company had accrued assets of approximately $18,000 at both December 31, 2016 and 2015, for the receipt of interest income.

Note 11 - Cash Flow Information

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

	2016	2015
	(In thousands)	
Interest, net of amount capitalized and AFUDC – borrowed of $357 and $3,909 in 2016 and 2015, respectively	$ 30,867	$ 21,479
Income taxes refunded, net	$ (8,641)	$ (37,361)

Noncash investing transactions at December 31 were as follows:

	2016	2015
	(In thousands)	
Property, plant and equipment additions in accounts payable	$ 9,495	$ 28,359

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Note 12 - Employee Benefit Plans

Pension and other postretirement benefit plans

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

Prior to 2015, all of the Company's defined pension plans were frozen. These employees were 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 had attained 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 was 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, 2016 and 2015, and amounts recognized in the Comparative Balance Sheet at December 31, 2016 and 2015, were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2016	2015	**2016**	2015
	(In thousands)			
Change in benefit obligation:				
Benefit obligation at beginning of year	$ **251,676**	$ 269,583	$ **46,752**	$ 53,003
Service cost	—	—	**716**	914
Interest cost	**9,679**	9,678	**1,749**	1,835
Plan participants' contributions	—	—	**825**	806
Actuarial gain	**(99)**	(13,276)	**(6,444)**	(6,049)
Benefits paid	**(15,398)**	(14,309)	**(3,331)**	(3,757)
Benefit obligation at end of year	**245,858**	251,676	**40,267**	46,752
Change in net plan assets:				
Fair value of plan assets at beginning of year	**183,045**	201,078	**47,449**	50,124
Actual gain (loss) on plan assets	**14,566**	(5,906)	**2,274**	240
Employer contribution	—	2,182	**36**	36
Plan participants' contributions	—	—	**825**	806
Benefits paid	**(15,398)**	(14,309)	**(3,331)**	(3,757)
Fair value of net plan assets at end of year	**182,213**	183,045	**47,253**	47,449
Funded status – over (under)	$ **(63,645)**	$ (68,631)	$ **6,986**	$ 697
Amounts recognized in the Comparative Balance Sheet at December 31:				
Other deferred debits (credits)	$ **(63,645)**	$ (68,631)	$ **6,986**	$ 697
Net amount recognized	$ **(63,645)**	$ (68,631)	$ **6,986**	$ 697
Amounts recognized in accumulated other comprehensive (income) loss/regulatory assets (liabilities) consist of:				
Actuarial loss	$ **108,983**	$ 115,715	$ **3,416**	$ 10,046
Prior service credit	—	—	**(9,204)**	(10,181)
Total	$ **108,983**	$ 115,715	$ **(5,788)**	$ (135)

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 over the average life expectancy of plan participants for frozen plans. The market-related value of assets is determined using a five-year average of assets.

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

	2016	2015
	(In thousands)	
Projected benefit obligation	$ **245,858**	$ 251,676
Accumulated benefit obligation	$ **245,858**	$ 251,676
Fair value of plan assets	$ **182,213**	$ 183,045

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

	Pension Benefits		Other Postretirement Benefits	
	2016	2015	**2016**	2015
	(In thousands)			
Components of net periodic benefit cost (credit):				
Service cost	$ —	$ —	$ 716	$ 914
Interest cost	**9,679**	9,678	**1,749**	1,835
Expected return on assets	**(11,467)**	(12,295)	**(2,591)**	(2,681)
Amortization of prior service credit	—	—	**(976)**	(976)
Recognized net actuarial loss	**3,535**	4,016	**502**	985
Net periodic benefit cost (credit)	**1,747**	1,399	**(600)**	77
Other changes in plan assets and benefit obligations recognized in accumulated other comprehensive (income) loss/regulatory assets (liabilities):				
Net (gain) loss	**(3,198)**	4,926	**(6,127)**	(3,608)
Amortization of actuarial loss	**(3,535)**	(4,016)	**(502)**	(985)
Amortization of prior service credit	—	—	**976**	976
Total recognized in accumulated other comprehensive (income) loss/regulatory assets (liabilities)	**(6,733)**	910	**(5,653)**	(3,617)
Total recognized in net periodic benefit cost and accumulated other comprehensive (income) loss/regulatory assets (liabilities)	$ **(4,986)**	$ 2,309	$ **(6,253)**	$ (3,540)

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 2017 is $3.6 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 2017 are $62,000 and $976,000, respectively. Prior service cost is amortized on a straight line basis over the average remaining service period of active participants.

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

	Pension Benefits		Other Postretirement Benefits	
	2016	2015	**2016**	2015
Discount rate	**3.81 %**	3.97%	**3.83 %**	4.04%
Expected return on plan assets	**6.75 %**	6.75%	**5.75 %**	5.75%

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

	Pension Benefits		Other Postretirement Benefits	
	2016	2015	**2016**	2015
Discount rate	**3.98 %**	3.69%	**4.04 %**	3.73%
Expected return on plan assets	**6.75 %**	7.00%	**5.75 %**	6.00%

The expected rate of return on pension plan assets is based on a targeted asset allocation range determined by the funded ratio of the plan. As of December 31, 2016, the expected rate of return on pension plan assets is based on the targeted asset allocation range of 40 percent to 50 percent equity securities and 50 percent to 60 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 30 percent to 40 percent equity securities and 60 percent to 70 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:

	2016	2015
Health care trend rate assumed for next year	**10.7%**	4.0%
Health care cost trend rate - ultimate	**4.5%**	6.0%
Year in which ultimate trend rate achieved	**2024**	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, 2016:

	1 Percentage Point Increase	1 Percentage Point Decrease
	(In thousands)	
Effect on total of service and interest cost components	$ 30	$ (26)
Effect on postretirement benefit obligation	$ 1,692	$ (1,453)

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

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

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

The carrying value of the pension plans' Level 2 cash equivalents approximates fair value and is determined using observable inputs in active markets or the net asset value of shares held at year end, which is determined using other observable inputs including pricing from outside sources.

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

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

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, 2016 and 2015, there were no transfers between Levels 1 and 2.

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
MDU Resources Group, Inc.	(1) X An Original (2) _ A Resubmission	12/31/2016	2016/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

The fair value of the Company's pension plans' assets (excluding cash) by class were as follows:

	Fair Value Measurements at December 31, 2016, 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, 2016
		(In thousands)		
Assets:				
Cash equivalents	$ —	$ 3,467	$ —	$ 3,467
Equity securities:				
U.S. companies	6,200	—	—	6,200
International companies	866	—	—	866
Collective and mutual funds *	88,539	34,995	—	123,534
Corporate bonds	—	37,522	—	37,522
Municipal bonds	—	6,011	—	6,011
U.S. Government securities	2,377	1,117	—	3,494
Total assets measured at fair value	$ 97,982	$ 83,112	$ —	$ 181,094

*Collective and mutual funds invest approximately 29 percent in common stock of international companies, 21 percent in corporate bonds, 20 percent in common stock of large-cap U.S. companies, 8 percent in cash equivalents, 7 percent in U.S. Government securities and 15 percent in other investments.

