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

FORM 10-K

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

For the fiscal year ended December 31, 2022

OR

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

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

MDU RESOURCES GROUP INC

(Exact name of registrant as specified in its charter)

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

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

(701) 530-1000
(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

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

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

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

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

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

State the aggregate market value of the voting common stock held by non-affiliates of the registrant as of June 30, 2022: $5,488,436,473.

Indicate the number of shares outstanding of the registrant's common stock, as of February 16, 2023: 203,623,893 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Relevant portions of the registrant's 2023 Proxy Statement, to be filed no later than 120 days from December 31, 2022, are incorporated by reference in Part III, Items 10, 11, 12, 13 and 14 of this Report.

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Definitions

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

Abbreviation or Acronym	
AFUDC	Allowance for funds used during construction
Army Corps	U.S. Army Corps of Engineers
ASC	FASB Accounting Standards Codification
ASU	FASB Accounting Standards Update
Audit Committee	Audit Committee of the board of directors of the Company
Bcf	Billion cubic feet
Big Stone Station	475-MW coal-fired electric generating facility near Big Stone City, South Dakota (22.7 percent ownership)
BSSE	345-kilovolt transmission line from Ellendale, North Dakota, to Big Stone City, South Dakota (50 percent ownership)
Btu	British thermal unit
CARES Act	United States Coronavirus Aid, Relief, and Economic Security Act
Cascade	Cascade Natural Gas Corporation, an indirect wholly owned subsidiary of MDU Energy Capital
Centennial	Centennial Energy Holdings, Inc., a direct wholly owned subsidiary of the Company
Centennial Capital	Centennial Holdings Capital LLC, a direct wholly owned subsidiary of Centennial
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act
Code	The U.S. Internal Revenue Code, the highest form of tax law in the United States
Coincident Load Factor	The discount from peak requirements when the Company's peak is at a time different from the MISO system peak for the winter season.
Company	MDU Resources Group, Inc.
COVID-19	Coronavirus disease 2019
Coyote Creek	Coyote Creek Mining Company, LLC, a subsidiary of The North American Coal Corporation
Coyote Station	427-MW coal-fired electric generating facility near Beulah, North Dakota (25 percent ownership)
CyROC	Cyber Risk Oversight Committee
dk	Decatherm
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EBITDA	Earnings before interest, taxes, depreciation, depletion and amortization
EIN	Employer Identification Number
EPA	United States Environmental Protection Agency
ERISA	Employee Retirement Income Security Act of 1974
ESA	Endangered Species Act
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Fidelity	Fidelity Exploration & Production Company, a direct wholly owned subsidiary of WBI Holdings (previously referred to as the Company's exploration and production segment)
FIP	Funding improvement plan
GAAP	Accounting principles generally accepted in the United States of America
GHG	Greenhouse gas
Grasslands Subsystem	A portion of WBI Energy Transmission's natural gas pipeline that runs from western North Dakota to north central Wyoming
Great Plains	Great Plains Natural Gas Co., a public utility division of Montana-Dakota
GVTC	Generation Verification Test Capacity
Holding Company Reorganization	The internal holding company reorganization completed on January 1, 2019, pursuant to the agreement and plan of merger, dated as of December 31, 2018, by and among Montana-Dakota, the Company and MDUR Newco Sub, which resulted in the Company becoming a holding company and owning all of the outstanding capital stock of Montana-Dakota.
IBEW	International Brotherhood of Electrical Workers
ICWU	International Chemical Workers Union
Intermountain	Intermountain Gas Company, an indirect wholly owned subsidiary of MDU Energy Capital
IPUC	Idaho Public Utilities Commission
IRA	Inflation Reduction Act
IRS	Internal Revenue Service

Item 8	Financial Statements and Supplementary Data
Knife River	Knife River Corporation, a direct wholly owned subsidiary of Centennial
Knife River Holding Company	The holding company established in conjunction with the proposed spinoff of Knife River
Knife River - Northwest	Knife River Corporation - Northwest, an indirect wholly owned subsidiary of Knife River
K-Plan	Company's 401(k) Retirement Plan
kW	Kilowatts
kWh	Kilowatt-hour
kV	Kilovolts
LIBOR	London Inter-bank Offered Rate
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MDU Construction Services	MDU Construction Services Group, Inc., a direct wholly owned subsidiary of Centennial
MDU Energy Capital	MDU Energy Capital, LLC, a direct wholly owned subsidiary of the Company
MDUR Newco	MDUR Newco, Inc., a public holding company created by implementing the Holding Company Reorganization, now known as the Company
MDUR Newco Sub	MDUR Newco Sub, Inc., a direct, wholly owned subsidiary of MDUR Newco, which was merged with and into Montana-Dakota in the Holding Company Reorganization
MEPP	Multiemployer pension plan
MISO	Midcontinent Independent System Operator, Inc., the organization that provides open-access transmission services and monitors the high-voltage transmission system in the Midwest United States and Manitoba, Canada and a southern United States region which includes much of Arkansas, Mississippi and Louisiana
MMBtu	Million Btu
MMcf	Million cubic feet
MMdk	Million dk
MNPUC	Minnesota Public Utilities Commission
Montana-Dakota	Montana-Dakota Utilities Co. a direct wholly owned subsidiary of MDU Energy Capital
MPPAA	Multiemployer Pension Plan Amendments Act of 1980
MTDEQ	Montana Department of Environmental Quality
MTPSC	Montana Public Service Commission
MW	Megawatt
NDDEQ	North Dakota Department of Environmental Quality
NDPSC	North Dakota Public Service Commission
NERC	North American Electric Reliability Corporation
Oil	Includes crude oil and condensate
OPUC	Oregon Public Utility Commission
PCAOB	Public Company Accounting Oversight Board
PCBs	Polychlorinated biphenyls
PHMSA	Pipeline and Hazardous Material Safety Administration
Proxy Statement	Company's 2023 Proxy Statement to be filed no later than April 28, 2023
PRP	Potentially Responsible Party
Qualified Person	As defined by the SEC, a mineral industry professional with at least five years of relevant experience in the type of mineralization and type of deposit under consideration and in the specific type of activity that person is undertaking. The qualified person must also be an eligible member or licensee in good standing of a recognized professional organization.
RCRA	Resource Conservation and Recovery Act
RNG	Renewable Natural Gas
RP	Rehabilitation plan
SDPUC	South Dakota Public Utilities Commission
SEC	United States Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
Sheridan System	A separate electric system owned by Montana-Dakota
SOFR	Secured Overnight Financing Rate
SPP	Southwest Power Pool, the organization that manages the electric grid and wholesale power market for the central United States.
UA	United Association of Journeyman and Apprentices of the Plumbing and Pipefitting Industry of the United States and Canada

Definitions

TSA	Transportation Security Administration
VIE	Variable interest entity
Washington DOE	Washington State Department of Ecology
WBI Energy	WBI Energy, Inc., an indirect wholly owned subsidiary of Centennial
WBI Energy Transmission	WBI Energy Transmission, Inc., an indirect wholly owned subsidiary of WBI Holdings
WBI Holdings	WBI Holdings, Inc., a direct wholly owned subsidiary of Centennial
WUTC	Washington Utilities and Transportation Commission
Wygen III	100-MW coal-fired electric generating facility near Gillette, Wyoming (25 percent ownership)
WYDEQ	Wyoming Department of Environmental Quality
WYPSC	Wyoming Public Service Commission
ZRCs	Zonal resource credits - a MW of demand equivalent assigned to generators by MISO for meeting system reliability requirements

Forward-Looking Statements

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

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

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

Items 1 and 2. Business and Properties

General

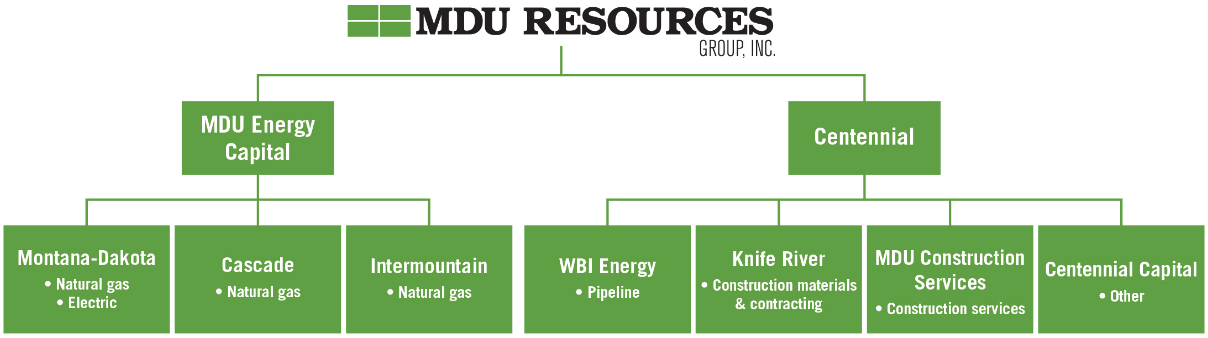
The Company is a regulated energy delivery and construction materials and services business. Its principal executive offices are located at 1200 West Century Avenue, P.O. Box 5650, Bismarck, North Dakota 58506-5650, telephone (701) 530-1000.

Montana-Dakota was incorporated under the state laws of Delaware in 1924. The Company was incorporated under the state laws of Delaware in 2018. Upon the completion of the Holding Company Reorganization, Montana-Dakota became a subsidiary of the Company. The Company's mission is to deliver superior value to stakeholders by providing essential infrastructure and services to America.

As part of the Company's continual review of its business, the Company announced strategic initiatives that are expected to enhance its value. On August 4, 2022, the Company announced its plan to separate Knife River, the construction materials and contracting business, from the Company, resulting in two independent, publicly traded companies. The separation of Knife River is planned as a tax-free spinoff transaction to the Company's stockholders for U.S. federal income tax purposes. Completion of the separation will be subject to, among other things, the effectiveness of a registration statement on Form 10 with the SEC, final approval from the Company's board of directors, receipt of one or more tax opinions and a private letter ruling from the IRS, and other customary conditions. The Company may, at any time and for any reason until the proposed transaction is complete, abandon the separation or modify or change its terms. The separation is expected to be complete in the second quarter of 2023, but there can be no assurance regarding the ultimate timing of the separation or that the separation will ultimately occur. On November 3, 2022, the Company announced its intention to create two pure-play publicly traded companies, one focused on regulated energy delivery and the other on construction materials, and that, to achieve this future structure, the board has authorized management to commence a strategic review process of MDU Construction Services. The strategic review is well underway and the Company anticipates completing it during the second quarter of 2023.

The Company's strategy is to deliver superior value and achieve industry-leading performance with two pure-play companies of regulated energy delivery and construction materials, while pursuing organic growth opportunities and strategic acquisitions of well-managed companies and properties. Through its regulated energy delivery businesses, the Company generates, transmits and distributes electricity and provides natural gas distribution, transportation and storage services. These businesses are regulated by state public service commissions and/or the FERC. The construction materials business provides construction materials through aggregate mining and marketing of related products, such as ready-mix concrete, asphalt and asphalt oil, and associated contracting services. The construction services business provides construction services through its electrical and mechanical and transmission and distribution specialty contracting services.

As of December 31, 2022, the Company was organized into five reportable business segments. These business segments include: electric, natural gas distribution, pipeline, construction materials and contracting, and construction services. The Company's business segments are determined based on the Company's method of internal reporting, which generally segregates the strategic business units due to differences in products, services and regulation. The internal reporting of these segments is defined based on the reporting and review process used by the Company's chief executive officer.



*Depicts the segment structure of the corporation; not the legal organization.

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

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

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

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

Human Capital Management At the core of Building a Strong America® is building a strong workforce. This means building a strong team of employees with a focus on safety and a commitment to diversity, equity and inclusion. The Company's team was located in 44 states plus Washington D.C. as of December 31, 2022. The number of employees fluctuates during the year due to the seasonality and the number and size of construction projects. During 2022, the number of employees peaked in the third quarter at just over 16,800. Employees as of December 31, 2022, were as follows:

	Total	Male	Female
MDU Resources Group, Inc.	283	170	113
MDU Energy Capital	1,596	1,155	441
WBI Energy	321	260	61
Knife River	3,797	3,294	503
MDU Construction Services	8,932	8,238	694
0 2,000 4,000 6,000 8,000			
MDU Resources Group, Inc. Total	14,929	13,117	1,812

Many of the Company's employees are represented by collective-bargaining agreements and the Company is committed to establishing constructive dialogue with this representation and bargain in good faith. The majority of the collective-bargaining agreements contain provisions that prohibit work stoppages or strikes and provide dispute resolution through binding arbitration in the event of an extended disagreement.

The following information is as of December 31, 2022.

Company	Collective-bargaining agreement	Number of employees represented	Agreement status
Montana-Dakota	IBEW	313	Effective through April 30, 2024
Intermountain	UA	139	Effective through March 31, 2023
Cascade	ICWU	195	Effective through March 31, 2024
WBI Energy Transmission	IBEW	68	Effective through April 30, 2023
Knife River	40 various agreements	502	2 agreements in negotiations
MDU Construction Services	106 various agreements	7,588	No agreements in negotiations
Total		8,805	

Diversity, Equity and Inclusion The Company is committed to an inclusive environment that respects the differences and embraces the strengths of its diverse employees. Essential to the Company's success is its ability to attract, retain and engage the best people from a broad range of backgrounds and build an inclusive culture where all employees feel valued and contribute their best. To aid in the Company's commitment to an inclusive environment, each business segment has a diversity officer who serves as a conduit for diversity-related issues and provides a voice to all employees. The Company requires employees to participate in its Leading with Integrity training which provides training on the Company's code of conduct and additional courses focusing on diversity, effective leadership, equal employment opportunity, workplace harassment, respect and unconscious bias.

The Company has three strategic goals related to diversity:

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

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

The **Einstein Award** recognizes the best process improvement ideas that contribute in a measurable way to improving the Company's bottom line and are vital to the Company's success.

The **Community Spirit Award** recognizes employees who are actively involved in their community.

The **Summit Award** recognizes employees who make the Company a better place to work.

The **Environmental Sustainability Award** recognizes an employee program, project or activity that reflects the Company's environmental policy and philosophy.

The **Hero Award** recognizes employees who go above and beyond the call of duty to save another's life.

In March 2022, the chief executive officer of the Company joined more than 2,000 chief executive officers in signing the CEO Action for Diversity and Inclusion Pledge. Through this collaboration with other companies, the Company furthers its commitment to a diverse and inclusive environment that respects the differences and embraces the strengths of its employees to further its corporate vision.

Building People Building a strong workforce begins with employee recruitment. The Company hires and trains employees to have the skills, abilities and motivation to achieve the results needed for their jobs. Each job is important and part of a coordinated team effort to accomplish the organization's objectives. The Company uses a variety of means to recruit new employees for open positions including posting on the Company's website at www.jobs.mdu.com, which is not incorporated by reference herein. Other sources for employee recruitment include employee referrals, union workforce, direct recruitment, advertising, social media, career fairs, partnerships with colleges and technical schools, job service organizations and associations connected with a variety of professions. The Company also uses internship programs to introduce individuals to the Company's business operations and provide a possible source of future employees.

Building a strong workforce also requires developing employees in their current positions and for future advancement. The Company provides opportunities for advancement through job mobility, succession planning and promotions both within and between business segments. The Company provides employees the opportunity to further develop and grow through various forms of training, mentorship programs and internship programs, among other things.

To attract and retain employees, the Company offers:

Compensation
Competitive salaries and wages based on the labor markets in which it operates.

Growth & Development
Employee growth through training in the form of technical, professional and leadership programs, as well as formal and informal mentoring and job shadowing programs to assist employees in their job and career goals.

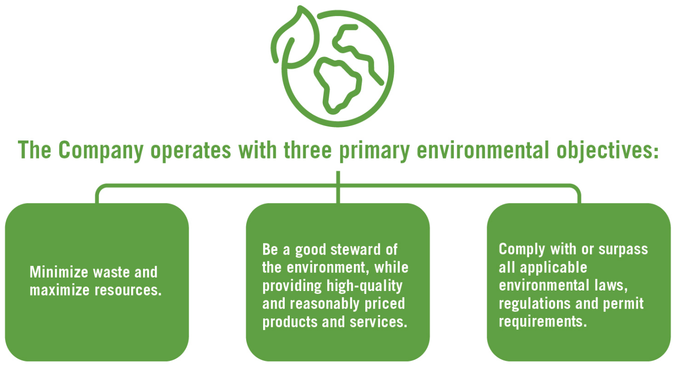
Incentives
Incentive compensation based on the Company's performance.

Benefits
Comprehensive benefits including vacation, sick leave, health and wellness programs, retirement plans and discount programs.