	Fair Value Measurements at December 31, 2015, 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, 2015
		(In thousands)		
Assets:				
Cash equivalents	$ —	$ 4,610	$ —	$ 4,610
Equity securities:				
U.S. companies	8,328	—	—	8,328
International companies	1,283	—	—	1,283
Collective and mutual funds *	84,957	34,977	—	119,934
Corporate bonds	—	34,194	—	34,194
Municipal bonds	—	6,427	—	6,427
U.S. Government securities	2,909	3,755	—	6,664
Total assets measured at fair value	$ 97,477	$ 83,963	$ —	$ 181,440

*Collective and mutual funds invest approximately 29 percent in common stock of international companies, 19 percent in common stock of large-cap U.S. companies, 16 percent in corporate bonds, 16 percent in cash equivalents, 6 percent in common stock of mid-cap U.S. companies and 14 percent in other investments.

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

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
MDU Resources Group, Inc.	(1) X An Original (2) _ A Resubmission	(Mo, Da, Yr) 12/31/2016	2016/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

The estimated fair value of the other postretirement benefit plans' Level 2 cash equivalents is valued at the net asset value of shares held at year end, based on published market quotations on active markets, or using other known sources including pricing from outside sources.

The estimated fair value of the other postretirement benefit plans' Level 1 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 plans' Level 2 insurance contract is based on contractual cash surrender values that are determined primarily by investments in managed separate accounts of the insurer. These amounts approximate fair value. The managed separate accounts are valued based on other observable inputs or corroborated market data.

Though the Company believes the methods used to estimate fair value are consistent with those used by other market participants, the use of other methods or assumptions could result in a different estimate of fair value. For the years ended December 31, 2016 and 2015, there were no transfers between Levels 1 and 2.

The fair value of the Company's other postretirement benefit plans' assets (excluding cash) by asset class were as follows:

	Fair Value Measurements at December 31, 2016, 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, 2016
	(In thousands)			
Assets:				
Cash equivalents	$ —	$ 101	$ —	$ 101
Equity securities:				
U.S. companies	1,040	—	—	1,040
Insurance contract*	—	46,112	—	46,112
Total assets measured at fair value	$ 1,040	$ 46,213	$ —	$ 47,253

*The insurance contract invests approximately 38 percent in corporate bonds, 25 percent in common stock of large-cap U.S. companies, 20 percent in U.S. Government securities, 9 percent in mortgage-backed securities and 8 percent in other investments.

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
MDU Resources Group, Inc.	(1) X An Original (2) _ A Resubmission	12/31/2016	2016/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

	Fair Value Measurements at December 31, 2015, 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, 2015
	(In thousands)			
Assets:				
Cash equivalents	$ —	$ 1,856	$ —	$ 1,856
Equity securities:				
U.S. companies	940	—	—	940
Insurance contract*	—	44,653	—	44,653
Total assets measured at fair value	$ 940	$ 46,509	$ —	$ 47,449

*The insurance contract invests approximately 36 percent in corporate bonds, 22 percent in U.S. Government securities, 19 percent in common stock of large-cap U.S. companies, 10 percent in mortgage-backed securities and 13 percent in other investments.

The Company expects to contribute approximately $1.1 million to its defined benefit pension plans in 2017. The Company does not expect to contribute to its postretirement benefit plans in 2017.

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)		
2017	$ 14,593	$ 2,785	$ 133
2018	14,702	2,822	130
2019	14,759	2,769	126
2020	14,891	2,661	121
2021	15,011	2,642	115
2022 – 2026	75,508	12,905	445

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, upon death, to their beneficiaries for a 15-year period. In February 2016, the Company froze the unfunded, nonqualified defined benefit plans to new participants and eliminated benefit increases. Vesting for participants not fully vested was retained. The Company's net periodic benefit cost for these plans was $509,000 and $3.8 million in 2016 and 2015, respectively, which reflects a curtailment gain of $2.2 million in the first quarter of 2016. The total projected benefit obligation for these plans was $59.1 million and $64.1 million at December 31, 2016 and 2015, respectively. The accumulated benefit obligation for these plans was $59.1 million and $60.0 million at December 31, 2016 and 2015, respectively. A discount rate of 3.54 percent and 3.76 percent at December 31, 2016 and 2015, respectively, and a rate of compensation increase of 4.00 percent at December 31, 2015, were used to determine benefit obligations. No rate of compensation increase was used to determine the benefit obligation at December 31, 2016, due to the plans being froze. A discount rate of 3.76 percent and 3.50 percent for the years ended December 31, 2016 and 2015, respectively, and a rate of compensation increase of 4.00 percent and 4.00 percent for the years ended December 31, 2016 and 2015, respectively, were used to determine net periodic benefit cost.

The amount of benefit payments for the unfunded, nonqualified benefit plans are expected to aggregate $3.8 million in 2017; $4.0 million in 2018; $4.2 million in 2019; $4.5 million in 2020, $4.5 million in 2021 and $21.6 million for the years 2022 through 2026.

In 2012, the Company established a nonqualified defined contribution plan for certain key management employees. Expenses incurred under this plan for 2016 and 2015 were $33,000 and $30,000, respectively.

The Company had investments of $68.2 million and $64.6 million at December 31, 2016 and 2015, respectively, consisting of equity securities of $42.2 million and $34.2 million, respectively, life insurance carried on plan participants (payable upon the employee's death) of $20.4 million and $19.7 million, respectively, and other investments of $5.6 million and $10.7 million, respectively. The Company anticipates using these investments to satisfy obligations under these plans.

Defined contribution plans
The Company sponsors various defined contribution plans for eligible employees, and costs incurred under these plans were $10.7 million in 2016 and $10.4 million in 2015.

Note 13 - Jointly Owned Facilities
The financial statements include the Company's ownership interests in the assets, liabilities and expenses of the Big Stone Station, Coyote Station and Wygen III. Each owner of the stations is responsible for financing its investment in the jointly owned facilities.

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

	2016	2015
	(In thousands)	
Big Stone Station:		
Utility plant in service	$ 157,144	$ 157,761
Less accumulated depreciation	49,568	48,242
	$ 107,576	$ 109,519
Coyote Station:		
Utility plant in service	$ 156,334	$ 140,895
Less accumulated depreciation	105,928	94,755
	$ 50,406	$ 46,140
Wygen III:		
Utility plant in service	$ 66,251	$ 65,023
Less accumulated depreciation	7,550	6,788
	$ 58,701	$ 58,235

Note 14 - Regulatory Matters and Revenues Subject to Refund
On September 30, 2015, Great Plains filed an application for a natural gas rate increase with the MNPUC. Great Plains requested a total increase of approximately $1.6 million

annually or approximately 6.4 percent above current rates to recover increased operating expenses along with increased investment in facilities, including the related depreciation expense and taxes. An interim increase of approximately $1.5 million or approximately 6.4 percent, subject to refund, was effective with service rendered on and after January 1, 2016. The MNPUC issued an order on September 6, 2016, authorizing an increase of approximately $1.1 million annually or approximately 5.2 percent with the requirement that Great Plains submit a compliance filing within 30 days. On September 22, 2016, Great Plains submitted the required compliance filing which included a refund plan to return the amount of interim revenues collected above the final rates. On December 22, 2016, the MNPUC issued an order approving the rates to be implemented January 1, 2017. Great Plains issued refunds for the difference with interest to customers no later than March 1, 2017.

On October 26, 2015, Montana-Dakota filed an application with the NDPSC requesting a renewable resource cost adjustment rider for the recovery of the Thunder Spirit Wind project. On January 5, 2016, the NDPSC approved the rider to be effective January 7, 2016, resulting in an annual increase on an interim basis, subject to refund, of $15.1 million based upon a 10.5 percent return on equity. The interim rate is pending the determination of the return on equity in the general rate case application filed on October 14, 2016, as discussed in this note.

On October 26, 2015, Montana-Dakota filed an application with the NDPSC for an update to the electric generation resource recovery rider. On March 9, 2016, the NDPSC approved the rider to be effective with service rendered on and after March 15, 2016, which resulted in interim rates, subject to refund, of $9.7 million based upon a 10.5 percent return on equity. The interim rates include recovery of Montana-Dakota's investment in the 88-MW simple-cycle natural gas turbine and associated facilities near Mandan, North Dakota, and the 19 MW of new generation from natural gas-fired internal combustion engines and associated facilities near Sidney, Montana. The net investment authorized for the natural gas-fired internal combustion engines and the return on equity on both investments are pending in the general rate case application filed October 14, 2016, as discussed in this note.

On November 25, 2015, Montana-Dakota filed an application with the NDPSC for an update of its transmission cost adjustment rider for recovery of MISO-related charges and two transmission projects in North Dakota. On February 10, 2016, the NDPSC approved the transmission cost adjustment effective with service rendered on and after February 12, 2016, resulting in an annual increase on an interim basis, subject to refund, of $6.8 million based upon a 10.5 percent return on equity. The interim rate is pending the determination of the return on equity in the general rate case application filed October 14, 2016, as discussed in this note.

On June 10, 2016, Montana-Dakota filed an application for an increase in electric rates with the WYPSC. Montana-Dakota requested an increase of approximately $3.2 million annually or approximately 13.1 percent above current rates to recover Montana-Dakota's increased investment in facilities along with additional depreciation, operation and maintenance expenses including increased fuel costs, and taxes associated with the increases in investment. On December 28, 2016, Montana-Dakota and the interveners of the case filed a stipulation and agreement reflecting an increase of approximately $2.7 million annually or approximately 11.1 percent above current rates effective for service rendered on and after March 1, 2017. The WYPSC rendered a bench decision approving the stipulation and agreement on January 18, 2017. New electric rates were implemented for service rendered on and after March 1, 2017.

On September 1, 2016, and as amended on January 10, 2017, Montana-Dakota submitted an update to its transmission formula rate under the MISO tariff including a revenue requirement for the Company's multivalue project along with a true-up of prior year expenditures of $11.1 million, which was effective January 1, 2017.

On October 14, 2016, Montana-Dakota filed an application with the NDPSC for an electric rate increase of approximately $13.4 million annually or 6.6 percent above current rates. The request includes rate recovery associated with increased investment in facilities, along with the related depreciation, operation and maintenance expenses and taxes associated with the increased investment. Montana-Dakota requested an interim increase of approximately $13.0 million or approximately 6.5 percent, subject to refund, to be effective within 60 days of the filing. On November 21, 2016, Montana-Dakota filed a revised interim increase of approximately $11.7 million, based on adjustments accepted by the NDPSC, or approximately 5.8 percent above current rates, subject to refund. The NDPSC approved the revised interim rates effective with service rendered on or after December 13, 2016. A technical hearing is scheduled to begin on April 10, 2017. This matter is pending before the NDPSC.

On December 2, 2016, Montana-Dakota filed an application with the MTPSC requesting authority to implement gas and electric tax tracking adjustments for Montana state and local taxes and fees that reflect the changes in state and local property taxes applicable to gas and electric utilities pursuant to Montana law. The requested tax tracking adjustments would result in an increase in revenues of approximately $814,000. On January 17, 2017, the MTPSC issued an order on the tax tracking adjustments. The gas tracking adjustment was approved as an increase to revenues of approximately $474,000 effective January 1, 2017. The electric tax tracking adjustment was approved as an increase to revenues of approximately $251,000 effective May 15, 2017. Montana-Dakota filed a motion for reconsideration of the electric tax tracking adjustment on January 27, 2017. The motion for reconsideration is pending before the MTPSC.

On December 21, 2016, Great Plains filed an application with the MNPUC requesting authority to implement a gas utility infrastructure cost tariff of approximately $456,000 annually effective beginning with service rendered May 20, 2017. The tariff will allow Great Plains to recover infrastructure investments, not previously included in rates, mandated by federal or state agencies associated with Great Plains' pipeline integrity programs. This matter is pending before the MNPUC.

On March 1, 2017, Montana-Dakota filed its annual updates to its Infrastructure Rider and Transmission Cost Recovery Rider with the SDPUC. No change in rates was proposed for the Infrastructure Rider with a change of approximately $127,000 proposed over current rates to be recovered through the Transmission Cost Recovery Rider. The matters are pending before the SDPUC.

On April 1, 2017, Phase 2 of the revenue increase, approved by the MTPSC as part of the application for an electric rate increase filed on June 25, 2015, was implemented. This resulted in an additional increase of $4.7 million effective with service rendered on and after April 1, 2017.

Note 15 - 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, in some circumstances, an estimate of the possible loss. The Company had accrued liabilities of

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MDU Resources Group, Inc.		12/31/2016	2016/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

$1.7 million and $1.1 million for contingencies related to litigation as of December 31, 2016 and 2015, 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, 2016, were $2.1 million in 2017, $1.8 million in 2018, $1.8 million in 2019, $1.7 million in 2020, $1.6 million in 2021 and $27.0 million thereafter. Rent expense was $2.0 million and $3.6 million for the years ended December 31, 2016 and 2015, 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, some of which are subject to variability in volume and price. These commitments range from one to 27 years. The commitments under these contracts as of December 31, 2016, were $144.2 million in 2017, $71.2 million in 2018, $66.3 million in 2019, $49.3 million in 2020, $44.1 million in 2021 and $137.8 million thereafter. These commitments were not reflected in the Company's financial statements. Amounts purchased under various commitments for the years ended December 31, 2016 and 2015, were $228.1 million and $417.1 million, respectively.

Note 16 - Subsequent Event

On March 1, 2017, the Company provided notice of its intent to redeem all outstanding shares of preferred stock. Effective April 1, 2017, all outstanding preferred shares were redeemed.

Company Name: Montana-Dakota Utilities Co.