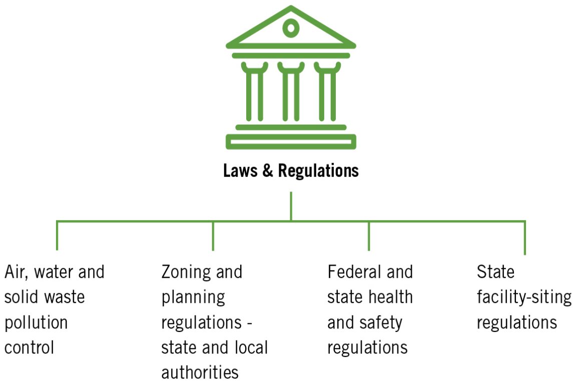
The Company conducts employee surveys to hear and gauge employee opinions on issues such as fairness, camaraderie and pride in the workplace. Survey responses are compiled and evaluated at various levels throughout the Company to develop action plans to address areas of concern raised by employees.

Safety Safety is a corporate value and top priority of the Company. The Company is committed to safety and health in the workplace. To ensure safe work environments, the Company provides training, adequate resources and appropriate follow-up on any unsafe conditions or actions. To facilitate a strong safety culture, the Company established its Safety Leadership Council. In addition to the Safety Leadership Council, the Company has policies and training that support safety in the workplace including training on safety matters through classroom and toolbox meetings on job sites. The Company utilizes safety compliance in the evaluation of employees, which includes management, and recognizes employee safety through safety award programs. Accident and safety statistical information is gathered for each of the business segments and regularly reported to management and the board of directors.

Environmental Matters The Company believes it has a responsibility to use natural resources efficiently and attempt to minimize the environmental impact of its activities. The Company produces GHG emissions primarily from its fossil fuel electric-generating facilities, as well as from natural gas pipeline and storage systems, and operations of equipment and fleet vehicles. The Company has developed renewable generation with lower or no GHG emissions. Governmental legislation and regulatory initiatives regarding environmental and energy policy are continuously evolving and could negatively impact the Company's operations and financial results. As legislation and regulation are finalized, the impact of these measures can be assessed. The Company will continue to monitor legislative and regulatory activity related to environmental and energy policy initiatives. In addition, for a discussion of the Company's risks related to environmental laws and regulations, see Item 1A - Risk Factors.



The Company maintains an executive management Sustainability Committee that supports the execution of, and makes recommendations to advance, the Company's environmental and sustainability strategy. For more information on the Company's sustainability goals, programs and performance, see the Company's Sustainability Report on its website, which is not incorporated by reference herein.



Governmental Matters The operations of the Company and certain of its subsidiaries are subject to laws and regulations relating to air, water and solid waste pollution control; state facility-siting regulations; zoning and planning regulations of certain state and local authorities; federal and state health and safety regulations; and state hazard communication standards.

The Company strives to be in substantial compliance with applicable regulations, except as to what may be ultimately determined with regard to items discussed in Environmental matters in Item 8 - Note 21. There are no pending CERCLA actions for any of the Company's material properties. However, the Company is involved in certain claims relating to the Portland, Oregon, Harbor Superfund Site and the Bremerton Gasworks Superfund Site. For more information on the Company's environmental matters, see Item 8 - Note 21 and Item 7 - MD&A - Business Section Financial and Operating Data.

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

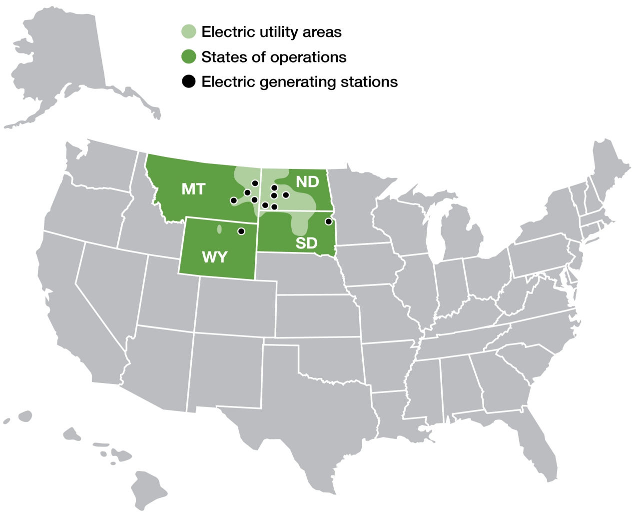
The Company created CyROC to oversee its approach to cybersecurity. CyROC is responsible for supplying management and the Audit Committee with analyses, appraisals, recommendations and pertinent information concerning cyber defense of the Company's electronic information and information technology systems. A quarterly cybersecurity report is provided to the Audit Committee. For a discussion of the Company's risks related to cybersecurity, see Item 1A - Risk Factors.

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

Electric

General The Company's electric segment is operated through its wholly owned subsidiary, Montana-Dakota. Montana-Dakota provides electric service at retail, serving residential, commercial, industrial and municipal customers in 185 communities and adjacent rural areas.

The material properties owned by Montana-Dakota for use in its electric operations include interests in 13 electric generating units at 11 facilities and two small portable diesel generators, as further described under System Supply, System Demand and Competition, approximately 3,400 and 4,800 miles of transmission and distribution lines, respectively, and 84 transmission and 294 distribution substations. Montana-Dakota has obtained and holds, or is in the process of renewing, valid and existing franchises authorizing it to conduct its electric operations in all of the municipalities it serves where such franchises are required. Montana-Dakota intends to protect its service area and seek renewal of all expiring franchises. At December 31, 2022, Montana-Dakota's net electric plant investment was $1.7 billion and its rate base was $1.4 billion.



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

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

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

	2022		2021		2020	
	Customers Served	**Revenues**	Customers Served	Revenues	Customers Served	Revenues
	(Dollars in thousands)					
Residential	**119,398**	**$ 135,412**	119,113	$ 123,043	118,893	$ 122,545
Commercial	**23,327**	**142,722**	23,149	133,336	23,050	131,207
Industrial	**230**	**42,937**	231	40,477	230	36,736
Other	**1,606**	**7,335**	1,610	6,754	1,609	6,601
	144,561	**$ 328,406**	144,103	$ 303,610	143,782	$ 297,089

Other electric revenues, which are largely transmission-related revenues, for Montana-Dakota were $48.7 million, $46.0 million and $34.9 million for the years ended December 31, 2022, 2021 and 2020, respectively.

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

	2022	2021	2020
North Dakota	**65 %**	64 %	64 %
Montana	**21 %**	22 %	22 %
Wyoming	**9 %**	9 %	9 %
South Dakota	**5 %**	5 %	5 %

System Supply, System Demand and Competition Through an interconnected electric system, Montana-Dakota serves markets in portions of North Dakota, Montana and South Dakota. These markets are highly seasonal and sales volumes depend largely on the weather. Additionally, the average customer consumption has tended to decline due to increases in energy efficient lighting and appliances being installed. As of December 31, 2022, the interconnected system consisted of 12 electric generating units at 10 facilities and two small portable diesel generators. Additional details are included in the table that follows. For 2022, Montana-Dakota's total ZRCs, including its firm purchase power contracts, were 520.8. Montana-Dakota's planning reserve margin requirement within MISO was 520.2 ZRCs for 2022. The maximum electric peak demand experienced to date attributable to Montana-Dakota's sales to retail customers on the interconnected system was 611,542 kW in August 2015. Montana-Dakota's latest forecast for its interconnected system indicates that its annual peak will continue to occur during the summer. Additional energy is purchased as needed, or in lieu of generation if more economical, from the MISO market. In 2022, Montana-Dakota purchased approximately 45 percent of its net kWh needs for its interconnected system through the MISO market.

Through the Sheridan System, Montana-Dakota serves Sheridan, Wyoming, and neighboring communities. The maximum peak demand experienced to date attributable to Montana-Dakota sales to retail customers on that system was approximately 69,688 kW in August 2022. Montana-Dakota has a power supply contract with Black Hills Power, Inc. to purchase up to 49,000 kW of capacity annually through December 31, 2028. Wygen III also serves a portion of the needs of Montana-Dakota's Sheridan-area customers.

Approximately 37 percent of the electricity delivered to customers from Montana-Dakota's owned generation in 2022 was from renewable resources. Although Montana-Dakota's generation resource capacity has increased to serve the needs of its customers, the carbon dioxide emission intensity of its electric generation resource fleet has been reduced by approximately 40 percent since 2005 through the addition of renewable generation and with the retirement of aging coal-fired electric generating units, as further discussed below.

The Company ceased operations of Lewis & Clark Station in Sidney, Montana, in March 2021 and decommissioning was completed in October 2022. In February 2022, the Company ceased operations of Units 1 and 2 at Heskett Station near Mandan, North Dakota, and decommissioning commenced in July 2022. In addition, in May 2022 Montana-Dakota began construction of Heskett Unit 4, an 88-MW simple-cycle natural gas-fired combustion turbine peaking unit at the existing Heskett Station near Mandan, North Dakota, with an expected in service date in the summer of 2023.

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

Generating Station	Type	Fuel	Nameplate Rating (kW) at December 31, 2022	2022 ZRCs (a)	2022 Net Generation (kWh in thousands)
Interconnected System:					
North Dakota:					
Coyote (b)	Steam	Coal	103,647	94.0	571,389
Heskett (c)	Steam	Coal	—	—	47,046
Heskett	Combustion turbine	Natural gas	89,038	73.5	3,551
Glen Ullin	Renewable	Heat recovery	7,500	3.3	13,884
Cedar Hills	Renewable	Wind	19,500	3.8	64,546
Thunder Spirit	Renewable	Wind	155,500	24.6	577,567
South Dakota:					
Big Stone (b)	Steam	Coal	94,111	106.8	430,748
Montana:					
Lewis & Clark	Reciprocating internal combustion engine	Natural gas	18,700	18.0	1,539
Glendive	Combustion turbine	Natural gas / diesel	75,522	63.1	2,260
Miles City	Combustion turbine	Natural gas / diesel	23,150	18.6	583
Diamond Willow	Renewable	Wind	30,000	5.3	91,105
Portable Units (2)	Reciprocating internal combustion engine	Diesel	3,650	3.9	8
			620,318	414.9	1,804,226
Sheridan System:					
Wyoming:					
Wygen III (b)	Steam	Coal	28,000	N/A	202,487
			648,318	414.9	2,006,713

(a) Interconnected system only. MISO requires generators to obtain their summer capability through the GVTC. The GVTC is then converted to ZRCs by applying each generator's forced outage factor against its GVTC. Wind generator's ZRCs are calculated based on a wind capacity study performed annually by MISO. ZRCs are used to meet supply obligations within MISO.
(b) Reflects Montana-Dakota's ownership interest.
(c) Nameplate rating of 86,000 kW. Retired February 2022.

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

The owners of Big Stone Station, including Montana-Dakota, have a coal supply agreement with Peabody COALSALES, LLC to meet all of the Big Stone Station's fuel requirements through 2024. Montana-Dakota estimates the Big Stone Station coal supply agreement to be approximately 1.5 million tons per contract year.

Montana-Dakota has a coal supply agreement with Wyodak Resources Development Corp., to supply the coal requirements of Wygen III at contracted pricing through June 1, 2060. Montana-Dakota estimates the maximum annual coal consumption of the facility to be approximately 585,000 tons.

Montana-Dakota has entered into two purchase power agreements to purchase capacity and energy between the retirement of the Lewis & Clark Station and Heskett Station Units 1 and 2 and the completion of the new Heskett Unit 4. Montana-Dakota also purchased additional capacity and energy to cover forecasted capacity deficits through May 2026.

Montana-Dakota expects that it has secured adequate capacity available through existing baseload generating stations, renewable generation, turbine peaking stations, demand reduction programs and firm contracts to meet the peak customer demand requirements of its customers through 2030. Future capacity needs are expected to be met by constructing new generation resources or acquiring additional capacity through power purchase contracts or the MISO capacity auction.

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

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

Montana-Dakota is not dependent on any single customer or group of customers for sales of its products and services, where the loss of which would have a material adverse effect on its business.

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

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

In South Dakota, Montana-Dakota recovers the South Dakota investment in Thunder Spirit through an Infrastructure Rider tracking mechanism that is subject to an annual true-up. Montana-Dakota also has in place in South Dakota a transmission tracker to recover transmission costs associated with MISO and SPP, along with certain of the transmission investments not recovered through retail rates. This tracking mechanism also has an annual true-up.

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

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

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

Montana-Dakota's electric generating facilities have Title V Operating Permits, under the federal Clean Air Act, issued by the states in which they operate. Each of these permits has a five-year life. Near the expiration of these permits, renewal applications are submitted. Permits continue in force beyond the expiration date, provided the application for renewal is submitted by the required date, usually six months prior to expiration. The WYDEQ determined all units at the Neil Simpson Complex, where Wygen III is situated, are to be included within a combined Title V Operating Permit which was submitted in June 2022. Wygen III is currently allowed to operate under the facility's construction permit until the Title V Operating Permit is issued. The Title V Operating Permit renewal application for Big Stone Station was submitted timely in October 2021 to the South Dakota Department of Agriculture & Natural Resources with the permit issuance date not specified at this time.

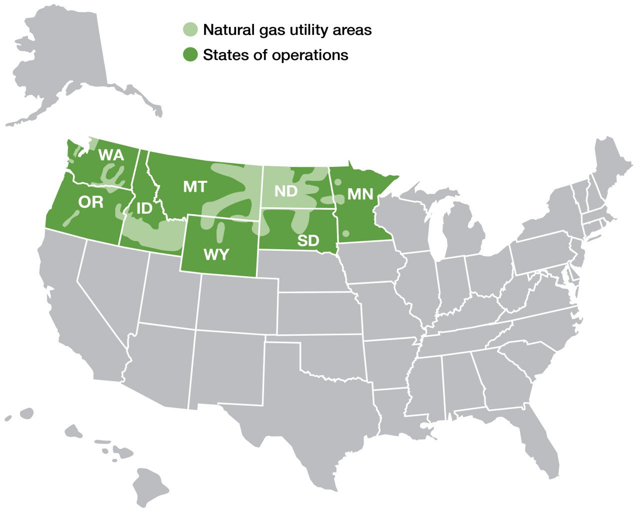
State water discharge permits issued under the requirements of the federal Clean Water Act are maintained for power production facilities on the Yellowstone and Missouri rivers. These permits also have five-year lives. Montana-Dakota renews these permits as necessary prior to expiration. Other permits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

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

Montana-Dakota did not incur any material capital expenditures in 2022 related to compliance with current environmental laws and regulations. Environmental capital expenditures are estimated to be $3.1 million, $1.2 million and $1.0 million in 2023, 2024 and 2025, respectively, for the closure of coal ash management units at Lewis & Clark Station and Heskett Station and to maintain air emissions compliance at its co-owned electric generating facilities and does not expect to incur any material capital expenditures in 2023, 2024 or 2025 for compliance with current environmental laws and regulations. Montana-Dakota's capital and operational expenditures could also be affected by future environmental requirements, such as regional haze emission reductions. For more information, see Item 1A - Risk Factors and Item 7 - MD&A - Business Section Financial and Operating Data.

Natural Gas Distribution

General The Company's natural gas distribution segment is operated through its wholly owned subsidiaries, consisting of operations from Montana-Dakota, Cascade and Intermountain. These companies sell natural gas at retail, serving residential, commercial and industrial customers in 338 communities and adjacent rural areas across eight states. They also provide natural gas transportation services to certain customers on the Company's systems.



These services are provided through distribution and transmission systems aggregating approximately 21,300 miles and 600 miles, respectively. The natural gas distribution operations have obtained and hold, or are in the process of renewing, valid and existing franchises authorizing them to conduct their natural gas operations in all of the municipalities they serve where such franchises are required. These operations intend to seek renewal of all expiring franchises. At December 31, 2022, the natural gas distribution operations' net natural gas distribution plant investment was $2.2 billion and its rate base was $1.6 billion.

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

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

	2022		2021		2020	
	Customers Served	**Revenues**	Customers Served	Revenues	Customers Served	Revenues
			(Dollars in thousands)			
Residential	**922,266**	**$ 715,494**	905,535	$ 548,091	887,429	$ 480,466
Commercial	**111,478**	**450,932**	110,196	330,468	108,788	281,175
Industrial	**1,077**	**41,466**	939	31,103	929	26,217
	1,034,821	**$ 1,207,892**	1,016,670	$ 909,662	997,146	$ 787,858

Transportation and other revenues for the natural gas distribution operations were $65.9 million, $62.3 million and $60.3 million for the years ended December 31, 2022, 2021 and 2020, respectively.

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

	2022	2021	2020
Idaho	**28 %**	27 %	30 %
Washington	**26 %**	29 %	30 %
North Dakota	**16 %**	15 %	13 %
Montana	**10 %**	10 %	8 %
Oregon	**8 %**	8 %	8 %
South Dakota	**6 %**	6 %	6 %
Minnesota	**4 %**	3 %	3 %
Wyoming	**2 %**	2 %	2 %

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

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

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

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

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

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

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

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

On July 7, 2016, the WUTC approved a full decoupling mechanism where Cascade is allowed recovery of an average revenue per customer regardless of actual consumption. The mechanism also includes an earnings sharing component if Cascade earns in excess of its authorized return. On September 15, 2021, the WUTC extended the effectiveness of the decoupling mechanism until the earlier of the rate effective date resulting from Cascade's next full general rate case or August 31, 2025.