MONTANA PLANT IN SERVICE (ASSIGNED & ALLOCATED)

Year: 2016

	Account Number & Title	Last Year	This Year	% Change
1				
2	**Intangible Plant**			
4	301 Organization			
5	302 Franchises & Consents			
6	303 Miscellaneous Intangible Plant	$5,091,863	$5,548,734	8.97%
7				
8	**Total Intangible Plant**	$5,091,863	$5,548,734	8.97%
9				
10	**Production Plant**			
12	**Steam Production**			
14	310 Land & Land Rights	$230,659	$233,855	1.39%
15	311 Structures & Improvements	15,941,429	16,715,654	4.86%
16	312 Boiler Plant Equipment	67,910,761	74,835,891	10.20%
17	313 Engines & Engine Driven Generators			
18	314 Turbogenerator Units	12,698,003	12,906,347	1.64%
19	315 Accessory Electric Equipment	3,632,644	3,847,767	5.92%
20	316 Miscellaneous Power Plant Equipment	4,188,597	4,524,765	8.03%
21				
22	**Total Steam Production Plant**	$104,602,093	$113,064,279	8.09%
23				
24	**Nuclear Production**			
26	320 Land & Land Rights			
27	321 Structures & Improvements			
28	322 Reactor Plant Equipment	NOT	NOT	
29	323 Turbogenerator Units	APPLICABLE	APPLICABLE	
30	324 Accessory Electric Equipment			
31	325 Miscellaneous Power Plant Equipment			
32				
33	**Total Nuclear Production Plant**			
34				
35	**Hydraulic Production**			
37	330 Land & Land Rights			
38	331 Structures & Improvements			
39	332 Reservoirs, Dams & Waterways	NOT	NOT	
40	333 Water Wheels, Turbines & Generators	APPLICABLE	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: 2016

	Account Number & Title		Last Year	This Year	% Change
1					
2		**Production Plant (cont.)**			
4	**Other Production**				
6	340	Land & Land Rights	$8,725	$8,877	1.74%
7	341	Structures & Improvements	1,744,003	1,785,120	2.36%
8	342	Fuel Holders, Producers & Accessories	703,789	743,760	5.68%
9	343	Prime Movers			
10	344	Generators	107,821,086	108,004,270	0.17%
11	345	Accessory Electric Equipment	3,987,338	4,157,363	4.26%
12	346	Miscellaneous Power Plant Equipment	288,725	291,155	0.84%
13					
14		**Total Other Production Plant**	$114,553,666	$114,990,545	0.38%
15					
16		**Total Production Plant**	$219,155,759	$228,054,824	4.06%
17					
18		**Transmission Plant**			
20	350	Land & Land Rights	$767,847	$817,972	6.53%
21	352	Structures & Improvements	405	412	1.73%
22	353	Station Equipment	21,004,624	24,761,274	17.88%
23	354	Towers & Fixtures	1,073,921	1,092,615	1.74%
24	355	Poles & Fixtures	13,021,295	12,708,234	-2.40%
25	356	Overhead Conductors & Devices	7,250,179	9,255,756	27.66%
26	357	Underground Conduit	274,088	278,878	1.75%
27	358	Underground Conductors & Devices	522,495	531,626	1.75%
28	359	Roads & Trails			
29					
30		**Total Transmission Plant**	$43,914,854	$49,446,767	12.60%
31					
32		**Distribution Plant**			
34	360	Land & Land Rights	$285,059	$285,059	0.00%
35	361	Structures & Improvements			
36	362	Station Equipment	9,714,959	10,204,867	5.04%
37	363	Storage Battery Equipment			
38	364	Poles, Towers & Fixtures	8,610,222	8,965,803	4.13%
39	365	Overhead Conductors & Devices	6,611,786	6,819,579	3.14%
40	366	Underground Conduit	12,967	12,967	0.00%
41	367	Underground Conductors & Devices	11,488,179	12,427,680	8.18%
42	368	Line Transformers	12,488,948	12,628,675	1.12%
43	369	Services	5,856,750	6,124,833	4.58%
44	370	Meters	3,291,395	3,303,753	0.38%
45	371	Installations on Customers' Premises	976,943	1,009,044	3.29%
46	372	Leased Property on Customers' Premises			
47	373	Street Lighting & Signal Systems	2,022,438	2,066,309	2.17%
48					
49		**Total Distribution Plant**	$61,359,646	$63,848,569	4.06%

MONTANA PLANT IN SERVICE (ASSIGNED & ALLOCATED) Year: 2016

	Account Number & Title		Last Year	This Year	% Change
1					
2		**General Plant**			
4	389	Land & Land Rights	$7,872	$8,263	4.97%
5	390	Structures & Improvements	262,073	269,017	2.65%
6	391	Office Furniture & Equipment	96,321	64,786	-32.74%
7	392	Transportation Equipment	1,810,089	1,885,279	4.15%
8	393	Stores Equipment			
9	394	Tools, Shop & Garage Equipment	822,626	896,428	8.97%
10	395	Laboratory Equipment	26,949	69,270	157.04%
11	396	Power Operated Equipment	3,816,935	3,392,582	-11.12%
12	397	Communication Equipment	56,224	81,890	45.65%
13	398	Miscellaneous Equipment	11,097	11,435	3.05%
14	399	Other Tangible Property			
15					
16		**Total General Plant**	$6,910,186	$6,678,950	-3.35%
17					
18		**Common Plant**			
20	389	Land & Land Rights	$150,736	$189,126	25.47%
21	390	Structures & Improvements	3,578,081	3,979,234	11.21%
22	391	Office Furniture & Equipment	805,918	864,954	7.33%
23	392	Transportation Equipment	1,469,619	1,506,440	2.51%
24	393	Stores Equipment	32,964	24,109	-26.86%
25	394	Tools, Shop & Garage Equipment	80,686	89,831	11.33%
26	395	Laboratory Equipment			
27	396	Power Operated Equipment			
28	397	Communication Equipment	436,416	496,100	13.68%
29	398	Miscellaneous Equipment	129,465	144,460	11.58%
30	399	Other Tangible Property			
31					
32		**Total Common Plant**	$6,683,885	$7,294,254	9.13%
34					
35		**Total Electric Plant in Service**	$343,116,193	$360,872,098	5.17%

Company Name: Montana-Dakota Utilities Co. **SCHEDULE 20**

MONTANA DEPRECIATION SUMMARY

Year: 2016

	Functional Plant Classification	Plant Cost	Accumulated Depreciation Last Year Bal.	Accumulated Depreciation This Year Bal.	Current Avg. Rate
1					
2	Steam Production 1/	$115,457,434	$64,646,641	$57,925,294	1.89%
3	Nuclear Production				
4	Hydraulic Production				
5	Other Production	114,990,545	12,707,308	19,822,113	3.76%
6	Transmission	49,446,767	20,815,185	21,351,331	1.54%
7	Distribution	63,848,569	26,109,632	26,940,281	2.37%
8	General	7,440,149	2,914,485	2,254,615	1.87%
9	Common	12,081,789	5,236,350	6,037,228	4.13%
10	**Total**	$363,265,253	$132,429,601	$134,330,862	2.59%

MONTANA MATERIALS & SUPPLIES (ASSIGNED & ALLOCATED)

SCHEDULE 21

	Account	Last Year Bal.	This Year Bal.	%Change
1				
2	151 Fuel Stock	$1,383,352	$1,185,588	-14.30%
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)	598,948	665,856	11.17%
9	Transmission Plant (Estimated)	745,649	501,236	-32.78%
10	Distribution Plant (Estimated)	1,588,685	1,406,855	-11.45%
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	**Total Materials & Supplies**	$4,316,634	$3,759,535	-12.91%

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		51.076%	10.250%	5.235%
13	Preferred Stock		1.121%	4.581%	0.051%
14	Long Term Debt		41.780%	5.329%	2.226%
15	Short Term Debt		6.023%	1.249%	0.075%
16	**TOTAL**		100.000%		7.587%

1/ Includes acquisition adjustment.