On December 22, 2016, the MNPUC approved a request by Great Plains to implement a full revenue decoupling mechanism pilot project for three years. The decoupling mechanism reflects the period January 1 through December 31. The MNPUC adopted the administrative law judge's recommendation to extend the initial pilot period through the end of 2021. On May 13, 2022, Great Plains requested the continuation of the revenue decoupling mechanism. A final determination has not yet been made.

In Idaho, Intermountain has the authority to facilitate access for RNG producers to the Company's distribution system for the purpose of moving RNG to the producer's end-use customers.

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

Environmental Matters The natural gas distribution operations are subject to federal, state and local environmental, facility-siting, zoning and planning laws and regulations. The natural gas distribution operations strive to be in compliance with these regulations.

The Company's natural gas distribution operations are very small-quantity generators of hazardous waste, and subject only to minimum regulation under the RCRA. A Washington state rule defines Cascade as a small-quantity generator, but regulation under the rule is similar to RCRA. Certain locations of the natural gas distribution operations routinely handle PCBs from their natural gas operations in accordance with federal requirements. PCB storage areas are registered with the EPA as required. Capital and operational expenditures for natural gas distribution operations could be affected in a variety of ways by potential new GHG legislation or regulation. In particular, such legislation or regulation would likely increase capital expenditures for energy efficiency and conservation programs and operational and gas supply costs associated with GHG emissions compliance. Natural gas distribution operations expect to recover the operational and capital expenditures for GHG regulatory compliance in rates consistent with the recovery of other reasonable costs of complying with environmental laws and regulations. For more information, see Item 7 - MD&A - Business Section Financial and Operating Data.

The natural gas distribution operations did not incur any material capital expenditures in 2022 related to compliance with current environmental laws and regulations. However, Cascade does expect to incur capital expenditures for compliance with the Oregon Climate Protection Program and Washington Climate Commitment Act, which are estimated to be $4.3 million, $19.1 million and $2.6 million, respectively, in 2023, 2024 and 2025. The capital expenditures are for the development and construction of a renewable natural gas facility at the Deschutes County Landfill near Bend, Oregon. Except as to what may be ultimately determined with regard to the issues described in the following paragraph and the items noted for Cascade, the natural gas distribution operations do not expect to incur any material capital expenditures related to compliance with current environmental laws and regulations through 2025.

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

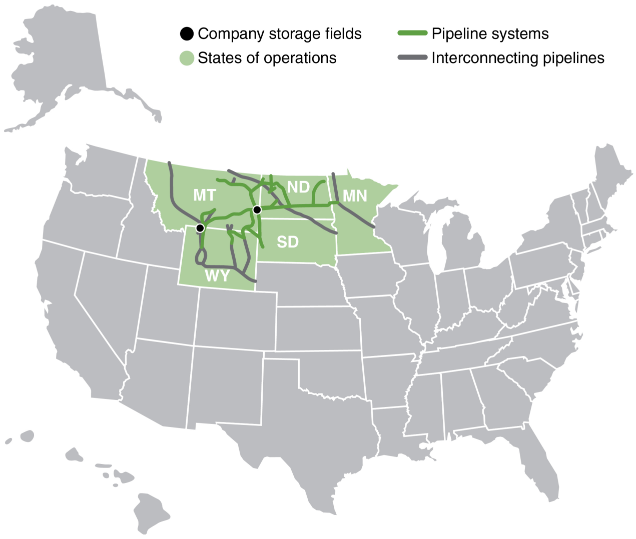
See Item 8 - Note 21 for further discussion of certain manufactured gas plant sites.

Pipeline

General WBI Energy owns and operates both regulated and non-regulated businesses. The regulated business of this segment, WBI Energy Transmission, owns and operates approximately 3,800 miles of natural gas transmission and storage lines.

WBI Energy Transmission's underground storage fields provide storage services to local distribution companies, industrial customers, natural gas marketers and others, and serve to enhance system reliability. Its system is strategically located near four natural gas producing basins, making natural gas supplies available to its transportation and storage customers. The system has 14 interconnecting points with other pipeline facilities allowing for the receipt and/or delivery of natural gas to and from other regions of the country and from Canada. Under the Natural Gas Act, as amended, WBI Energy Transmission is subject to the jurisdiction of the FERC regarding certificate, rate, service and accounting matters, and at December 31, 2022, its net plant investment was $798.1 million.

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



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

System Supply, System Demand and Competition Natural gas supplies emanate from traditional and nontraditional production activities in the region from both on-system and off-system supply sources. Incremental supply from nontraditional sources, such as the Bakken area in Montana and North Dakota, have helped offset declines in traditional regional supply sources and supports WBI Energy Transmission's transportation and storage services. In addition, off-system supply sources are available through the Company's interconnections with other pipeline systems. WBI Energy Transmission continues to look for opportunities, such as the identified growth projects discussed in Item 7 - MD&A - Pipeline Outlook, to increase transportation and storage services through system expansion and/or other pipeline interconnections or enhancements that could provide future benefits.

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

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

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

WBI Energy Transmission transports substantially all of Montana-Dakota's natural gas, primarily utilizing firm transportation agreements, which for 2022 represented 22 percent of WBI Energy Transmission's subscribed firm transportation contract demand. The majority of the firm transportation agreements with Montana-Dakota expire in June 2027. In addition, Montana-Dakota has a contract, expiring in July 2035, with WBI Energy Transmission to provide firm storage services to facilitate meeting Montana-Dakota's winter peak requirements.

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

WBI Energy is not dependent on any single customer or group of customers for sales of its products and services, where the loss of which would have a material adverse effect on its business. WBI Energy had one third-party customer that accounted for approximately 11% of its 2022 revenue.

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

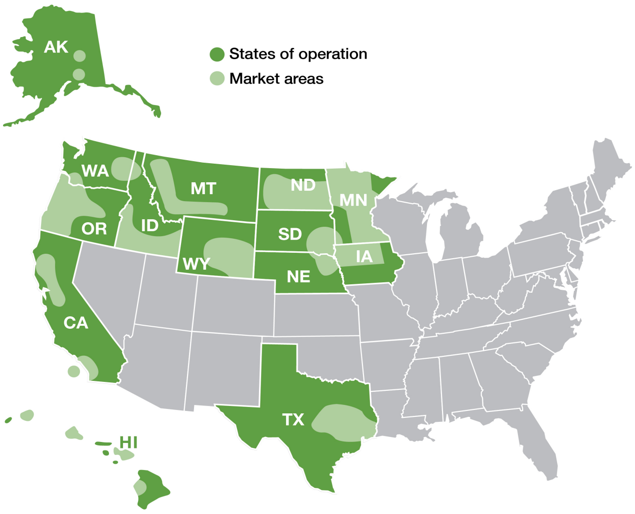
Administration of certain provisions of federal environmental laws is delegated to the states where WBI Energy and its subsidiaries operate. Administering agencies may issue permits with varying terms and operational compliance conditions. Permits are renewed and modified, as necessary, based on defined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

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

The EPA recently proposed additional rules to update, strengthen and expand standards intended to significantly reduce GHG emissions and other air pollutants from the oil and natural gas industries. The standards will apply to natural gas compressors, pneumatic controllers and pumps, fugitive emissions components and super-emitter events. The EPA projects the final rules will be issued in August 2023. Additionally, the EPA anticipates revising the current GHG reporting rules to incorporate provisions in the IRA. These revisions are anticipated to be issued in April 2023. The Company continues to monitor and assess the proposed rules and the potential impacts they may have on its business processes, current and future projects, results of operations and disclosures.

The pipeline operations did not incur any material capital expenditures related to compliance with current environmental laws and regulations in 2022 and do not expect to incur any material capital expenditures related to compliance with current environmental laws and regulations through 2025. Expected or anticipated rules are not included in the capital expenditures for 2023 to 2025. For more information on the capital expenditures for this segment, see Item 7 - MD&A - Capital Expenditures.

Construction Materials and Contracting



General Knife River mines, processes and sells construction aggregates (crushed stone and sand and gravel); produces and sells asphalt; and supplies ready-mix concrete. These products are used in most types of construction, performed by Knife River and other companies, including roads, freeways and bridges, as well as homes, schools, shopping centers, office buildings and industrial parks. Knife River's aggregate reserves provide the foundation for the vertical integration of its contracting services with its construction materials to support its aggregate-based product lines including heavy-civil construction, asphalt paving, concrete construction and site development and grading. Although not common to all locations, the segment also includes the sale of cement, liquid asphalt modification and distribution, various finished concrete products, merchandise and other building materials and related contracting services.

Through its network of aggregate sites, ready-mix plants and asphalt plants, the Company supplies construction materials and contracting services to public and private customers in 14 states.

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

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

Knife River's customers are a diverse group which includes federal, state and municipal governmental agencies, industrial, commercial and residential developers, and other private parties. The mix of sales by customer class varies each year depending on the fluctuation of work. Knife River is not dependent on any single customer or group of customers for sales of its products and services, the loss of which would have a material adverse effect on its construction materials businesses. No individual customer accounted for more than 10% of its 2022 revenue.

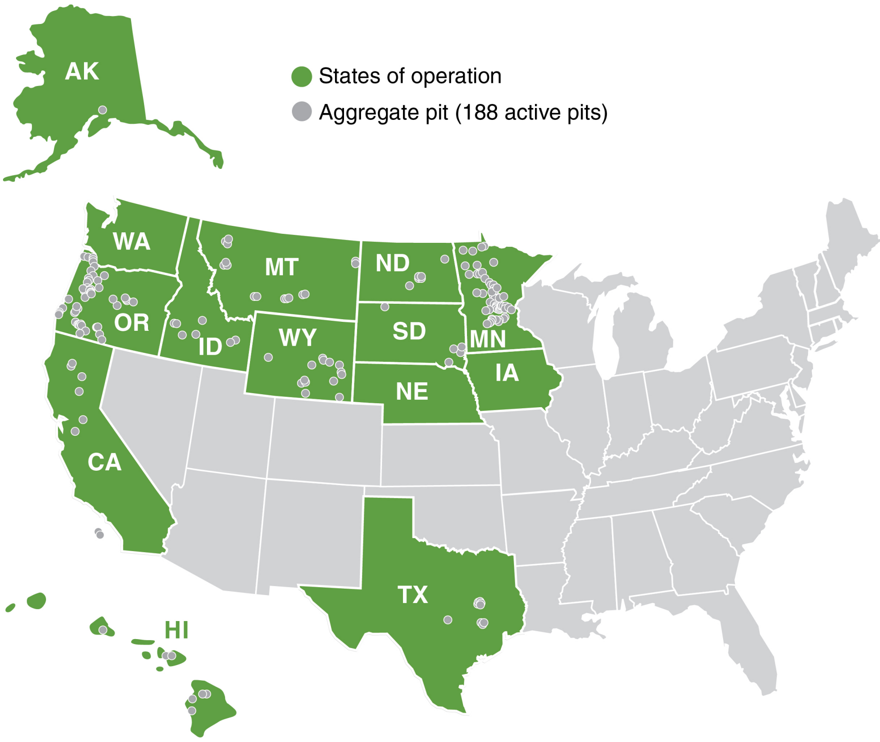
Reserve Information Knife River mines crushed stone and sand and gravel at its 188 active aggregate sites. The aggregates produced by Knife River are utilized in general construction and are a major component in the production of ready-mix concrete and asphalt.

Aggregate reserve and resource estimates are calculated based on available data. Supporting data includes, but is not limited to, drill holes, geologic testing and other subsurface investigations; and surface feature investigations, such as, mine high walls, aerial photography, topography, and other data. Using available data, a final topography map is created with computer software and is used to calculate the volume variance between existing and final topographies. Volumes are then converted to tons using appropriate conversion factors. Property setbacks and other regulatory restrictions and limitations are identified to determine the total area available for mining. Knife River also considers mine plans, economic viability and production history in the aggregate reserve and resource estimates. Mineral reserves are defined as an estimate of tonnage that, in the opinion of the qualified person, can be economically mined or extracted, which includes diluting materials and allowances for losses that may occur throughout the process. Mineral resources are defined as a concentration or occurrence of material of economic interest in such form, grade or quality, and quantity that has a reasonable prospect to be economically extracted. Knife River’s reserve estimates include only salable tonnage and thus exclude waste materials that are generated in the crushing and processing phases of the operation. The reserves are based on estimates of volumes that can be economically extracted and sold to meet current market and product applications.

Knife River’s reserves and resources are on properties that are permitted, or are expected to be permitted, for mining under current regulatory requirements. The data used to calculate reserves and resource estimates may require revisions in the future to account for changes in customer requirements and unknown geological occurrences.

Knife River classifies the applicable quantity of a particular deposit as a reserve or resource by reviewing and analyzing, independently, each geological formation, testing results and production processes, along with other modifying factors, to determine an expected yield of recoverable tonnage an area will produce. These results may have an effect on mine plans and the selection of processing equipment. The results are reviewed by the qualified person and presented to the management team.

Management assesses the risks associated with aggregate reserve and resource estimates. These estimates may be affected by variability in the properties of the material, limits of the accuracy of the geotechnical data and operational difficulties in extraction of the computed material. Additionally, management assesses the risks associated in obtaining and maintaining the various land use, mining and environmental permits necessary for the properties to operate as mines. Annual reviews of mining reserves are conducted by the qualified person and include procedures such as ensuring financial assumptions related to life of mine expenses are based on the most accurate estimates available.



Knife River has reviewed its properties and has determined it does not have any individual sites that are material. The following table sets forth details applicable to Knife River's aggregate production and aggregate sites as of December 31, 2022.

	Total Annual Aggregate Production		Aggregate Sites			
Production Area	Crushed Stone	Sand & Gravel	Crushed Stone		Sand & Gravel	
	(Tons in thousands)		Owned	Leased	Owned	Leased
Alaska	—	1,041	—	—	1	—
California	377	1,665	—	2	8	1
Hawaii	1,470	—	—	5	—	—
Idaho	5	2,339	—	1	6	3
Minnesota	375	2,410	3	1	48	8
Montana	—	3,043	—	—	11	2
North Dakota	—	897	—	—	3	12
Oregon	6,882	4,017	11	12	19	9
South Dakota	1,878	2,226	2	—	1	3
Texas	1,181	167	4	1	1	—
Wyoming	1,166	1,043	2	6	1	4
	13,334	18,848	22	28	99	42

The following table sets forth details applicable to Knife River's aggregate reserves as of December 31, 2022.

		Crushed Stone			Sand & Gravel			
Production Area	Aggregate Sites	Proven Mineral Reserves	Probable Mineral Reserves	**Total Mineral Reserves**	Proven Mineral Reserves	Probable Mineral Reserves	**Total Mineral Reserves**	**Total Mineral Reserves**
				(Tons in thousands)				
Alaska	1	—	—	**—**	12,542	—	**12,542**	**12,542**
California	10	89,913	—	**89,913**	19,070	—	**19,070**	**108,983**
Hawaii	5	42,964	662	**43,626**	—	—	**—**	**43,626**
Idaho	10	230	—	**230**	22,689	10,914	**33,603**	**33,833**
Minnesota	60	15,853	—	**15,853**	45,883	13,301	**59,184**	**75,037**
Montana	13	—	—	**—**	60,980	9,950	**70,930**	**70,930**
North Dakota	15	—	—	**—**	20,379	1,999	**22,378**	**22,378**
Oregon	49	361,217	14,046	**375,263**	118,209	13,477	**131,686**	**506,949**
South Dakota	6	29,706	3,000	**32,706**	3,284	—	**3,284**	**35,990**
Texas	6	65,451	4,691	**70,142**	8,368	—	**8,368**	**78,510**
Wyoming	13	76,895	11,582	**88,477**	14,513	14,197	**28,710**	**117,187**
	188	682,229	33,981	**716,210**	325,917	63,838	**389,755**	**1,105,965**

* The average selling price per ton for crushed stone and sand and gravel was $16.12 and $10.53, respectively, in 2022.
** The aggregates mined are of suitable grade and quality to be used as construction materials and no further grade or quality disclosure is applicable.

The following table sets forth details applicable to Knife River's aggregate resources as of December 31, 2022.

		Sand & Gravel			
Production Area	Aggregate Sites	Measured Mineral Resources	Indicated Mineral Resources	**Measured + Indicated Mineral Resources**	Inferred Mineral Resources
			(Tons in thousands)		
California	1	14,673	—	**14,673**	—
Minnesota	—	—	—	**—**	373
Montana	—	11,500	—	**11,500**	—
Oregon	2	41,727	—	**41,727**	—
	3	67,900	—	**67,900**	373

* Minnesota and Montana each have a site that includes both reserves and resources, which are included in the aggregate sites for reserves.

Of Knife River's 191 properties, 139 are in a production stage, 49 in a development stage and three are classified as exploration stage properties. As of December 31, 2022, Knife River had 1.1 billion tons of estimated proven and probable reserves of which 939 million tons are located on production stage properties and 167 million tons on developmental stage properties. The Company classifies aggregates located on exploration stage properties as resources. Knife River's aggregate annual production in tons for all its mining properties was 32.2 million, 31.1 million and 28.5 million for the years ended December 31, 2022, 2021 and 2020, respectively.

The average selling price per ton for crushed stone and sand and gravel was $16.12 and $10.53, respectively, in 2022. Actual pricing varies by location and market. The price for each commodity was calculated by dividing 2022 revenues by tons sold. The average pricing is based on salable product, or materials that are ready for sale. Pricing for aggregates tends to remain similar for long periods of time and resources generally realize similar pricing to reserves when extracted and sold; therefore, Knife River uses current pricing as an estimate of future pricing. Pricing is assessed frequently to verify there have been no material changes. Knife River expects future sales prices to exceed future production costs, resulting in minimal change to the economic viability of the disclosed reserves and resources. Knife River believes the current sales price is reasonable and justifiable to estimate the aggregates' current fair value, while the balance sheet reflects the historical costs.

Knife River owns 121 properties, of which 118 are active sites, and leases another 70 to conduct its mining operations. Its reserves are comprised of 566 million tons on properties that are owned and 540 million tons that are leased. The remaining reserve life in years was calculated by dividing remaining reserves by the three-year average production from 2020 through 2022. Knife River estimates the useful life of its owned reserves are approximately 36 years based on the most recent three-year average production. Approximately 47 percent of the reserves under lease have lease expiration dates of 20 years or more and the weighted average years remaining on all leases containing estimated proven aggregate reserves is approximately 21 years, including options for renewal that are at Knife River's discretion. The average time necessary to produce remaining aggregate reserves from its leased sites is approximately 42 years. Some sites have leases that expire prior to the exhaustion of the estimated reserves. The estimated reserve life assumes, based on Knife River's experience, that leases will be renewed to allow sufficient time to fully recover these reserves. Actual useful lives of these reserves will be subject to, among other things, fluctuations in customer demand, customer specifications, geological conditions and changes in mining plans.

Internal Controls Over Aggregate Reserves
Reserve and resource estimates are based on the analyses of available data by qualified internal mining engineers, operating personnel and third-party geologists. Senior management reviews and approves reserve and resource quantity estimates and reserve classifications, including the major assumptions used in determining the estimates, such as life, pricing, cost and volume, among other things, to ensure they are materially accurate. For aggregate reserve and resource additions, management, which includes the qualified person, performs its due diligence and reviews the study of technical, economic and operating factors, as well as applicable supplemental information, including a summary of the site's geotechnical report. Knife River maintains a database of all aggregate reserves, which is reconciled at least annually and reviewed and approved by the qualified person.

The evaluation, classification and estimation of reserves has inherent risks, including changing geotechnical, market and permitting conditions. The qualified person and management work together to assess these risks regularly and amend the reserve and resource assessments as new information becomes available.

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

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

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

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

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

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

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

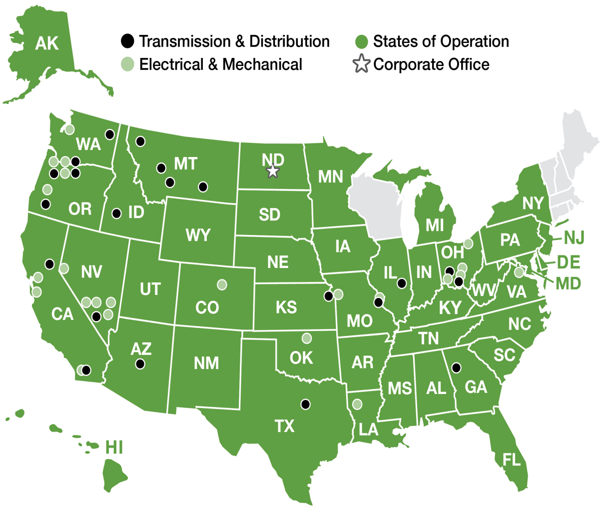
Knife River's Gascoyne surface coal mine last produced coal in 1995 but continues to be subject to reclamation requirements of the Surface Mining Control and Reclamation Act, as well as the North Dakota Surface Mining Act. Portions of the Gascoyne Mine remain under reclamation bond until the 10-year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

Knife River did not incur any material capital expenditures in 2022 related to compliance with current environmental laws and regulations and, except as to what may be ultimately determined with regard to the issues described in the following paragraph, Knife River does not expect to incur any material capital expenditures related to compliance with current environmental laws and regulations through 2025.

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

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

Construction Services



General MDU Construction Services operates in nearly every state across the country and provides a full spectrum of construction services through its electrical and mechanical and transmission and distribution specialty contracting services across the United States. These specialty contracting services are provided to utilities, manufacturing, transportation, commercial, industrial, institutional, renewable and governmental customers. Its electrical and mechanical contracting services include construction and maintenance of electrical and communication wiring and infrastructure, fire suppression systems, and mechanical piping and services. Its transmission and distribution contracting services include construction and maintenance of overhead and underground electrical, gas and communication infrastructure, as well as manufacturing and distribution of transmission line construction equipment and tools.

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

MDU Construction Services operates a fleet of owned and leased trucks and trailers, support vehicles and specialty construction equipment, such as backhoes, excavators, trenchers, generators, boring machines and cranes. In addition, as of December 31, 2022, MDU Construction Services owned or leased facilities in 19 states. This space is used for offices, equipment yards, manufacturing, warehousing, storage and vehicle shops.

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

Utilities and independent contractors represent the largest customer base for this segment. Accordingly, utility and subcontract work accounts for a significant portion of the work performed by MDU Construction Services and the amount of construction contracts is dependent on the level and timing of maintenance and construction programs undertaken by customers. MDU Construction Services benefits from repeat customers and strives to maintain successful long-term relationships with its customers. The mix of sales by customer class varies each year depending on available work. MDU Construction Services is not dependent on any single customer or group of customers for sales of its products and services, the loss of which would have a material adverse effect on its business. MDU Construction Services had one customer that accounted for approximately 15% of its revenue for 2022.

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

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

MDU Construction Services did not incur any material capital expenditures in 2022 related to compliance with current environmental laws and regulations and does not expect to incur any material capital expenditures related to compliance with current environmental laws and regulations through 2025.

Item 1A. Risk Factors

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

Separation Risks

The proposed separation of Knife River Holding Company into an independent, publicly traded company is subject to various risks and uncertainties, and may not be completed on the terms or timeline currently contemplated, if at all.

On August 4, 2022, the Company announced its plan to separate Knife River Holding Company, the construction materials and contracting business, from the Company, which would result in two independent, publicly traded companies. The execution of the proposed separation has required and will continue to require significant time and attention from the Company's senior management and employees, which could disrupt the Company's ongoing business and adversely affect financial results and results of operations. Further, the Company's employees may be distracted due to the uncertainty regarding their future roles with the Company or Knife River Holding Company pending the consummation of the proposed separation. Additionally, foreseen and unforeseen costs may be incurred in connection with the proposed separation, including fees such as advisory, accounting, tax, legal, reorganization, debt breakage, restructuring, severance/employee benefit-related, regulatory, SEC filing and other professional services, some of which may be incurred regardless if the separation occurs. The proposed separation is also complex, and completion of the proposed separation and the timing of its completion will be subject to a number of factors and conditions, including the readiness of the new company to operate as an independent public company and finalization of the capital structure of the new company. Unanticipated developments could delay, prevent or otherwise adversely affect the proposed separation, including, but not limited to, changes in general economic and financial market conditions, material adverse changes in business or industry conditions, unanticipated costs and potential problems or delays in obtaining various regulatory and tax approvals or clearances. In particular, changes in interest or exchange rates and the effects of inflation could delay or adversely affect the proposed separation, including in connection with any debt financing transactions undertaken in connection with the separation or the terms of any indebtedness incurred in connection therewith. There can be no assurances that the Company will be able to complete the proposed separation on the terms or on the timeline that was announced, if at all.

If the distribution, together with certain related transactions, does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, the Company and its stockholders could be subject to significant tax liabilities.

The Company is seeking a private letter ruling from the IRS and opinion(s) of its tax advisors, regarding certain U.S. federal income tax matters relating to the separation and the distribution, including, with respect to the opinion(s), to the effect that the distribution will be a transaction described in Section 355(a) of the Code. The IRS private letter ruling and the opinion(s) of tax advisors will be based upon and rely on, among other things, various facts and assumptions, as well as certain representations, statements and undertakings of the Company, including those relating to the past and future conduct of the Company. If any of these representations, statements or undertakings is, or becomes, inaccurate or incomplete, or if the Company should breach any of the representations or covenants contained in any of the separation-related agreements and documents or in any documents relating to the IRS private letter ruling and/or the opinion(s) of tax advisors, the IRS private letter ruling and/or the opinion(s) of tax advisors may be invalid and the conclusions reached therein could be jeopardized.

Notwithstanding receipt of the IRS private letter ruling and the opinion(s) of tax advisors, the IRS could determine that the distribution and/or certain related transactions should be treated as taxable transactions for U.S. federal income tax purposes if it determines that any of the representations, assumptions, or undertakings upon which the IRS private letter ruling or the opinion(s) of tax advisors were based are false or have been violated. In addition, neither the IRS private letter ruling nor the opinion(s) of tax advisors will address all of the issues that are relevant to determining whether the distribution, together with certain related transactions, qualifies as a transaction that is generally tax-free for U.S. federal income tax purposes. Further, the opinion(s) of tax advisors represent the judgment of such tax advisors and are not binding on the IRS or any court, and the IRS or a court may disagree with the conclusions in the opinion(s) of tax advisors. Accordingly, notwithstanding receipt by the Company of the IRS private letter ruling and the opinion(s) of tax advisors, there can be no assurance that the IRS will not assert that the distribution and/or certain related transactions do not qualify for tax-free treatment for U.S. federal income tax purposes or that a court would not sustain such a challenge. In the event the IRS were to prevail in such challenge, the Company and its stockholders could be subject to significant U.S. federal income tax liability.

If the distribution, together with related transactions, fails to qualify as a transaction that is generally tax-free for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code, in general, for U.S. federal income tax purposes, the Company would recognize taxable gain as if it had sold Knife River Holding Company common stock in a taxable sale for its fair market value (unless the Company and Knife River Holding Company jointly make an election under Section 336(e) of the Code with respect to the distribution, in which case, in general, (a) the Company would recognize a taxable gain as if Knife River Holding Company had sold all of its assets in a taxable sale in exchange for an amount equal to the fair market value of Knife River Holding Company common stock and the assumption of all of its liabilities and (b) Knife River Holding Company would obtain a related step-up in the basis of its assets) and, if the distribution fails to qualify as a transaction that is generally tax-free for U.S. federal income tax purposes under Section 355, the Company's stockholders who receive Knife River Holding Company shares in the distribution would be subject to tax as if they had received a taxable distribution equal to the fair market value of such shares.

The Company may not achieve some or all of the expected benefits of the separation, and the separation may materially and adversely affect its financial position, results of operations and cash flows.

The Company may be unable to achieve the full strategic and financial benefits expected to result from the separation, or such benefits may be delayed or not occur at all. The separation and distribution are expected to provide the following benefits, among others:

- A distinct investment identity allowing investors to evaluate the merits, strategy, performance and future prospects of the Company's regulated energy delivery business and Knife River Holding Company's aggregates-based construction materials and contracting services business.
- Enhanced strategic focus to more effectively pursue individualized strategies specific to the industries in which each operates and use equity tailored to its own business to enhance acquisition and capital programs.
- More efficient allocation of capital for both the Company and Knife River Holding Company based on each company’s profitability, cash flow and growth opportunities.
- Creating an independent equity structure that will facilitate the Company's and Knife River Holding Company's ability to deploy capital toward its specific growth opportunities.
- Enhanced employee hiring and retention by, among other things, improving the alignment of management and employee incentives with industry specific performance and growth objectives.

The Company may not achieve these and/or other anticipated benefits for a variety of reasons, including, among others, that: (a) the separation will require significant time and effort from management, which may divert management’s attention from operating and growing the business; (b) following the separation and distribution, the Company may be more susceptible to stock market fluctuations and other adverse events; (c) following the separation and distribution, the Company may not be able to maintain its historical practices with respect to dividends; (d) following the separation and distribution, the Company's business will be less diversified than prior to the separation and distribution; and (e) the other actions required to separate the Company and Knife River Holding Company’s respective businesses could disrupt their operations. If the Company fails to achieve some or all of the benefits expected to result from the separation, or if such benefits are delayed, it could have a material adverse effect on its financial position, results of operations and cash flows.

The Company may fail to perform under various transaction agreements that are expected be executed as part of the separation. The Company's inability to favorably resolve any disputes that arise with Knife River Holding Company with respect to their various past and ongoing relationships may adversely affect the Company's operating results.

In connection with the separation and prior to the distribution, it is anticipated that the Company will enter into a separation agreement and will also enter into various other agreements, including a transition services agreement, a tax matters agreement and an employee matters agreement with Knife River Holding Company. The separation agreement, the tax matters agreement and the employee matters agreement will determine the allocation of assets and liabilities between the companies following the separation for those respective areas and will include any necessary indemnifications related to liabilities and obligations. The transition services agreement will provide for the performance of certain services by the Company for the benefit of Knife River Holding Company, or in some cases certain services provided by Knife River Holding Company for the benefit of the Company, for a limited period of time after the separation. Knife River Holding Company will rely on the Company to satisfy its obligations under these agreements. If the Company is unable to satisfy its obligations under these agreements, including its indemnification obligations, the Company could be subject to disputes.

The Company may not be able to resolve potential conflicts, and even if it does, the resolution may be less favorable than if it were dealing with an unaffiliated party. Disputes may arise between the Company and Knife River Holding Company in a number of areas relating to the various transaction agreements, including, among other things:

- Labor, tax, employee benefit, indemnification and other matters arising from Knife River Holding Company's separation from the Company.
- Employee retention and recruiting.
- Business combinations involving Knife River Holding Company.
- And the nature, quality and pricing of services that the Company has agreed to provide.

If the expected separation and distribution occurs, certain members of management, directors and stockholders will hold stock in both the Company and Knife River Holding Company, and as a result may face actual or potential conflicts of interest.
If the separation and distribution occurs, the management and directors of each of the Company and Knife River Holding Company may own both the Company common stock and Knife River Holding Company common stock. This ownership overlap could create, or appear to create, potential conflicts of interest when the Company's management and directors and Knife River Holding Company's management and directors face decisions that could have different implications for the Company and Knife River Holding Company. For example, potential conflicts of interest could arise in connection with the resolution of any dispute between the Company and Knife River Holding Company regarding the terms of the agreements governing the distribution and the relationship between the Company thereafter and Knife River Holding Company. These agreements include the separation and distribution agreement, the tax matters agreement, the employee matters agreement, the transition services agreement, the stockholder and registration rights agreement and any commercial agreements between the parties or their affiliates. Potential conflicts of interest may also arise out of any commercial arrangements that the Company or Knife River Holding Company may enter into in the future.

Following the separation, there may be a substantial change in the Company's stockholder base and its stock price may fluctuate significantly.
Until the market has fully evaluated the Company's remaining businesses without Knife River Holding Company, the price at which shares of the Company common stock trade may fluctuate more significantly than might otherwise be typical, even with other market conditions, including general volatility, held constant. There can be no assurance that the combined value of the common stock of the two companies will be equal to or greater than what the value of the Company’s common stock would have been had the proposed separation not occurred. It is possible that the Company's stockholders will sell shares of common stock for a variety of reasons. For example, such stockholders may not believe that the Company's remaining business profile or its level of market capitalization fits their investment objectives. The sale of significant amounts of the Company's common stock or the perception in the market that this will occur may lower the market price of the Company's common stock. The increased volatility of the Company's common stock price following the distribution may have a material adverse effect on its business, financial condition and results of operations.

The Company could experience temporary interruptions in business operations and incur additional costs as it separates information technology infrastructure and systems.
The Company is in the process of preparing information technology infrastructure and systems to support critical business functions at both the Company and Knife River Holding Company. If the Company cannot effectively transition both the Company and Knife River Holding Company to stand-alone systems and functions, they may experience disruptions to business operations, which could have a material adverse effect on profitability. In addition, the Company's costs for the operation of these systems may be higher than the amounts historically reflected in the consolidated financial statements.