Company Name: **Montana-Dakota Utilities Co.** **SCHEDULE 23**

STATEMENT OF CASH FLOWS Year: 2016

	Description	Last Year	This Year	% Change
1	Increase/(decrease) in Cash & Cash Equivalents:			
2				
3	**Cash Flows from Operating Activities:**			
4	Net Income	($622,434,595)	$64,432,820	110.35%
5	Depreciation	55,242,166	69,472,176	25.76%
6	Amortization	1,020,081	1,007,968	-1.19%
7	Deferred Income Taxes - Net	1,164,400	13,897,453	1093.53%
8	Investment Tax Credit Adjustments - Net	(659,434)	(111,916)	83.03%
9	Change in Operating Receivables - Net	13,592,715	(4,875,815)	-135.87%
10	Change in Materials, Supplies & Inventories - Net	(2,188,910)	932,859	142.62%
11	Change in Operating Payables & Accrued Liabilities - Net	10,749,305	13,130,347	22.15%
12	Change in Other Regulatory Assets	(441,467)	(16,088,758)	-3544.39%
13	Change in Other Regulatory Liabilities	7,293,648	(1,050,586)	-114.40%
14	Allowance for Other Funds Used During Construction (AFUDC)	(7,275,431)	3,391	100.05%
15	Change in Other Assets & Liabilities - Net	20,736,587	(8,850,289)	-142.68%
16	Less Undistributed Earnings from Subsidiary Companies	780,834,881	108,902,925	-86.05%
17	Other Operating Activities (explained on attached page)			
18	**Net Cash Provided by/(Used in) Operating Activities**	$257,633,946	$240,802,575	-6.53%
19				
20	**Cash Inflows/Outflows From Investment Activities:**			
21	Construction/Acquisition of Property, Plant and Equipment			
22	(net of AFUDC & Capital Lease Related Acquisitions)	($349,662,621)	($159,143,894)	54.49%
23	Acquisition of Other Noncurrent Assets	5,085	(128,825)	-2633.43%
24	Proceeds from Disposal of Noncurrent Assets			
25	Investments In and Advances to Affiliates	(7,000,000)	(5,000,000)	28.57%
26	Contributions and Advances from Affiliates	100,000,000	15,000,000	-85.00%
27	Disposition of Investments in and Advances to Affiliates			
28	Other Investing Activities: Depreciation & RWIP on Nonutility Plant	584,605	680,706	16.44%
29	**Net Cash Provided by/(Used in) Investing Activities**	($256,072,931)	($148,592,013)	41.97%
30				
31	**Cash Flows from Financing Activities:**			
32	Proceeds from Issuance of:			
33	Long-Term Debt	$224,185,317	$106,419,500	-52.53%
34	Preferred Stock			
35	Common Stock	21,897,956	0	-100.00%
36	Other:			
37	Net Increase in Short-Term Debt			
38	Other: Excess Tax Beneit on Stock-Based Compensation			
39	Other: Tax Withholding on Stock-Based Compensation	0	(226,301)	-100.00%
40	Payment for Retirement of:			
41	Long-Term Debt	(108,008,987)	(50,009,533)	53.70%
42	Preferred Stock			
43	Common Stock			
44	Other: Adjustment to Retained Earnings			
45	Net Decrease in Short-Term Debt			
46	Dividends on Preferred Stock	(685,003)	(685,003)	0.00%
47	Dividends on Common Stock	(142,149,807)	(146,471,060)	-3.04%
48	Other Financing Activities (related to IGC acquisition)			
49	**Net Cash Provided by (Used in) Financing Activities**	($4,760,524)	($90,972,397)	-1810.97%
50				
51	**Net Increase/(Decrease) in Cash and Cash Equivalents**	($3,199,509)	$1,238,165	138.70%
52	**Cash and Cash Equivalents at Beginning of Year**	$6,120,427	$2,920,918	-52.28%
53	**Cash and Cash Equivalents at End of Year**	$2,920,918	$4,159,083	42.39%

Company Name: Montana-Dakota Utilities Co. **SCHEDULE 24**

LONG TERM DEBT

Year: 2016

	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	$24,414,405	$0	6.61%	$1,780,000	7.12%
2	6.66% Senior Notes	10/09	09/16	25,000,000	24,414,405	0	6.66%	1,793,000	7.17%
3	5.98% Senior Notes	12/03	12/33	30,000,000	29,375,535	30,000,000	5.98%	1,863,000	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	5.18% Senior Notes	04/14	04/44	50,000,000	49,760,822	50,000,000	5.18%	2,640,000	5.28%
7	4.24% Senior Notes	07/14	07/24	60,000,000	59,708,737	60,000,000	4.24%	2,607,600	4.35%
8	4.34% Senior Notes	07/14	07/26	40,000,000	39,802,958	40,000,000	4.34%	1,776,800	4.44%
9	3.78% Senior Notes	10/15	10/25	87,000,000	86,528,003	87,000,000	3.78%	3,378,210	3.88%
10	4.03% Senior Notes	12/15	12/30	52,000,000	51,713,645	52,000,000	4.03%	2,143,440	4.12%
11	4.87% Senior Notes	10/15	10/45	11,000,000	10,940,539	11,000,000	4.87%	546,040	4.96%
12	4.15% Senior Notes	11/16	11/46	40,000,000	39,933,958	40,000,000	4.15%	1,681,200	4.20%
13	Minot Air Force Base Payable	9/08	11/38	509,197		446,386	6.00%	26,783	6.00%
14	Commercial Paper	5/14	5/19			111,000,000	Variable		
15	Amortization of Loss on Reaquired Debt							43,469	
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26	**TOTAL**			$620,509,197	$605,354,505	$681,446,386		$33,974,542	4.99%

1/ Yield to maturity based upon the life, net proceeds and semiannual compunding of stated interest rate.

PREFERRED STOCK

Year: 2016

	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	5.29%	308,600	16,310	5.29%
4										
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31										
32	**TOTAL**					$19,947,548		$15,308,600	$701,310	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: 2016

		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	195,284,423	$12.70	$0.13	$0.1875	-44.23%	$19.55	$15.57	24.3
6									
7	April								
8									
9	May								
10									
11	June	195,304,376	11.38	(0.56)	0.1875	133.48%	24.01	18.70	23.5
12									
13	July								
14									
15	August								
16									
17	September	195,304,376	11.62	0.42	0.1875	55.36%	25.79	22.47	22.5
18									
19	October								
20									
21	November								
22									
23	December	195,304,376	11.78	0.34	0.1925	43.38%	29.92	24.49	24.2
24									
30	TOTAL Year End	195,304,376	$11.78	$0.33	$0.7550	-128.79%			

1/ Basic shares

2/ Basic earnings per share.