The Company's review of options to optimize the value of its construction services business is subject to various risks and uncertainties and may not achieve its intended goals.
On November 3, 2022, the Company announced its intention to create two pure-play publicly traded companies, one focused on regulated energy delivery and the other on construction materials, and to achieve this future structure, the board authorized management to commence a strategic review process of MDU Construction Services. This process is active and ongoing. The uncertainties associated with this process, foreseen and unforeseen costs incurred, and efforts involved, may negatively affect the Company's operating results, business and the Company's relationships with employees, customers, suppliers and vendors. If the Company does not enter into or consummate a strategic transaction with respect to MDU Construction Services, the Company's business and results of operations could be adversely affected. Furthermore, if the Company does not consummate a transaction, the price of the Company's common stock may decline from the current market price, as the current market price might incorporate a market assumption that a transaction will be consummated. A failed transaction may also result in reduced employee morale and productivity, negative publicity and a negative impression of the Company in the investment community. Further, any disruptions to the Company's business resulting from any announcement and the uncertainty around the timing of a transaction, including any adverse changes in the Company's relationships with its customers, suppliers, vendors, and employees or recruiting and retention efforts, could continue or accelerate in the event of a failed transaction. Matters relating to any failed transaction may require significant costs and expenses and substantial management time and resources, which could otherwise have been devoted to operating and growing the Company's business.

Economic Risks

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

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

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

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

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

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

A disruption of the regional electric transmission grid, local distribution infrastructure or interstate natural gas infrastructure could negatively impact the Company's business and reputation. There have been cyber and physical attacks within the energy industry on energy infrastructure, such as substations, and such attacks may occur in the future. Because the Company's electric and natural gas utility and pipeline systems are part of larger interconnecting systems, any attacks on the Company's infrastructure causing a disruption could result in a significant decrease in revenues and an increase in system repair costs negatively impacting the Company's financial position, results of operations and cash flows.

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

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

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

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

Significant changes in prices for commodities, labor or other production and delivery inputs could negatively affect the Company's businesses.
The Company's operations are exposed to fluctuations in prices for labor, oil, cement, raw materials and utilities. Prices are generally subject to change in response to fluctuations in supply and demand and other general economic and market conditions beyond the Company's control.

Fluctuations in oil and natural gas production, supplies and prices; fluctuations in commodity price basis differentials; political and economic conditions in oil-producing countries; actions of the Organization of Petroleum Exporting Countries; demand for oil due to economic conditions; war and other external factors impact the development of oil and natural gas supplies and the expansion and operation of natural gas pipeline systems. The Company has benefited from associated natural gas production in the Bakken, which has provided opportunities for organic growth projects. Depressed oil and natural gas prices, however, place pressure on the ability of oil exploration and production companies to meet credit requirements and can be a challenge if prices remain depressed long-term. Prolonged depressed prices for oil and natural gas could negatively affect the growth, results of operations, cash flows and asset values of the Company's electric, natural gas and pipeline businesses.

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

High energy prices, specifically for diesel fuel, natural gas and liquid asphalt have impacted and could further affect the margins realized, as well as demand for construction materials and related contracting services. Increased labor costs, due to labor shortages, competition from other industries, or other factors, could negatively affect the Company's results of operations. Due to their size and weight, aggregates are costly and difficult to transport efficiently. The Company's construction materials products and services are generally localized around its aggregate sites and served by truck or in certain markets by rail or barge. The Company could be negatively impacted by freight costs due to rising fuel costs; rate increases for third party freight; truck, railcar or barge shortages, including shortages of truck drivers and rail crews; rail service interruptions; and minimum tonnage requirements, among other things.

In 2022 and 2021, the Company experienced elevated commodity and supply chain costs including the costs of labor, raw materials, energy-related products and other inputs used in the production and distribution of its products and services. At the construction materials and contracting business, recent inflationary pressures have significantly increased the cost of raw materials above 10% in comparison to average historical increases of 3%. The Company' construction businesses try to mitigate some or all cost increases through increases in selling prices, maintaining positive relationships with numerous raw material suppliers, and escalation clauses in contracting services contracts and fuel surcharges. To the extent price increases or other mitigating factors are not sufficient to offset these increased costs adequately or timely, and/or if the price increases result in a significant decrease in sales volumes, the Company's results of operations, financial position and cash flows could be negatively impacted.

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

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

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

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

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

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

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

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

Pandemics have disrupted national, state and local economies. To the extent pandemics adversely impact the Company's businesses, operations, revenues, liquidity or cash flows, they could also have a heightened effect on other risks described in this section. The degree to which pandemics impact the Company depends on, among other things, federal and state mandates, actions taken by governmental authorities, availability, timing and effectiveness of vaccines being administered, and the pace and extent to which the economy recovers and operates under normal market conditions.

Operational Risks

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

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

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

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

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

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

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

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

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

The Company's participation in joint venture contracts may have a negative impact on its reputation, business operations, revenues, results of operations, liquidity and cash flows.
The Company enters into certain joint venture arrangements typically to bid and execute particular projects. Generally, these agreements are directly with a third-party client; however, services may be performed by the venture, the joint venture partners or a combination thereof. Engaging in joint venture contracts exposes the Company to risks and uncertainties, some of which are outside the Company's control.

The Company is reliant on joint venture partners to satisfy their contractual obligations, including obligations to commit working capital and equity, and to perform the work as outlined in the agreement. Failure to do so could result in the Company providing additional investments or services to address such performance issues. If the Company is unable to satisfactorily resolve any partner performance issues, the customer could terminate the contract, opening the Company to legal liability which could negatively impact the Company's reputation, revenues, results of operations, liquidity and cash flows.

Supply chain disruptions may adversely affect Company operations.
The Company relies on third-party vendors and manufacturers to supply many of the materials necessary for its operations. Global logistic disruptions have impacted the flow of materials and restricted global trade flows. Manufacturers are competing for a limited supply of key commodities and logistical capacity which has impacted lead times, pricing, supply and demand. National and regional demand for cement and liquid asphalt may at times outpace the supply in the market. This imbalance creates a temporary shortage which may cause prices to increase faster than downstream products. Disruptions or delays in receiving materials; price increases from suppliers or manufacturers; or inability to source needed materials, which has occurred and could reoccur, could adversely affect the Company's results of operations, financial condition and cash flows.

Environmental and Regulatory Risks

The Company's operations could be adversely impacted by climate change.
Severe weather events, such as tornadoes, hurricanes, rain, drought, ice and snowstorms, and high and low temperature extremes, occur in regions in which the Company operates and maintains infrastructure. Climate change could change the frequency and severity of these weather events, which may create physical and financial risks to the Company. Such risks could have an adverse effect on the Company's financial condition, results of operations and cash flows. To date, the Company has not experienced any material impacts to its financial condition, results of operations or cash flows due to the physical effects of climate change.

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

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

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

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

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

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

The price of energy also has an impact on the economic health of communities. The cost of additional regulatory requirements related to climate change, such as regulation of carbon dioxide emissions under the federal Clean Air Act, requirements to replace fossil fuels with renewable energy or credits, or other environmental regulation or taxes, could impact the availability of goods and the prices charged by suppliers, which would normally be borne by consumers through higher prices for energy and purchased goods, and could adversely impact economic conditions of areas served by the Company. To the extent financial markets view climate change and emissions of GHGs as a financial risk, this could negatively affect the Company's ability to access capital markets or result in less competitive terms and conditions.

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

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

Stakeholder actions and increased regulatory activity related to environmental, social and governance matters, particularly climate change and reducing GHG emissions, could adversely impact the Company's operation, costs of or access to capital and impact or limit business plans.
The Company, primarily at its electric, natural gas distribution and pipeline businesses, is facing increasing stakeholder scrutiny related to environmental, social and governance matters. Recently, the Company has seen a rise in certain stakeholders, such as investors, customers, employees and lenders, placing increasing importance on the impacts and social cost associated with climate change. Concern that GHG emissions contribute to global climate change has led to international, federal, state and local legislative and regulatory proposals to reduce or mitigate the effects of GHG emissions. The Company's primary GHG emission is carbon dioxide from fossil fuels combustion at Montana-Dakota's electric generating facilities, particularly its coal-fired facilities.

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

Company's utility and pipeline services as a result of increased costs or emissions limitations could also adversely impact the results of operations and cash flows.

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

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

In addition, the increasing focus on climate change and stricter regulatory requirements may result in the Company facing adverse reputational risks associated with certain of its operations producing GHG emissions. There have also been efforts to discourage the investment community from investing in equity and debt securities of companies engaged in fossil fuel related business and pressuring lenders to limit funding to such companies. Additionally, some insurance carriers have indicated an unwillingness to insure assets and operations related to certain fossil fuels. Although the Company has not experienced difficulties in these areas, if the Company is unable to satisfy the increasing climate-related expectations of certain stakeholders, the Company may suffer reputational harm, which may cause its stock price to decrease or difficulty in accessing the capital or insurance markets. Such efforts, if successfully directed at the Company, could increase the costs of or access to capital or insurance and interfere with business operations and ability to make capital expenditures.

Other Risks

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

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

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

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

The Company's construction materials and contracting and construction services businesses may be exposed to warranty claims.
The Company, particularly its construction businesses, may provide warranties guaranteeing the work performed against defects in workmanship and material. If warranty claims occur, they may require the Company to re-perform the services or to repair or replace the warranted item at a cost to the Company and could also result in other damages if the Company is not able to adequately satisfy warranty obligations. In addition, the Company may be required under contractual arrangements with customers to warrant any defects from subcontractors or failures in materials the Company purchased from third parties. While the Company generally requires suppliers to provide warranties that are consistent with those the Company

provides to customers, if any of the suppliers default on their warranty obligations to the Company, the Company may nonetheless incur costs to repair or replace the defective materials. Costs incurred as a result of warranty claims could adversely affect the Company's results of operations, financial condition and cash flows.

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

Costs related to obligations under MEPPs could have a material negative effect on the Company's results of operations and cash flows.
Various operating subsidiaries of the Company participate in MEPPs for employees represented by certain unions. The Company is required to make contributions to these plans in amounts established under numerous collective bargaining agreements between the operating subsidiaries and those unions.

The Company may be obligated to increase its contributions to underfunded plans that are classified as being in endangered, seriously endangered or critical status as defined by the Pension Protection Act of 2006. Plans classified as being in one of these statuses are required to adopt RPs or FIPs to improve their funded status through increased contributions, reduced benefits or a combination of the two.

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

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

Technology disruptions or cyberattacks could adversely impact the Company's operations.
The Company uses technology in substantially all aspects of its business operations and requires uninterrupted operation of information technology and operation technology systems, including disaster recovery and backup systems and network infrastructure. While the Company has policies, procedures and processes in place designed to strengthen and protect these systems, they may be vulnerable to physical and cybersecurity failures or unauthorized access, due to:

- hacking,
- human error,
- theft,
- sabotage,
- malicious software,
- ransomware,
- third-party compromise,
- acts of terrorism,
- acts of war,
- acts of nature or
- other causes.

Although there are manual processes in place, should a compromise or system failure occur, interdependencies to technology may disrupt the Company's ability to fulfill critical business functions. This may include interruption of electric generation, transmission and distribution facilities, natural gas storage and pipeline facilities and facilities for delivery of construction materials or other products and services, any of which could adversely affect the Company's reputation, business, cash flows and results of operations or subject the Company to legal or regulatory liabilities and increased costs. Additionally, the Company's electric generation and transmission systems and natural gas pipelines are part of interconnected systems with other operators’ facilities; therefore, a cyber-related disruption in another operator’s system could negatively impact the Company's business.

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

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

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

The Company’s information systems experience ongoing and often sophisticated cyberattacks by a variety of sources with the apparent aim to breach the Company's cyber-defenses. The Company may face increased cyber risk due to the increased use of employee owned devices, work from home arrangements, and the proposed separation of Knife River Holding Company. Although the incidents the Company has experienced to date have not had a material effect on its business, financial condition or results of operations, such incidents could have a material adverse effect in the future as cyberattacks continue to increase in frequency and sophistication. The Company is continuously reevaluating the need to upgrade and/or replace systems and network infrastructure. These upgrades and/or replacements could adversely impact operations by imposing substantial capital expenditures, creating delays or outages, or experiencing difficulties transitioning to new systems. System disruptions, if not anticipated and appropriately mitigated, could adversely affect the Company.

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

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

Item 1B. Unresolved Staff Comments

The Company has no unresolved comments with the SEC.

Item 3. Legal Proceedings

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

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

Item 4. Mine Safety Disclosures

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

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

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

As of December 31, 2022, the Company's common stock was held by approximately 9,600 stockholders of record.

The Company depends on earnings and dividends from its subsidiaries to pay dividends on common stock. The Company has paid uninterrupted dividends to stockholders for 85 consecutive years with an increase in the payout amount for the last 32 consecutive years. The declaration and payment of dividends is at the sole discretion of the board of directors, subject to limitations imposed by agreements governing the Company's indebtedness, federal and state laws, and applicable regulatory limitations. For more information on factors that may limit the Company's ability to pay dividends, see Item 8 - Note 12.

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

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased (1)	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (2)	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (2)
October 1 through October 31, 2022	—	—	—	—
November 1 through November 30, 2022	40,800	$30.64	—	—
December 1 through December 31, 2022	—	—	—	—
Total	40,800	$30.64	—	—

(1) Represents shares of common stock purchased on the open market in connection with annual stock grants made to the Company's non-employee directors and for those directors who elected to receive additional shares of common stock in lieu of a portion of their cash retainer.
(2) Not applicable. The Company does not currently have in place any publicly announced plans or programs to repurchase equity securities.

Item 6.

Reserved.

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

The Company is Building a Strong America® by providing essential infrastructure and services. The Company and its employees work hard to keep the economy of America moving with the products and services provided, which include powering, heating and connecting homes, factories, offices and stores; and building roads, highways, data infrastructure and airports. The Company is authorized to conduct business in nearly every state in the United States and during peak construction season has employed over 16,800 employees. The Company’s organic investments are strong drivers of high-quality earnings and continue to be an important part of the Company’s growth. Management believes the Company is well positioned in the industries and markets in which it operates.

As part of the Company's strategic planning to optimize stockholder value, the Company announced its board of directors unanimously approved a plan to pursue a separation of Knife River from the Company on August 4, 2022, and, as a next step in its strategic planning, on November 3, 2022, the Company announced the board of directors' plan to create two pure-play companies: a leading construction materials company and a regulated energy delivery company. The separation of Knife River is planned as a tax-free spinoff transaction to the Company’s stockholders for U.S. federal income tax purposes. The transaction is expected to result in two independent, publicly traded companies. Completion of the separation will be subject to, among other things, the effectiveness of a registration statement on Form 10 with the SEC, final approval from the Company’s board of directors, receipt of one or more tax opinions and a private letter ruling from the IRS, and other customary conditions. The Company may, at any time and for any reason until the proposed transaction is complete, abandon the separation or modify or change its terms. The separation is expected to be complete in the second quarter of 2023, but there can be no assurance regarding the ultimate timing of the separation or that the separation will ultimately occur. In addition, the board has authorized management to commence a strategic review process for MDU Construction Services with the objective of achieving the board’s goal of creating two pure-play public companies. The strategic review is well underway, and the Company anticipates completing it during the second quarter of 2023. See Item 1A - Risk Factors for a description of the risks and uncertainties with the proposed future structure. The Company incurred costs in connection with the announced strategic initiatives in 2022, as noted in the Business Segment Financial and Operating Data section, and expects to continue to incur these costs until the initiatives are completed.

The Company continues to manage the inflationary pressures experienced throughout the United States, including the impact that inflation, rising interest rates, commodity price volatility and supply chain disruptions may have on its business and customers and proactively looks for ways to lessen the impact to its business. Inflation rates in the Unites States increased significantly during 2022, relative to historical precedent, and may continue to rise. The Company has continued to evaluate its businesses and has increased pricing for its products and services where necessary as evidenced by the increase in revenues recognized in 2022. The ability to raise selling prices to cover higher costs due to inflation are subject to customer demand, industry competition and the availability of materials, among other things. Rising interest rates have resulted in, and will likely continue to result in, higher borrowing costs on new debt, resulting in impacts to the Company's asset valuations and negatively impacting the purchasing power of its customers. For more information on possible impacts to the Company's businesses, see the Outlook for each segment below and Item 1A - Risk Factors.

Consolidated Earnings Overview

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

Years ended December 31,	2022	2021	2020
	(In millions, except per share amounts)		
Electric	$ 57.1	$ 51.9	$ 55.6
Natural gas distribution	45.2	51.6	44.0
Pipeline	35.3	40.9	37.0
Construction materials and contracting	116.2	129.8	147.3
Construction services	124.8	109.4	109.7
Other	(11.3)	(5.9)	(3.1)
Income from continuing operations	367.3	377.7	390.5
Discontinued operations, net of tax	.2	.4	(.3)
Net income	$ 367.5	$ 378.1	$ 390.2
Earnings per share - basic:			
Income from continuing operations	$ 1.81	$ 1.87	$ 1.95
Discontinued operations, net of tax	—	—	—
Earnings per share - basic	$ 1.81	$ 1.87	$ 1.95
Earnings per share - diluted:			
Income from continuing operations	$ 1.81	$ 1.87	$ 1.95
Discontinued operations, net of tax	—	—	—
Earnings per share - diluted	$ 1.81	$ 1.87	$ 1.95

2022 compared to 2021 The Company's consolidated earnings decreased $10.6 million.

The Company experienced decreased earnings at the construction materials and contracting, natural gas distribution and pipeline businesses. While the construction materials and contracting business experienced higher average pricing on materials and increased contracting revenues, results were negatively impacted by ongoing inflationary pressures, including energy and other operating costs. The natural gas distribution business experienced higher operating expenses, including subcontractor costs, as well as higher interest and depreciation expenses, partially offset by increased sales volumes and approved rate recovery in certain jurisdictions. The pipeline business experienced higher interest expense and lower non-regulated project margins, partially offset by the net benefit of the North Bakken Expansion project. The Company's earnings were further impacted by $21.0 million in lower returns on the Company's nonqualified benefit plan investments, as discussed in Note 8, and the costs incurred in connection with the announced strategic initiatives of $12.7 million, after tax. Partially offsetting the decreases were increased earnings at the construction services business resulting from higher electrical and mechanical project margins and earnings from the segment's joint ventures, partially offset by higher overall operating expenses related to increased payroll-related costs and expected credit losses. The electric business benefited from interim rate relief in North Dakota, higher net transmission revenues and higher retail sales volumes as a result of colder weather, as well as lower operation and maintenance expenses, largely related to plant closures.

2021 compared to 2020 The Company's consolidated earnings decreased $12.1 million.

Negatively impacting the Company's earnings was a decrease in gross margin across most product lines at the construction materials and contracting business resulting from labor constraints; increased material costs, including asphalt oil and diesel fuel; higher equipment, repair and maintenance costs; and less available paving work in certain regions. The decrease was partially offset by higher AFUDC for the construction of the North Bakken Expansion project and higher earnings due to increased natural gas transportation volumes at the pipeline business. Also positively impacting earnings was higher operating income at the electric and natural gas businesses, largely a result of approved rate relief in certain jurisdictions, partially offset by higher operations and maintenance expenses.

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

Business Segment Financial and Operating Data

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

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

Electric and Natural Gas Distribution

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

The electric and natural gas distribution segments are subject to extensive regulation in the jurisdictions where they conduct operations with respect to costs, timely recovery of investments and permitted returns on investment. The Company is focused on modernizing utility infrastructure to meet the varied energy needs of both its customers and communities while ensuring the delivery of safe, reliable, affordable and environmentally responsible energy. The segments continue to invest in facility upgrades to be in compliance with existing and known future regulations. To assist in the reduction of regulatory lag in obtaining revenue increases to align with increased investments, tracking mechanisms have been implemented in certain jurisdictions. The Company also seeks rate adjustments for operating costs and capital investments, as well as reasonable returns on investments not covered by tracking mechanisms. For more information on the Company's tracking mechanisms and recent cases, see Items 1 and 2 - Business Properties and Item 8 - Note 20.

These segments are also subject to extensive regulation related to certain operational and environmental compliance, cybersecurity, permit terms and system integrity. Both segments are faced with the ongoing need to actively evaluate cybersecurity processes and procedures related to its transmission and distribution systems for opportunities to further strengthen its cybersecurity protections. Within the past year, there have been cyber and physical attacks within the energy industry on energy infrastructure, such as substations, and the Company continues to evaluate the safeguards implemented to protect its electric and natural gas utility systems. Implementation of enhancements and additional requirements to protect the Company's infrastructure is ongoing.

To date, many states have enacted, and others are considering, mandatory clean energy standards requiring utilities to meet certain thresholds of renewable and/or carbon-free energy supply. The current presidential administration has made climate change a focus, as further discussed in the Outlook section. Over the long-term, the Company expects overall electric demand to be positively impacted by increased electrification trends, including electric vehicle adoption, as a means to address economy-wide carbon emission concerns and changing customer conservation patterns. MISO and NERC have recently announced concerns with reliability of the electric grid due to capacity shortages, which has resulted from rapid expansion of renewables and rapid reduction of baseload resources such as coal, while load growth has increased faster than expected. MISO received FERC approval of a seasonal resource adequacy construct, or accreditation process, versus the previous annual summer peak capacity requirement process. The new construct will include a higher planning reserve margin in winter, spring and fall and a higher Coincident Load Factor for Montana-Dakota in the winter season. This is a change from the current summer requirement only process. These changes have not required Montana-Dakota to obtain additional accredited seasonal capacity but additional future accreditation process changes could impact the Company and result in increased costs to produce electricity. The Company will continue to monitor the progress of these changes and assess the potential impacts they may have on its stakeholders, business processes, results of operations, cash flows and disclosures.

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

In December 2022 and January 2023, natural gas prices significantly increased across the Pacific Northwest from multiple price-pressuring events including wide-spread below-normal temperatures; higher natural gas consumption; reduced natural gas flows due to pipeline constraints, including maintenance in West Texas; and historically low regional natural gas storage levels. These higher natural gas prices impacted both Intermountain and Cascade, both of which initiated $125.0 million and $150.0 million in early 2023, respectively, of short-term debt to finance the increased natural gas costs. Intermountain filed an out of cycle purchased gas adjustment effective February 1, 2023, to start recovering the higher prices. For a discussion of the Company's most recent cases by jurisdiction, see Item 8 - Note 20.

The Company continues to proactively monitor and work with its manufacturers to reduce the effects of increased pricing and lead times on delivery of certain raw materials and equipment used in electric generation, transmission and distribution system and natural gas pipeline projects. Long lead times are attributable to increased demand for steel products from pipeline companies as they continue pipeline system safety and integrity replacement projects driven by PHMSA regulations, as well as delays in the manufacturing and shipping of electrical equipment as a result of the lingering effects of the COVID-19 pandemic, staffing shortages across multiple industries and global conflicts. While not material, these segments have experienced delays and inflationary pressures, including increased costs related to purchased natural gas and capital expenditures. The Company has been able to minimize the effects by working closely with suppliers or obtaining additional suppliers, as well as modifying project plans to accommodate extended lead times and increased costs. The Company expects these delays and inflationary pressures to continue.

The ability to grow through acquisitions is subject to significant competition and acquisition premiums. In addition, the ability of the segments to grow their service territory and customer base is affected by regulatory constraints, the economic environment of the markets served and competition from other energy providers and fuels. As the industry continues to expand the use of renewable energy sources, the need for additional transmission infrastructure is growing. On July 25, 2022, as part of its long range transmission plan, MISO announced approval of 18 transmission projects totaling $10.3 billion of investments in MISO's midwest subregion, of which Montana-Dakota is a part. As part of MISO's long range transmission plan, in August 2022, the Company announced its intent to develop, construct and co-own an approximately 95 mile 345 kV transmission line with Otter Tail Power Company in central North Dakota. The construction of new electric generating facilities, transmission lines and other service facilities is subject to increasing costs and lead times, extensive permitting procedures, and federal and state legislative and regulatory initiatives, which may necessitate increases in electric energy prices.

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

Years ended December 31,	**2022**	2021	2020	2022 vs. 2021 Variance	2021 vs. 2020 Variance
	(In millions)				
Operating revenues	**$ 377.1**	$ 349.6	$ 332.0	8 %	5 %
Operating expenses:					
Electric fuel and purchased power	**92.0**	74.1	66.9	24 %	11 %
Operation and maintenance	**120.7**	124.9	121.3	(3)%	3 %
Depreciation, depletion and amortization	**67.8**	66.8	63.0	1 %	6 %
Taxes, other than income	**16.9**	17.5	17.4	(3)%	1 %
Total operating expenses	**297.4**	283.3	268.6	5 %	5 %
Operating income	**79.7**	66.3	63.4	20 %	5 %
Other income	**.5**	4.6	7.2	(89)%	(36)%
Interest expense	**28.5**	26.7	26.7	7 %	— %
Income before income taxes	**51.7**	44.2	43.9	17 %	1 %
Income tax benefit	**(5.4)**	(7.7)	(11.7)	(30)%	(34)%
Net income	**$ 57.1**	$ 51.9	$ 55.6	10 %	(7)%

Operating statistics

	2022	2021	2020
Revenues (millions)			
Retail sales:			
Residential	**$ 135.4**	$ 123.0	$ 122.6
Commercial	**142.7**	133.3	131.2
Industrial	**43.0**	40.5	36.7
Other	**7.3**	6.8	6.6
	328.4	303.6	297.1
Transportation and other	**48.7**	46.0	34.9
	$ 377.1	$ 349.6	$ 332.0
Volumes (million kWh)			
Retail sales:			
Residential	**1,226.4**	1,164.8	1,170.9
Commercial	**1,437.7**	1,433.0	1,419.4
Industrial	**596.1**	589.4	532.1
Other	**83.7**	84.4	82.1
	3,343.9	3,271.6	3,204.5
Average cost of electric fuel and purchased power per kWh	**$ .026**	$ .021	$ .019

2022 compared to 2021 Electric earnings increased $5.2 million as a result of:

- Revenue increased $27.5 million.
  - Largely attributable to:
    - Higher fuel and purchased power costs of $17.9 million recovered in customer rates and offset in expense, as described below.
    - Interim rate relief in North Dakota of $5.0 million.
    - Higher net transmission revenues of $3.9 million, largely from increased investment, and higher transmission interconnect upgrades of $800,000.
    - Higher retail sales volumes of 2.2 percent, primarily to residential customers, largely due to colder weather in the first and fourth quarters of the year.
  - Partially offset by:
    - Lower renewable tracker revenues associated with higher production tax credits offset in expense, as described below.
    - Lower per unit average rates of $1.0 million related to block rates in certain jurisdictions.
- Electric fuel and purchased power increased $17.9 million.
  - Primarily the result of $17.4 million higher commodity price, including higher recovery of fuel clause adjustments, and increased retail sales volumes.
- Operation and maintenance decreased $4.2 million.
  - Primarily due to:
    - Decreased payroll-related costs, largely $2.8 million related to the Heskett Station and Lewis & Clark Station plant closures and lower incentive accruals of $1.9 million.
    - Reduced materials costs and contract services from the Heskett Station and Lewis & Clark Station plant closures.
    - Reduced costs due to the absence of the Big Stone Station outage in 2021.
  - Partially offset by increased contract services associated with a planned outage at Coyote Station of $2.6 million.
- Depreciation, depletion and amortization increased $1.0 million, largely resulting from increased property, plant and equipment balances placed in service, mostly related to growth and replacement projects.
- Taxes, other than income decreased $600,000, largely as a result of lower coal conversion taxes in certain jurisdictions.
- Other income decreased $4.1 million, primarily due to lower returns on the Company's nonqualified benefit plan investments of $4.6 million, as discussed in Note 8, partially offset by higher AFUDC equity largely due to higher rates.
- Interest expense increased $1.8 million, largely resulting from $3.2 million due to higher long-term debt balances, partially offset by higher AFUDC debt largely due to higher rates.
- Income tax benefit decreased $2.3 million.
  - Largely due to:
    - Higher income taxes of $1.8 million related to higher taxable income.
    - Higher permanent tax adjustments and decreased excess deferred amortization.
  - Partially offset by higher production tax credits of $1.4 million driven by higher wind production.

2021 compared to 2020 Electric earnings decreased $3.7 million as a result of:

- Revenue increased $17.6 million
  - Higher fuel and purchased power costs of $7.2 million recovered in customer rates and offset in expense, as described below.
  - Higher transmission revenues of $3.3 million.
  - Higher transmission interconnect upgrades of $2.4 million.
  - Higher MISO revenue of $2.0 million.
  - Higher demand revenues of $1.5 million.
  - Increased retail sales volumes of 2.1 percent, largely as a result of increased industrial and commercial sales volumes, offset in part by lower residential sales volumes, as the impacts of the COVID-19 pandemic began to reverse and businesses reopened.
- Electric fuel and purchased power increased $7.2 million attributable to higher MISO costs as a result of increased energy costs, partially offset by decreased fuel costs associated with the Lewis & Clark Station plant closure.
- Operation and maintenance expense increased $3.6 million.
  - Primarily the result of:
    - Higher planned maintenance outage costs of $2.1 million at Big Stone Station and $800,000 higher maintenance fees at Thunder Spirit.
    - Higher other miscellaneous expenses.
  - Partially offset by lower payroll-related costs of $700,000, which includes lower employee incentive accruals, offset in part by higher health care costs.
- Depreciation, depletion and amortization increased $3.8 million largely resulting from:
  - Increased property, plant and equipment balances, primarily related to transmission projects placed in service.
  - Increased amortization of plant retirement and closure costs of $1.7 million recovered in operating revenues, as discussed in Item 8 - Note 6.
- Taxes, other than income was comparable to the same period in the prior year.

- Other income decreased $2.6 million.
  - Primarily due to:
    - The absence of an out-of-period adjustment of $2.5 million in 2020 as a result of previously overstated benefit plan expenses.
    - Lower returns on the Company's nonqualified benefit plan investments of $1.3 million.
  - Partially offset by increased interest income associated with higher contributions in aid of construction.
- Interest expense was comparable to the same period in the prior year.
- Income tax benefit decreased $4.0 million largely resulting from:
  - Lower production tax credits of $2.1 million related to the expiration of the 10-year credit-qualifying period on certain facilities and less wind generation.
  - Lower excess deferred tax amortization.

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

Years ended December 31,	2022	2021	2020	2022 vs. 2021 Variance	2021 vs. 2020 Variance
		(In millions)			
Operating revenues	**$ 1,273.8**	$ 971.9	$ 848.2	31 %	15 %
Operating expenses:					
Purchased natural gas sold	**816.1**	542.0	448.1	51 %	21 %
Operation and maintenance	**205.3**	194.1	185.4	6 %	5 %
Depreciation, depletion and amortization	**89.4**	86.0	84.6	4 %	2 %
Taxes, other than income	**71.1**	60.6	57.0	17 %	6 %
Total operating expenses	**1,181.9**	882.7	775.1	34 %	14 %
Operating income	**91.9**	89.2	73.1	3 %	22 %
Other income	**3.3**	8.1	13.5	(59)%	(40)%
Interest expense	**42.2**	37.3	36.8	13 %	1 %
Income before income taxes	**53.0**	60.0	49.8	(12)%	20 %
Income tax expense	**7.8**	8.4	5.8	(7)%	45 %
Net income	**$ 45.2**	$ 51.6	$ 44.0	(12)%	17 %

Operating statistics

	2022	2021	2020
Revenues (millions)			
Retail sales:			
Residential	**$ 715.5**	$ 548.1	$ 480.5
Commercial	**450.9**	330.4	281.2
Industrial	**41.5**	31.1	26.2
	1,207.9	909.6	787.9
Transportation and other	**65.9**	62.3	60.3
	$ 1,273.8	$ 971.9	$ 848.2
Volumes (MMdk)			
Retail sales:			
Residential	**74.8**	65.6	65.5
Commercial	**51.0**	44.7	44.2
Industrial	**5.4**	5.0	4.8
	131.2	115.3	114.5
Transportation sales:			
Commercial	**2.0**	1.9	2.0
Industrial	**165.7**	172.5	158.0
	167.7	174.4	160.0
Total throughput	**298.9**	289.7	274.5
Average cost of natural gas per dk	**$ 6.22**	$ 4.70	$ 3.91

2022 compared to 2021: Natural gas distribution earnings decreased $6.4 million as a result of:
- Revenue increased $301.9 million, largely from:
  - Higher purchased natural gas sold of $273.3 million recovered in customer rates that was offset in expense, as described below.
  - Higher retail sales volumes of 13.7 percent across all customer classes due to colder weather, partially offset by weather normalization and decoupling mechanisms in certain jurisdictions.
  - Higher revenue-based taxes recovered in rates of $10.1 million that were offset in expense, as described below.
  - Approved rate relief of $3.6 million in certain jurisdictions and higher pipeline replacement mechanisms of $1.8 million.
- Purchased natural gas sold increased $274.1 million, primarily due to:
  - Higher natural gas costs as a result of higher market prices of $198.1 million, including the higher recovery of purchase gas adjustments related to the February 2021 cold weather event and the 2018 Enbridge pipeline rupture.
  - Higher volumes of natural gas purchased due to increased retail sales volumes.
  - Purchased natural gas sold includes the disallowance of $845,000 ordered by the MNPUC, as discussed in Note 20.
- Operation and maintenance increased $11.2 million, primarily due to:
  - Higher contract services of $6.4 million, primarily higher subcontractor costs.
  - Higher payroll-related costs, including higher straight-time payroll of $4.7 million, partially offset by lower incentive accruals of $3.3 million.
  - Higher other costs, partially resulting from inflation, including higher expected credit losses of $1.8 million from higher receivables balances associated with colder weather and higher gas costs; higher software costs of $1.6 million; higher vehicle fuel cost of $1.3 million; and higher office, travel, materials and other miscellaneous employee costs.
- Depreciation, depletion and amortization increased $3.4 million.
  - Largely from increased property, plant and equipment balances from growth and replacement projects placed in service.
  - Partially offset by decreased depreciation rates in certain jurisdictions of $1.0 million.
- Taxes, other than income increased $10.5 million, largely resulting from higher revenue-based taxes which are recovered in rates.
- Other income decreased $4.8 million primarily related to lower returns on the Company's nonqualified benefit plan investments of $7.0 million, as discussed in Note 8, partially offset by increased interest income.
- Interest expense increased $4.9 million, primarily from higher long-term debt balances and interest rates, partially offset by higher AFUDC debt largely due to higher rates.
- Income tax expense decreased $600,000 due to lower income taxes of $1.5 million related to lower taxable income, partially offset by higher permanent tax adjustments.