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

Company Name: Montana-Dakota Utilities Co. **SCHEDULE 27**

MONTANA EARNED RATE OF RETURN Year: 2016

	Description	Last Year	This Year	% Change
	Rate Base			
1				
2	101 Plant in Service 1/	$343,256,571	$360,872,098	5.13%
3	108 (Less) Accumulated Depreciation 2/	130,077,549	131,937,707	1.43%
4				
5	**Net Plant in Service**	$213,179,022	$228,934,391	7.39%
6				
7	Additions			
8	151 Fuel Stocks	$1,383,352	$1,185,588	-14.30%
9	154, 156 Materials & Supplies	2,933,282	2,573,947	-12.25%
10	165 Prepayments	45,498	56,963	25.20%
11	189 Unamortized Loss on Debt	720,381	787,109	9.26%
12	254 Other Regulatory Liability	(96,240)	(6,045,097)	-6181.27%
	Provision for Pension & Benefits	3,911,268	3,826,572	-2.17%
	Provision for Injuries & Damages	(14,910)	64,852	534.96%
13				
14	**Total Additions**	$8,882,631	$2,449,934	-72.42%
15	Deductions			
16	282 Accumulated Deferred Income Taxes	$35,120,787	$38,456,464	9.50%
17	252 Customer Advances for Construction	969,604	1,023,476	5.56%
18	255 Accumulated Def. Investment Tax Credits			
19	Other Deductions			
	DIT Related to Pension	1,507,328	1,511,279	0.26%
	DIT Related to Injuries & Damages	(5,898)	24,492	515.26%
20				
21	**Total Deductions**	$37,591,821	$41,015,711	9.11%
22	**Total Rate Base**	$184,469,832	$190,368,614	3.20%
23				
24	**Net Earnings**	$7,394,935	$7,900,366	6.83%
25				
26	**Rate of Return on Average Rate Base**	5.34%	4.22%	-20.97%
27				
28	**Rate of Return on Average Equity**	5.67%	3.53%	-37.74%
29	Major Normalizing Adjustments & Commission			
30	Ratemaking Adjustments to Utility Operations			
31	Adjustments to Operating Revenues 3/			
32	Gain (Loss) from Disposition of Property 4/	10,968	(18,867)	-272.02%
33				
34	Adjustments to Operating Expenses 3/			
35	Elimination of Promotional & Institutional Advertising	(6,478)	(8,386)	-29.45%
36				
37	Other Adjustments to Federal & State Income Taxes			
38	Federal & State Out of Period & Closing/Filing	(276,167)	(246,348)	10.80%
39	Deferred Federal & State Out of Period & Closing/Filing	193,956	247,297	27.50%
40	Total Adjustments to Operating Income	$99,657	($11,430)	-111.47%
41				
42	**Adjusted Rate of Return on Average Rate Base**	5.41%	4.21%	-22.18%
43				
44	**Adjusted Rate of Return on Average Equity**	5.81%	3.51%	-39.59%

1/ Excludes Acquisition Adjustment of $2,352,052 for 2015 and $2,393,155 for 2016.
2/ Excludes Acquisition Adjustment of $2,352,052 for 2015 and $2,393,155 for 2016.
3/ Updated amounts, net of taxes.
4/ Amortized over 5 years.

MONTANA COMPOSITE STATISTICS

Year: 2016

		Description	Amount
1			
2		Plant (Intrastate Only) (000 Omitted)	
3			
4	101	Plant in Service	$322,973
5	107	Construction Work in Progress	3,702
6	114	Plant Acquisition Adjustments	
7	105	Plant Held for Future Use	
8	154, 156	Materials & Supplies	2,574
9		(Less):	
10	108, 111	Depreciation & Amortization Reserves	131,938
11	252	Contributions in Aid of Construction	1,023
12			
13		**NET BOOK COSTS**	$196,288
14			
15		Revenues & Expenses (000 Omitted)	
16			
17	400	Operating Revenues	$61,065
18			
19	403 - 407	Depreciation & Amortization Expenses	$9,419
20		Federal & State Income Taxes	(3,145)
21		Other Taxes	4,782
22		Other Operating Expenses	42,109
23		Total Operating Expenses	$53,165
24			
25		Net Operating Income	$7,900
26			
27		Other Income	365
28		Other Deductions	4,397
29			
30		**NET INCOME**	$3,868
31			
32		Customers (Intrastate Only)	
33			
34		Year End Average:	
35		Residential	19,887
36		Small General	5,578
37		Large General	268
38		Other	162
39			
40		**TOTAL NUMBER OF CUSTOMERS**	25,895
41			
42		Other Statistics (Intrastate Only)	
43			
44		Average Annual Residential Use (Kwh))	9,086
45		Average Annual Residential Cost per (Kwh) (Cents) * 1/	$0.089
46		* Avg annual cost = [(cost per Kwh x annual use) +	
47		(mo. svc chrg x 12)]/annual use	
48		Average Residential Monthly Bill	$67.39
49		Gross Plant per Customer	$12,472

1/ Reflects average revenue for 2016.

Company Name: **Montana-Dakota Utilities Co.** **SCHEDULE 29**

MONTANA CUSTOMER INFORMATION

Year: 2016

	City/Town	Population (Includes Rural) 1/	Residential Customers	Commercial Customers	Industrial & Other Customers	Total Customers
1	Antelope	51	70	18	2	90
2	Bainville	208	157	51	4	212
3	Baker	1,741	986	354	21	1,361
4	Brockton	255	104	23	1	128
5	Carlyle	Not Available	2	5		7
6	Culbertson	714	411	154	5	570
7	Fallon	164	194	123	4	321
8	Fairview	840	436	113	4	553
9	Flaxville	71	58	25	2	85
10	Forsyth	1,777	1,020	293	12	1,325
11	Froid	185	152	51	2	205
12	Glendive	4,935	3,463	869	51	4,383
13	Homestead	Not Available	24	9	1	34
14	Ismay	19	25	23		48
15	Kinsey	Not Available	114	72		186
16	Medicine Lake	225	186	60	2	248
17	Miles City	8,410	4,618	1,118	57	5,793
18	Outlook	47	53	41	9	103
19	Plentywood	1,734	1,003	268	5	1,276
20	Plevna	162	100	34	1	135
21	Poplar	810	913	173	12	1,098
22	Poplar Oil Field	Not Available		6	9	15
23	Redstone	Not Available	16	22		38
24	Reserve	23	24	11	2	37
25	Rosebud	111	68	70	3	141
26	Savage	Not Available	147	34	2	183
27	Scobey	1,017	592	176	4	772
28	Sidney	5,191	2,959	551	33	3,543
29	Terry	605	360	118	6	484
30	Whitetail	Not Available	25	22		47
31	Wibaux	589	299	110	12	421
32	Wolf Point	2,621	1,482	317	17	1,816
33	MT Oil Fields	Not Available	8	71	71	150
34	**TOTAL Montana Customers**	32,505	20,069	5,385	354	25,808

1/ 2010 Census.

MONTANA EMPLOYEE COUNTS 1/ Year: 2016

	Department	Year Beginning	Year End	Average
1	Electric	24	23	23
2	Gas	34	35	34
3	Accounting	3	4	4
4	Management	3	3	3
5	Service	40	40	40
6	Training	2	2	2
7	Power Production	35	38	37
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42				
43				
44	**TOTAL Montana Employees**	141	145	143

Company Name: Montana-Dakota Utilities Co. **SCHEDULE 31**

MONTANA CONSTRUCTION BUDGET (ASSIGNED & ALLOCATED)

Year: 2016

	Project Description	Total Company	Total Montana	
1	**Projects>$1,000,000**			
2				
3	**Common-General**			
4				
5	**Total Common**	$0	$0	
6				
7	**Electric-Distribution**			
8				
9	**Electric-Intangible**			
10				
11	**Electric-Steam Production**			
12				
13	**Electric-Other Production**			
14				
15	**Electric-Transmission**			
16	Construct 345KV line-Big Stone to Ellendale, ND	48,735,750	0	
17	Construct 345KV substation at Ellendale, ND	13,712,910	0	4/
18	Construct 115KV line from Wishek, ND to Leola, SD	8,319,445	0	
19	Construct 115/46KV substation in Leola, SD	4,402,620	0	
20	Replace 230/115KV auto transformer at Heskett Station Mandan, ND	2,291,853	282,253	1/
21	Construct 230/34.5KV substation at Watford City, ND	2,182,836	0	
22	Install 50MVar reactor on 345KV line from Ellendale, ND to Big Stone, SD	2,076,519	0	4/
23	Rebuild 60KV line from Glendive, MT to Baker, MT	1,610,661	1,610,661	2/
24	Construct 34.5KV line from WAPA sub to NW Watford City, ND	1,452,543	0	
25	Install 60KV loop line from Rosebud, MT to Forysth, MT	1,390,194	1,390,194	2/
26	Add 115KV bay for junction substation in Ellendale, ND	1,095,172	229,225	1/
27	Install 115/69KV bay at Stanley, ND REC substation	1,025,400	0	
28				
29	**Total Electric**	$88,295,903	$3,512,333	
30				
31	**Gas-Distribution**			
32				
33	**Total Gas**	$0	$0	
34	**Total Projects >$1,000,000**	$88,295,903	$3,512,333	

Company Name: Montana-Dakota Utilities Co. **SCHEDULE 31**

MONTANA CONSTRUCTION BUDGET (ASSIGNED & ALLOCATED) **Year: 2016**

	Project Description	Total Company	Total Montana	
1	**Other Projects<$1,000,000**			
2				
3	**Electric**			
4	Production	$12,320,015	$2,759,059	1/
5	Integrated Transmission	2,143,198	413,689	1/
6	Direct Transmission	4,867,497	582,422	2/
7	Distribution	27,038,380	4,354,676	3/
8	General	3,006,477	602,435	3/
9	Intangible	1,185,803	239,642	1/
10	Common:			
11	General Office	4,147,028	832,686	1/
12	Other Direct	762,923	46,236	2/
13				
14	**Total Other Electric**	$55,471,321	$9,830,845	
15				
16	**Gas**			
17	Distribution	26,855,899	8,708,165	3/
18	General	3,782,258	937,549	3/
19	Intangible	634,901	177,490	3/
20	Common:			
21	General Office	2,954,742	738,069	1/
22	Other Direct	373,592	40,626	2/
23				
24	**Total Other Gas**	34,601,392	10,601,899	
25	**Total Other Projects <$1,000,000**	$90,072,713	$20,432,744	
26				
27	**Total Projects**	$178,368,616	$23,945,077	

1/ Allocated to Montana.
2/ Directly assigned to Montana.
3/ Combination of allocated and directly assigned to Montana.
4/ Revised from original 2017 approved budget.

Company Name: Montana-Dakota Utilities Co. **SCHEDULE 32**

TOTAL INTEGRATED SYSTEM & MONTANA PEAK AND ENERGY

Year: 2016

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.	11	1900	514.9	323,919	1,412
2	Feb.	12	1000	467.7	269,354	5,643
3	Mar.	1	1000	449.7	265,748	594
4	Apr.	18	1200	424.3	243,763	0
5	May	5	1800	427.5	229,577	414
6	Jun.	9	1800	529.2	253,596	7,790
7	Jul.	20	1700	596.8	286,173	6,123
8	Aug.	3	1600	565.0	284,765	6,032
9	Sep.	1	1700	505.6	236,621	9,620
10	Oct.	19	1100	389.4	244,724	2,360
11	Nov.	29	1900	470.8	260,706	3,938
12	Dec.	17	2000	564.9	339,143	1,092
13	**TOTAL**				3,238,089	45,018

Montana

		Peak Day of Month	Peak Hour	Peak Day Volumes Megawatts	Total Monthly Volumes Energy (Mwh)	Non-Requirements Sales For Resale (Mwh)
14	Jan.	11	1900	107.4		
15	Feb.	12	1000	114.9		
16	Mar.	1	1000	112.4		
17	Apr.	18	1200	96.2		
18	May	5	1800	113.9		
19	Jun.	9	1800	136.1		
20	Jul.	20	1700	143.0	Not Available	Not Available
21	Aug.	3	1600	114.8		
22	Sep.	1	1700	117.0		
23	Oct.	19	1100	100.4		
24	Nov.	29	1900	96.5		
25	Dec.	17	2000	132.6		
26	**TOTAL**					

TOTAL SYSTEM SOURCES & DISPOSITION OF ENERGY

SCHEDULE 33

	Sources	Megawatthours	Disposition	Megawatthours
1	Generation (Net of Station Use)			
2	Steam	1,976,727	Sales to Ultimate Consumers	
3	Nuclear		(Include Interdepartmental)	3,258,537
4	Hydro - Conventional			
5	Hydro - Pumped Storage		Requirements Sales	
6	Other	650,036	for Resale	
7	(Less) Energy for Pumping			
8	**NET Generation**	2,626,763	Non-Requirements Sales	
9	Purchases	899,538	for Resale	45,018
10	Power Exchanges			
11	Received	(45,491)	Energy Furnished	
12	Delivered	262	Without Charge	
13	**NET Exchanges**	(45,753)		
14	Transmission Wheeling for Other		Energy Used Within	
15	Received	1,332,936	Electric Utility	
16	Delivered	1,282,019		
17	**NET Transmission Wheeling**	50,917	Total Energy Losses	227,910
18	Transmission by Others Losses			
19	**TOTAL**	3,531,465	**TOTAL**	3,531,465

Montana-Dakota's annual peak occurred during HE1700 July 20, 2016. All generation units were available for operation during the peak hour. The following units were on line and providing energy.

Big Stone	108.1
Cedar Hills	2.7
Coyote	106.5
Diamond Willow	2.0
Glendive Turbine	0.0
Glen Ullin Ormat	4.5
Heskett #1	19.2
Heskett #2	52.3
Heskett #3	0.0
Lewis & Clark	35.4
Lewis & Clark 2	1.0
Miles City	0.0
Thunder Spirit	0.0

Montana-Dakota also purchased 255.403 MW from MISO to meet the peak demand.

SOURCES OF ELECTRIC SUPPLY - INTEGRATED SYSTEM

Year: 2016

	Type	Plant Name	Location	Annual Peak (MW)	Annual Energy (Mwh)
1	Thermal	Big Stone Station 1/	Milbank, SD	109.00	440,834.1
2	Wind	Cedar Hills	Rhame, ND	20.10	60,790.0
3	Thermal	Coyote Station 1/	Beulah, ND	107.72	615,729.6
4	Wind	Diamond Willow	Baker, MT	30.40	100,119.0
5	Heat Recovery	Glen Ullin Ormat Sub	Glen Ullin, ND	6.40	39,383.5
6	Combustion Turbine	Glendive Turbine	Glendive, MT	73.41	6,276.8
7	Combustion Turbine	Heskett Station	Mandan, ND	94.00	2,867.9
8	Thermal	Heskett Station	Mandan, ND	102.63	458,787.7
9	Combustion Turbine	Lewis & Clark Station	Sidney, MT	19.00	11,917.6
10	Thermal	Lewis & Clark Station	Sidney, MT	52.35	261,058.4
11	Combustion Turbine	Miles City Turbine	Miles City, MT	25.20	712.1
12	Oil	Portable Generators	Ray/Alexander,ND	6.00	9.4
13	Wind	Thunder Spirit	Hettinger, ND	107.00	427,959.6
14					
15					
16					
17					
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39					
40					
41	**Total**			753.21	2,426,445.7

1/ Reflects Montana-Dakota Utilities share.