2021 compared to 2020 Natural gas distribution earnings increased $7.6 million as a result of:
- Revenue increased $123.7 million.
  - Largely as a result of:
    - Higher purchased natural gas sold of $93.9 million recovered in customer rates and was offset in expense, as described below.
    - Approved rate relief in certain jurisdictions of $15.9 million.
    - Increased retail sales volumes of 0.7 percent across all customer classes, including the benefit of weather normalization and decoupling mechanisms in certain jurisdictions.
    - Increased transportation volumes of 9 percent, primarily to electric generation customers.
    - Higher revenue-based taxes recovered in rates of $2.3 million that were offset in expense, as described below.
    - Higher non-regulated project revenues of $1.7 million.
    - Increased basic service charges due to customer growth and increased per unit average rates of $1.5 million each.
- Purchased natural gas sold increased $93.9 million, primarily due to higher natural gas costs as a result of higher market prices.
- Operation and maintenance increased $8.7 million.
  - Primarily due to:
    - Higher payroll-related costs of $4.3 million, largely related to health care costs and straight-time payroll.
    - Decreased credits of $2.4 million for costs associated with the installation of meters partially from delaying meter replacements for safety measures implemented as a result of the COVID-19 pandemic.
    - Higher expenses for materials, new software, insurance and vehicle fuel.
  - Partially offset by:
    - The absence of the write-off of an abandoned project in the third quarter of 2020 for $1.2 million.
    - Decreased bad debt expense of $1.0 million as the impacts of the COVID-19 pandemic began to subside.
- Depreciation, depletion and amortization increased $1.4 million.
  - Largely from increased property, plant and equipment balances from growth and replacement projects placed in service.
  - Partially offset by decreased depreciation rates in certain jurisdictions of $4.0 million.

- Taxes, other than income increased $3.6 million resulting from:
  - Higher revenue-based taxes of $2.3 million, which are recovered in rates.
  - Higher property taxes in certain jurisdictions of $700,000.
  - Higher payroll taxes driven by increased payroll-related costs.
- Other income decreased $5.4 million primarily related to:
  - The absence of an out-of-period adjustment of $4.4 million in 2020 as a result of previously overstated benefit plan expenses.
  - Decreased interest income related to the recovery of purchased gas cost adjustment balances in certain jurisdictions.
- Interest expense increased $500,000, primarily from lower AFUDC borrowed.
- Income tax expense increased $2.6 million due to higher income before income taxes.

Outlook In 2022, the Company experienced rate base growth of 7.8 percent and expects these segments will grow rate base by approximately 6 percent to 7 percent annually over the next five years on a compound basis. Operations are spread across eight states where the Company expects customer growth to be higher than the national average. In 2022 and 2021, these segments experienced retail customer growth of approximately 1.6 percent and 1.7 percent, respectively, and the Company expects customer growth to continue to average 1 percent to 2 percent per year. This customer growth, along with system upgrades and replacements needed to supply safe and reliable service, will require investments in new and replacement electric and natural gas systems.

These segments are exposed to energy price volatility and may be impacted by changes in oil and natural gas exploration and production activity. Rate schedules in the jurisdictions in which the Company's natural gas distribution segment operates contain clauses that permit the Company to file for rate adjustments for changes in the cost of purchased natural gas. Although changes in the price of natural gas are passed through to customers and have minimal impact on the Company's earnings, the natural gas distribution segment's customers benefit from lower natural gas prices through the Company's utilization of storage and fixed price contracts. In 2022, the Company experienced increased natural gas prices across its service areas and more recently has seen higher natural gas prices in the Pacific Northwest, as previously discussed in Strategy and Challenges. As a result, the Company has filed an out-of-cycle cost of gas adjustment in Idaho to assist in the timely recovery of these costs. See Note 20 for additional details. The Company will continue to monitor natural gas prices, as well as oil and natural gas production levels.

In February 2019, the Company announced the retirement of three aging coal-fired electric generating units. The Company ceased operations of Unit 1 at Lewis & Clark Station in Sidney, Montana, in March 2021 and Units 1 and 2 at Heskett Station near Mandan, North Dakota, in February 2022. In addition, in May 2022, the Company began construction of Heskett Unit 4, an 88-MW simple-cycle natural gas-fired combustion turbine peaking unit at the existing Heskett Station near Mandan, North Dakota, with an expected in service date in the summer of 2023.

The Company is one of four owners of Coyote Station and cannot make a unilateral decision on the plant's future; therefore, the Company could be negatively impacted by decisions of the other owners. In September 2021, Otter Tail Power Company filed its 2022 Integrated Resource Plan in Minnesota and North Dakota, which included its intent to start the process of withdrawal from its 35 percent ownership interest in Coyote Station with an anticipated exit from the plant by December 21, 2028. In October 2022, Otter Tail Power Company requested permission from the MNPUC to extend the deadline for its Integrated Resource Plan with the intent to update its modeling in light of recent developments in the industry, including increased capacity requirements in MISO. Otter Tail Power Company's extension was granted by the MNPUC on November 1, 2022, with revised modeling due March 31, 2023. The joint owners continue to collaborate in analyzing data and weighing decisions that impact the plant and its employees as well as each company's customers and communities served. Further state implementation of pollution control plans to improve visibility at Class I areas, such as national parks, under the EPA's Regional Haze Rule could require the owners of Coyote Station to incur significant new costs. If the owners decide to incur such costs, the costs could, dependent on determination by state regulatory commissions on approval to recover such costs from customers, negatively impact the Company's results of operations, financial position and cash flows. The NDDEQ submitted its state implementation plan to the EPA in August 2022 and expects a decision on the plan sometime in 2023. The plan, as submitted by the NDDEQ, does not require additional controls for any units in North Dakota, including Coyote Station.

Legislation and rulemaking The Company continues to monitor legislation and rulemaking related to clean energy standards that may impact its segments. Below are some of the specific legislative actions the Company is monitoring.

- The current presidential administration is considering changes to the federal Clean Air Act, some of which were amended by the previous presidential administration. The content and impacts of the changes under consideration are uncertain and the Company continues to monitor for potential actions by the EPA.
- In Oregon, the Climate Protection Program Rule was approved in December 2021, which requires natural gas companies to reduce GHG emissions 50 percent below the baseline by 2035 and 90 percent below the baseline by 2050, which may be achieved through surrendering emissions allowances, investing in additional customer conservation and energy efficiency programs, purchasing community climate investment credits, and purchasing low carbon fuels such as renewable natural gas. The Company expects the compliance costs for these regulations to be recovered through customer rates. For more information about the anticipated compliance costs, Items 1 and 2 - Business Properties. Cascade's draft 2023 Oregon integrated resource plan projects customer bills could increase by about 100 percent by 2035 compared with costs included in bills today and by about 300 percent by 2050 as a result of the legislation. On September 30, 2022, the Company filed a request for the use of deferred accounting for costs related to the rule and began deferring those costs. The Company, along with the other two local natural gas distribution companies in Oregon, filed a lawsuit on March 18, 2022, challenging the Climate Protection

Program Rule. The lawsuit was filed on behalf of customers as the Company does not believe the rule accomplishes environmental stewardship in the most effective and affordable way possible.

- In Washington, the Climate Commitment Act signed into law in May 2021 requires natural gas distribution companies to reduce overall GHG emissions 45 percent below 1990 levels by 2030, 70 percent below 1990 levels by 2040 and 95 percent below 1990 levels by 2050, which may be achieved through increased energy efficiency and conservation measures, purchased emission allowances and offsets, and purchases of low carbon fuels. As directed by the Climate Commitment Act, in September 2022, the Washington DOE published its final rule on the Climate Commitment Program. The rule was effective on October 30, 2022 and emissions compliance began on January 1, 2023. The Company has begun reviewing compliance options and expects the compliance costs for these regulations will be recovered through customer rates. For more information about the anticipated compliance costs, see Items 1 and 2 - Business Properties. Cascade's draft 2023 Washington integrated resource plan projects customer bills could increase by about 23 percent by 2035 compared with costs included in bills today and by about 78 percent by 2050 as a result of the legislation. On October 14, 2022, the Company filed a request for the use of deferred accounting for costs related to the rule and began deferring those costs.
- On April 22, 2022, the Washington State Building Code Council approved revisions to the state's commercial energy code that will significantly limit the use of natural gas for space and water heating in new and retrofitted commercial and multifamily buildings and proposed the review of similar restrictions in the future for residential buildings. On November 4, 2022, the Washington State Building Code Council adopted new residential codes requiring gas or electric heat pumps for most new space and water heating installations. The Company continues to assess the impact of these revisions.
- The Company has reviewed the income tax provisions of the IRA signed into law in August 2022, and the Company will continue to evaluate whether any of the new or renewed energy tax credits will provide a benefit.

Pipeline

Strategy and challenges The pipeline segment provides natural gas transportation, underground storage and non-regulated cathodic protection services, as discussed in Items 1 and 2 - Business Properties. The segment focuses on utilizing its extensive expertise in the design, construction and operation of energy infrastructure and related services to increase market share and profitability through optimization of existing operations, organic growth and investments in energy-related assets within or in close proximity to its current operating areas. The segment focuses on the continual safety and reliability of its systems, which entails building, operating and maintaining safe natural gas pipelines and facilities. The segment continues to evaluate growth opportunities including the expansion of natural gas facilities; incremental pipeline projects; and expansion of energy-related services leveraging on its core competencies. In support of this strategy, the North Bakken Expansion project in western North Dakota was placed in service in February of 2022. The project has capacity to transport 250 MMcf of natural gas per day and can be increased to 625 MMcf per day with additional compression. In addition, the Line Section 7 Expansion project was placed in service in August of 2022 and increased system capacity by 6.7 MMcf per day.

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

The pipeline segment is subject to extensive regulation related to certain operational and environmental compliance, cybersecurity, permit terms and system integrity. The Company continues to actively evaluate cybersecurity processes and procedures, including changes in the industry's cybersecurity regulations, for opportunities to further strengthen its cybersecurity protections. Implementation of enhancements and additional requirements is ongoing. The segment reviews and secures existing permits and easements, as well as new permits and easements as necessary, to meet current demand and future growth opportunities on an ongoing basis.

The Company has continued to actively manage the national supply chain challenges being faced by working with its manufacturers and suppliers to help mitigate some of these risks on its business. The segment regularly experiences extended lead times on raw materials that are critical to the segment's construction and maintenance work which could delay maintenance work and construction projects potentially causing lost revenues and/or increased costs. The Company is partially mitigating these challenges by planning for extended lead times further in advance. The segment is also currently experiencing inflationary pressures with increased raw material costs. The Company expects supply chain challenges and inflationary pressures to continue in 2023.

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

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

Years ended December 31,	2022	2021	2020	2022 vs. 2021 Variance	2021 vs. 2020 Variance
		(In millions)			
Operating revenues	**$ 155.6**	$ 142.6	$ 143.9	9 %	(1)%
Operating expenses:					
Operation and maintenance	**60.9**	61.3	59.9	(1)%	2 %
Depreciation, depletion and amortization	**26.9**	20.5	21.7	31 %	(6)%
Taxes, other than income	**12.3**	12.7	12.9	(3)%	(2)%
Total operating expenses	**100.1**	94.5	94.5	6 %	— %
Operating income	**55.5**	48.1	49.4	15 %	(3)%
Other income	**1.3**	9.4	2.9	(86)%	224 %
Interest expense	**11.3**	7.0	7.6	61 %	(8)%
Income before income taxes	**45.5**	50.5	44.7	(10)%	13 %
Income tax expense	**10.2**	9.6	7.7	6 %	25 %
Net income	**$ 35.3**	$ 40.9	$ 37.0	(14)%	11 %

Operating statistics

	2022	2021	2020
Transportation volumes (MMdk)	**482.9**	471.1	438.6
Natural gas gathering volumes (MMdk)	**—**	—	8.6
Customer natural gas storage balance (MMdk):			
Beginning of period	**23.0**	25.5	16.2
Net injection (withdrawal)	**(1.8)**	(2.5)	9.3
End of period	**21.2**	23.0	25.5

2022 compared to 2021 Pipeline earnings decreased $5.6 million as a result of:

- Revenues increased $13.0 million.
  - Driven by increased transportation volume revenues of $16.4 million, largely due to the North Bakken Expansion project placed in service in February 2022.
  - Partially offset by:
    - Lower non-regulated project revenues of $2.3 million.
    - Lower transmission rates due to expired negotiated contracts converted to tariff rates.
- Operation and maintenance decreased $400,000.
  - Primarily due to:
    - Lower payroll-related costs of $2.2 million, largely related to lower incentive accruals and benefit-related costs.
    - Lower non-regulated project costs of $1.3 million directly associated with lower non-regulated project revenues, as previously discussed.
  - Partially offset by higher legal, maintenance materials and contract services.
- Depreciation, depletion and amortization increased $6.4 million due to increased property, plant and equipment balances, largely related to the North Bakken Expansion project.
- Taxes, other than income decreased $400,000 resulting from lower property taxes of $700,000 in Montana, partially offset by higher property taxes in North Dakota.
- Other income decreased $8.1 million, primarily due to:
  - Lower AFUDC of $7.8 million as a result of the completion of the North Bakken Expansion project placed in service in February 2022.
  - Lower returns on the Company's nonqualified benefit plan investments, as discussed in Note 8.
- Interest expense increased $4.3 million, resulting from interest associated with higher debt balances to fund capital expenditures and lower AFUDC as a result of the North Bakken Expansion project placed in service in February 2022.
- Income tax expense increased $600,000, largely a result of a reduction in tax credits, partially offset by lower income before income taxes.

2021 compared to 2020 Pipeline earnings increased $3.9 million as a result of:
- Revenues decreased $1.3 million.
  - Primarily decreased gathering revenues of $4.9 million due to the sale of the Company's natural gas gathering assets in 2020.
  - Partially offset by:
    - Increased transportation volumes and demand revenue of $1.8 million largely from organic growth projects, as previously discussed, and short-term discounted contracts.
    - Increased non-regulated project revenues of $1.4 million.
- Operation and maintenance increased $1.4 million due to:
  - The absence of the gain on sale of the Company's natural gas gathering assets of $1.5 million in 2020, offset partially by lower operating expenses related to the natural gas gathering assets.
  - Partially offset by lower payroll-related costs.
- Depreciation, depletion and amortization decreased $1.2 million.
  - Primarily related to lower expense of $1.6 million due to the sale of the Company's natural gas gathering assets in 2020, as previously discussed.
  - Slightly offset by increased property, plant and equipment balances related to organic growth projects.
- Taxes, other than income was comparable to the same period in the prior year.
- Other income increased $6.5 million.
  - Primarily due to:
    - Higher AFUDC of $7.3 million for the construction of the North Bakken Expansion project.
    - The absence of the write-off of unrecovered gas costs and project expenses of $1.2 million in 2020.
  - Partially offset by:
    - The absence of a positive impact of $700,000 related to the sale of the Company's regulated gathering assets in 2020.
    - The absence of an out-of-period adjustment of $500,000 in 2020 as a result of previously overstated benefit plan expenses.
    - Lower returns on the Company's nonqualified benefit plan investments.
- Interest expense decreased $600,000.
  - Primarily due to:
    - Higher AFUDC of $1.5 million for the construction of the North Bakken Expansion project.
    - Lower average interest rates.
  - Partially offset by higher debt balances.
- Income tax expense increased $1.9 million.
  - Largely a result of:
    - Higher income before income taxes.
    - The absence of the reversal of excess deferred taxes of $1.5 million associated with the sale of the Company's gas gathering assets in 2020.
  - Partially offset by permanent tax adjustments and an energy efficiency tax benefit.

Outlook The Company continues to monitor and assess the potential impacts of two FERC draft policy statements issued in the first quarter of 2022. One is the Updated Certificate of Policy Statement, which describes how the FERC will determine whether a new interstate natural gas transportation project is required by public convenience and necessity. It includes increased focus on a project's purpose and need and the environmental impacts; as well as impacts on landowners and environmental justice communities. The second draft policy statement, the Interim GHG Policy Statement, explains how the FERC will assess the impacts of natural gas infrastructure projects on climate change in its reviews under the National Environmental Policy Act and Natural Gas Act.

The Company has reviewed the income tax provisions of the IRA signed into law in August 2022 and does not expect any material income tax benefits as a result. The Company has also evaluated the impacts of the methane emissions charge imposed under the IRA legislation and does not expect any material fees given the current GHG reporting thresholds. The Company continues to monitor, evaluate and implement additional GHG emissions reduction strategies, including increased monitoring frequency and emission source control technologies to minimize potential risk.