Company Name: Montana-Dakota Utilities Co. SCHEDULE 34A

Outage Start Date/Time	Outage End Date/Time	Brief Description of Primary Cause 1/
		Big Stone Plant
01/08/2016 02:30	01/08/2016 04:54	Turbine Vacuum Pressure Trip
03/16/2016 03:54	03/19/2016 00:00	BFP B Isolation Valve Packing Leak
03/19/2016 00:00	03/22/2016 06:23	Maintenance Outage to Inspect SCR
03/22/2016 06:24	03/22/2016 07:51	High Drum Level Trip
05/05/2016 14:04	05/05/2016 14:53	Turbine Vacuum Pressure Trip
07/21/2016 08:27	07/21/2016 09:48	High Furnace Pressure Trip due to loss of an ID Fan
09/22/2016 05:57	09/22/2016 07:13	Trip Due to Turbine Valves
09/22/2016 09:23	09/22/2016 15:27	FD Fan Condensate Return Expansion Joint Repair
09/23/2016 17:17	10/01/2016 00:00	Planned Outage
10/01/2016 00:00	10/27/2016 03:03	Planned outage
		Coyote Station
03/20/2016 12:10	05/30/2016 18:00	10 week major outage
05/30/2016 18:00	06/07/2016 07:24	Planned Outage Extension
06/07/2016 07:24	06/07/2016 09:59	Aux boiler trip from stack damper limit switch failure
06/07/2016 09:59	06/08/2016 12:42	Master Fuel Trip from air-in leak in windbox, 4th floor
06/08/2016 23:56	06/10/2016 14:51	Windbox leak on #9 cyclone
09/05/2016 21:32	09/08/2016 23:59	Boiler Wash Outage
09/08/2016 23:59	09/11/2016 12:42	Extended Boiler Wash Outage
		Lewis & Clark Station
01/01/2016 07:44	01/01/2016 11:38	Recycle pump programming error
02/27/2016 18:29	02/27/2016 22:02	Shut wrong instrument air valve off
04/13/2016 05:10	04/14/2016 09:57	Scrubber Disc Cleaning
04/30/2016 01:04	05/17/2016 09:47	Scheduled Spring Maintenance and Cleaning Outage
08/04/2016 16:23	08/19/2016 12:55	Low river water at the intake
09/01/2016 12:00	09/12/2016 11:32	Auxiliary pump failed
09/12/2016 14:49	09/12/2016 16:28	Auxiliary Pump Failed
10/07/2016 21:59	10/16/2016 10:18	Scheduled Fall maintenance and cleaning outage
12/21/2016 12:52	12/21/2016 15:06	IO card for FD fan failed

Outage Start Date/Time	Outage End Date/Time	Brief Description of Primary Cause 1/
		Heskett Unit 1
03/28/2016 21:56	04/08/2016 22:00	Unit #1 spring outage
04/08/2016 22:00	05/27/2016 18:18	LP heater tubes were wrong
10/03/2016 20:34	10/14/2016 11:33	Unit #1 Fall outage
10/20/2016 22:01	10/21/2016 20:11	Change galvanized conduit on aux transformer leads
		Heskett Unit II
03/04/2016 14:54	03/15/2016 22:00	Maintenance outage.
03/15/2016 22:00	03/18/2016 02:55	Finish welding casing
03/18/2016 02:55	03/18/2016 19:52	gasket leaking on turbine bypass piping
03/19/2016 21:03	03/29/2016 09:27	Could not isolate second pump to make repairs
06/22/2016 19:45	06/26/2016 16:00	Fluid bed and condenser cleaning
06/26/2016 16:00	06/26/2016 21:19	More time to clean fluid bed
09/07/2016 20:24	09/12/2016 03:55	Cleaning outage
09/12/2016 06:40	09/12/2016 07:35	Tripped on low vacuum
09/12/2016 07:36	09/12/2016 08:02	Tripped on antimotoring not enough load quick enough
10/09/2016 20:03	10/19/2016 22:00	Unit 2 Fall Outage
10/19/2016 22:00	10/23/2016 10:13	ID fan rotor replacement taking longer then expected

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: 2016

	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	$20,655	$1,455	1319.59%	1,032	143	(889)
3	(As Detailed on Schedule 35B)						
4							
5							
6							
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31							
32	**TOTAL**	$20,655	$1,455	1319.59%	1,032	143	(889)

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

ELECTRIC UNIVERSAL SYSTEM BENEFITS PROGRAMS

Year: 2016

	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	$19,455	$0	$19,455	140 MWh	2015
3	Air Conditioning Efficiency	1,200	0	1,200	3 MWh	2015
4						
5						
6						
7	Market Transformation					
8						
9						
10						
11						
12	Renewable Resources					
13						
14						
15						
16						
17	Research & Development					
18						
19						
20						
21						
22	Low Income					
23	Discounts	$234,520	$0	$234,520		2016
24						
25	Bill Assistance		125,000	125,000		2016
26						
27	Weatherization		152,000	152,000		2016
28						
29	Furnace Safety		50,000	50,000		2016
30						
31	Education	5,471	0	5,471		2016
32						
33	Energy Audits		10,000	10,000		2016
34	Large Customer Self Directed					
35	Customer A	$254,022	$0	$254,022		
36	Customer B	15,114		15,114		
37						
38						
39						
40	Total	$529,782	$337,000	$866,782	143 MWh	
41	Number of customers that received low income rate discounts			(Average)	1,180	
42	Average monthly bill discount amount ($/mo)				$16.57	
43	Average LIEAP-eligible household income				N/A	
44	Number of customers that received weatherization assistance				N/A	
45	Expected average annual bill savings from weatherization				N/A	
46	Number of residential audits performed				N/A	

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

MONTANA CONSERVATION & DEMAND SIDE MANAGEMENT PROGRAMS

Year: 2016

	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	$19,455	$0	$19,455	140 MWh	2015
3	Air Conditioning Efficiency	1,200	0	1,200	3 MWh	2015
4						
5						
6						
7						
8	Demand Response					
9						
10						
11						
12						
13						
14						
15	Market Transformation					
16						
17						
18						
19						
20						
21						
22	Research & Development					
23						
24						
25						
26						
27						
28						
29	Low Income					
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32						
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34						
35	Other					
36						
37						
38						
39						
40						
41						
42						
43						
44						
45						
46	Total	$20,655	$0	$20,655	143 MWh	2015

MONTANA CONSUMPTION AND REVENUES

Year: 2016

	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	$15,752,019	$16,294,655	180,686	187,197	19,887	19,879
2	Small General	9,407,947	9,763,839	118,573	125,337	5,578	5,557
3	Large General	28,063,842	29,067,062	488,648	485,219	268	261
4	Lighting	914,233	907,156	10,174	10,219	62	41
5	Municipal Pumping	467,422	471,828	7,020	7,483	100	100
6	Sales to Other Utilities			Not Applicable	Not Applicable	Not Applicable	Not Applicable
7							
8							
9							
10							
11							
12							
13	**TOTAL**	$54,605,463	$56,504,540	805,101	815,455	25,895	25,838