The EPA recently proposed additional rules to update, strengthen and expand standards intended to significantly reduce GHG emissions and other air pollutants from the oil and natural gas industries. The standards will apply to natural gas compressors, pneumatic controllers and pumps, fugitive emissions components and super-emitter events. The EPA projects the final rules will be issued in August 2023. Additionally, the EPA anticipates revising the current GHG reporting rules to incorporate provisions in the IRA. These revisions are anticipated to be issued in April 2023. The Company continues to monitor and assess the proposed rules and the potential impacts they may have on its business processes, current and future projects, results of operations and disclosures.

The Company has continued to experience the effect of associated natural gas production in the Bakken, which has provided opportunities for organic growth projects and increased demand. The completion of organic growth projects has contributed to higher volumes of natural gas the Company transports through its system. Associated natural gas production in the Bakken fell during the COVID-19 pandemic delaying previously forecasted production growth. Natural gas production has rebounded to pre-pandemic levels and drilling rig activities have increased, and the Company expects continued gradual increases over the next 2 years. The production delay, along with long-term contractual commitments on the North Bakken Expansion project placed in service in February 2022, has negatively impacted customer renewals of certain contracts. Bakken natural gas production outlook remains positive with continued growth expected due to new oil wells and increasing gas to oil ratios.

Increases in national and global natural gas supply has moderated pressure on natural gas prices and price volatility. While the Company believes there will continue to be varying pressures on natural gas production levels and prices, the long-term outlook for natural gas prices continues to provide growth opportunity for industrial supply-related projects and seasonal pricing differentials provide opportunities for storage services.

The Company continues to focus on improving existing operations and growth opportunities through organic projects in all areas in which it operates, which includes additional projects with local distribution companies, Bakken area producers and industrial customers in various stages of development.

In July 2021, the Company announced plans for a natural gas pipeline expansion project in eastern North Dakota. The Wahpeton Expansion project consists of approximately 60 miles of pipe and ancillary facilities and is designed to increase capacity by 20 MMcf per day, which is supported by long-term customer agreements with Montana-Dakota and its utility customers. Construction is expected to begin in early 2024, depending on regulatory approvals, with an anticipated completion date later in 2024. On May 27, 2022, the Company filed with FERC its application for the project and received FERC's draft environmental impact statement for the project on November 3, 2022. In accordance with the FERC schedule for environmental review on the project, the final environmental impact statement is planned to be available in April 2023.

On September 19, 2022, the Company filed with the FERC its prior notice application for its 2023 Line Section 27 Expansion project. This project consists of a new compressor station and ancillary facilities and is designed to increase capacity by 175 MMcf per day, which is supported by a long-term customer agreement. Construction is expected to begin in early 2023, pending regulatory approvals, with an anticipated completion date in late 2023.

On December 22, 2022, the Company filed with the FERC its prior notice application for its Grasslands South Expansion project. This project consists of approximately 15 miles of pipe in western North Dakota, utilizing existing capacity on its Grasslands Subsystem to a new connection with Big Horn Gas Gathering, LLC in northeastern Wyoming and ancillary facilities in North Dakota and Wyoming. A long-term customer agreement supports a design for incremental capacity of 94 MMcf per day. Construction is expected to begin in the second quarter of 2023, pending regulatory approvals, with an anticipated completion date in late 2023.

In addition, the Company has entered into long-term customer agreements for the construction of a fourth growth project with incremental natural gas design capacity anticipated to be 25 MMcf per day. The project is dependent on regulatory approvals and anticipated to be completed in 2023. See Capital Expenditures within this section for additional information on the expenditures related to these projects.

Construction Materials and Contracting

Strategy and challenges The segment is a leading aggregates-based construction materials and contracting services provider in the United States, as discussed in Items 1 and 2 - Business Properties. The segment focuses on continued growth and maximizing its vertical integration, leveraging its core values to be a supplier of choice in all its markets. The segment is also focused on its commitment to its employees, customers and communities by operating with integrity and always striving for excellence; development and recruitment of talented employees; sustainable practices to create value for the communities it serves; being the provider of choice in midsize, high-growth markets; strengthening the long-term, strategic aggregate reserve position through available purchase and/or lease opportunities in existing and new geographies; and enhancing its supply chain to provide reliable, timely and efficient services to its end customers. As previously discussed, the Company is pursuing a tax-free spinoff of the construction materials and contracting segment, and the separation is expected to be complete in the second quarter of 2023.

The segment is one of the leading producers of crushed stone and sand and gravel, and the segment continues to strategically manage its aggregate reserves, as well as take further advantage of being vertically integrated. The segment's vertical integration allows it to manage operations from aggregate mining to final lay-down of concrete and asphalt, with control of and access to permitted aggregate reserves being significant. The Company's aggregate reserves are naturally declining and as a result, the Company seeks permit expansion and acquisition opportunities to replace the reserves.

The segment's management continually monitors its margins and has been proactive in applying strategies to address the inflationary impacts seen across the United States. The Company has increased its product pricing where necessary and continues to implement cost savings initiatives to mitigate these effects on the segment's gross margin. Due to existing contractual provisions, there can be a lag between the announced price increases and the time when they can be fully recognized. The Company will continue to evaluate further price increases on a regular cadence to stay ahead of inflationary pressures and enhance stockholder value.

The segment operates in geographically diverse and competitive markets yet strives to maximize efficiencies, including transportation costs and economies of scale, to maintain strong margins. The segment's margins can experience negative pressure from competition, as well as impacts of the volatility in the cost of raw materials such as fuel, asphalt oil, cement and steel, with fuel and asphalt oil costs having the most significant impact on the segment's recent results. Such volatility and inflationary pressures may continue to have an impact on the segment's margins, including fixed-price construction contracts that are particularly vulnerable to the volatility of energy and material prices. These increases are partially offset by mitigation measures implemented by the Company, including price increases, escalation clauses in contracting services contracts, pre-purchased materials and other cost savings initiatives. While the Company has experienced some supply chain constraints, it continues to have good relationships with its suppliers and has not experienced any material adverse impacts of shortages or delays on materials. Other variables that can impact the segment's margins include adverse weather conditions, the timing of project starts or completions and declines or delays in new and existing projects due to the cyclical nature of the construction industry and governmental infrastructure spending. Accordingly, operating results in any particular period may not be indicative of the results that can be expected for any other period.

As a people first company, the segment continually takes steps to address the challenge of recruitment and retention of employees. In order to help attract new workers to the construction industry and enhance the skills of its current employees, the Company has completed construction of a corporate-wide, state-of-the-art training facility in the Pacific Northwest. The training facility offers hands-on training for heavy equipment operators and truck drivers, as well as leadership and safety training. Trends in the labor market include an aging workforce and availability issues, and most of the markets the segment operates in have experienced labor shortages, largely truck drivers, causing increased labor-related costs and delays or inefficiencies on projects. The new training facility is expected to help address some of these challenges. The Company continues to monitor the labor markets and assess additional opportunities to enhance and support its workforce. Despite these efforts, the Company expects labor costs to continue to increase based on the increased demand for services and, to a lesser extent, the recent escalated inflationary environment in the United States.

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

Years ended December 31,	**2022**	2021	2020	2022 vs. 2021 % change	2021 vs. 2020 % change
		(In millions)			
Operating revenues	**$ 2,534.7**	$ 2,228.9	$ 2,178.0	14 %	2 %
Cost of sales:					
Operation and maintenance*	**2,009.6**	1,737.4	1,676.6	16 %	4 %
Depreciation, depletion and amortization	**112.9**	96.8	84.8	17 %	14 %
Taxes, other than income	**51.3**	47.7	46.0	8 %	4 %
Total cost of sales	**2,173.8**	1,881.9	1,807.4	16 %	4 %
Gross profit	**360.9**	347.0	370.6	4 %	(6)%
Selling, general and administrative expense:					
Operation and maintenance*	**155.8**	146.0	146.4	7 %	— %
Depreciation, depletion and amortization	**4.9**	4.2	4.8	17 %	(13)%
Taxes, other than income	**5.9**	5.7	4.9	4 %	16 %
Total selling, general and administrative expense	**166.6**	155.9	156.1	7 %	— %
Operating income	**194.3**	191.1	214.5	2 %	(11)%
Other income (expense)	**(5.4)**	1.3	.8	(515)%	63 %
Interest expense	**30.1**	19.2	20.6	57 %	(7)%
Income before income taxes	**158.8**	173.2	194.7	(8)%	(11)%
Income tax expense	**42.6**	43.4	47.4	(2)%	(8)%
Net income	**$ 116.2**	$ 129.8	$ 147.3	(10)%	(12)%

* The Company identified certain costs that were reclassified from cost of sales to selling, general and administrative expenses in 2021 and 2020 of $57.4 million and $56.5 million, respectively, and had no impact to net income.

Operating statistics	Revenues			Gross profit		
	2022	2021	2020	**2022**	2021	2020
			(In millions)			
Aggregates	**$ 496.6**	$ 444.0	$ 406.6	**$ 69.6**	$ 60.6	$ 62.7
Asphalt	**427.5**	339.8	349.9	**41.7**	40.4	45.5
Ready-mix concrete	**609.5**	584.4	547.0	**85.9**	81.5	74.4
Other products*	**407.3**	344.3	356.3	**63.6**	64.0	82.6
Contracting services	**1,187.7**	1,017.5	1,069.7	**100.1**	100.5	105.4
Intracompany eliminations	**(593.9)**	(501.1)	(551.5)	**—**	—	—
	$ 2,534.7	$ 2,228.9	$ 2,178.0	**$ 360.9**	$ 347.0	$ 370.6

* Other products includes cement, asphalt oil, merchandise, fabric, spreading and other products that individually are not considered to be a major line of business for the segment.

		2022		2021		2020
Sales (thousands):						
Aggregates (tons)		**33,994**		33,518		30,949
Asphalt (tons)		**7,254**		7,101		7,202
Ready-mix concrete (cubic yards)		**4,015**		4,267		4,087
Average sales price:						
Aggregates (per ton)	**$**	**14.61**	$	13.25	$	13.14
Asphalt (per ton)	**$**	**58.93**	$	47.86	$	48.58
Ready-mix concrete (per cubic yard)	**$**	**151.80**	$	136.94	$	133.86

2022 compared to 2021 Construction materials and contracting's earnings decreased $13.6 million as a result of:

- Revenues increased $305.8 million.
  - Primarily the result of increased revenues across all product lines as the business benefited from higher average selling prices of nearly $250 million, largely in response to inflationary pressures.
  - Also impacting materials revenues were:
    - Increased aggregates sales volumes of $10.2 million due mainly to recent acquisitions contributing 2.2 million tons, offset in part by lower volumes in certain states.
    - Increased asphalt sales volumes of $7.2 million from higher demand in California, Minnesota, Montana, North Dakota and Wyoming of $13.7 million, partially offset by lower volumes in Texas due to less available paving work.
    - Lower ready-mix concrete sales volumes of $38.5 million across all regions resulting from lower residential demand and fewer impact projects.
    - Decreased revenues for other products associated with volumes, largely related to asphalt oil.
    - Increased contracting revenues of $170.2 million across most regions as a result of more available agency and commercial work, recent acquisitions contributing $27.9 million and more available paving work in Idaho, Minnesota, Montana, North Dakota and Wyoming. In addition, inflationary pressures led to higher contract values in all regions.
  - These increases were partially offset by an increase in the elimination for internal materials sales used in other products and services.

- Gross profit increased $13.9 million.
  - Primarily the result of higher average selling prices, as previously noted, contributions from recent acquisitions of $12.9 million and increased margins for aggregates and ready-mix concrete as a result of implemented price increases outpacing inflationary pressures.
  - Partially offset by higher operating costs across the business, mostly the result of inflationary pressures. These costs include higher asphalt oil costs of $59.3 million; higher labor costs of $32.0 million; higher fuel costs of $42.6 million; and higher cement costs of $20.7 million.

- Selling, general and administrative expense increased $10.7 million.
  - Largely the result of:
    - Increased payroll-related costs of $11.6 million, partially resulting from inflationary pressures.
    - Increased travel expenses of $2.3 million.
    - Increased office expenses of $1.7 million.
    - Increased professional fees of $1.7 million, partially due to increased legal and audit fees.
    - Increased expected credit losses of $1.4 million related to the absence of recoveries received during 2021.
    - Increased safety and training costs.
  - Offset in part by higher net gains on asset sales of $7.5 million.

- Other income (expense) decreased $6.7 million, primarily resulting from lower returns on the Company's nonqualified benefit plan investments, as discussed in Note 8.

- Interest expense increased $10.9 million, related to higher debt balances to fund recent acquisitions and higher working capital needs, along with higher average interest rates.

- Income tax expense decreased $800,000 as a result of lower income before income taxes.

2021 compared to 2020 Construction materials and contracting's earnings decreased $17.5 million as a result of:

- Revenues increased $50.9 million.
  - Largely the result of:
    - Higher aggregate sales volumes from acquisitions in 2021 contributed $20.1 million and strong demand for airport, commercial and health care work in Oregon added $16.3 million. Also contributing was an additional $1.6 million due to a few large projects in South Dakota. These increases were partially offset by lower volumes in Texas of $2.0 million driven by lower energy-related sales volumes.
    - Higher ready-mix concrete volumes from increased commercial and residential demand in Texas contributed $8.2 million, strong demand in Oregon added $7.8 million and acquisitions in 2021 contributed an additional $4.5 million. Ready-mix concrete revenues also benefited from an increase in average sales price in all regions. These increases were partially offset by decreased sales of $14.8 million due to lower demand in Hawaii as a result of the overall slowdown of the travel industry from COVID-19.
  - Partially offset by:
    - Decreased contracting revenues partially due to less available paving work in certain regions of $60.0 million and the absence of a few large jobs in 2020 of $17.5 million. These decreases were offset in part by strong demand for health care, agency and commercial work in Oregon of $28.8 million.
    - Decreased asphalt volumes primarily due to less available highway paving work in the public sector of $26.2 million in certain regions was partially offset by strong demand in Oregon.

- Gross profit decreased $23.6 million.
  - Primarily due to:
    - Lower gross profit and margins in other product lines, primarily due to higher asphalt oil material costs of $15.1 million, along with repair and maintenance costs of $2.6 million.
    - Higher fuel costs of $13.3 million across all product lines.
    - Lower asphalt gross profit of $5.1 million, largely resulting from less available paving work.
    - Lower contracting services gross profit resulting from less available paving work of $8.6 million, as previously discussed, and the absence of a few large jobs for $5.4 million. Margins were also impacted by higher fuel costs, as previously discussed.
    - Lower aggregates gross profit resulting from reduced work in Hawaii due to the overall slowdown of the travel industry resulting from COVID-19 of $3.9 million, startup costs of $1.3 million associated with new aggregate sites in Texas and $600,000 higher material costs in Alaska. These decreases were partially offset by higher margins due to strong demand in Oregon of $2.1 million and South Dakota of $1.4 million along with the effects of recent acquisitions.
    - Labor constraints, especially truck drivers, which resulted in isolated project delays and staffing inefficiencies across the business.
  - Partially offset by an increase in ready-mix concrete gross profit of $7.1 million due in part to higher average pricing in all regions and higher volumes in most regions.

- Selling, general and administrative expense decreased $200,000.
  - Largely the result of:
    - The recovery of prior bad debt expense of $2.1 million.
    - Higher net gains on asset sales of $1.4 million.
  - Offset in part by:
    - Increased payroll-related costs of $1.6 million, primarily for higher health care costs.
    - Higher acquisition costs of $700,000.
    - An increase in miscellaneous taxes, license and governmental fees.

- Other income increased $500,000, primarily resulting from an out-of-period adjustment in 2020 as a result of previously overstated benefit plan expenses.

- Interest expense decreased $1.4 million.
  - Primarily resulting from lower average interest rates of $2.8 million.
  - Offset in part by higher average debt balances.

- Income tax expense decreased $4.0 million as a result of lower income before income taxes.

Outlook In August 2022, the Company announced its intent to separate this segment into a standalone publicly traded company. The separation is expected to result in two independent, publicly traded companies: (1) MDU Resources Group, Inc., the existing company and (2) Knife River, a construction materials and contracting services company. The separation is expected to be completed in the second quarter of 2023 and is expected to unlock inherent value within the two companies, which each have unique growth prospects and investment opportunities. The Company may, at any time and for any reason until the proposed transaction is complete, abandon the separation or modify or change its terms. For a complete discussion of all of the conditions to and the risks and uncertainties associated with the separation and distribution, see Item 1A - Risk Factors.

Funding for public projects is dependent on federal and state funding, such as appropriations to the Federal Highway Administration. The American Rescue Plan Act enacted in the first quarter of 2021 provides $1.9 trillion in COVID-19 relief funding for states, schools and local governments. States are beginning to move forward with allocating these funds based on federal criteria and state needs, and in some cases, funding of infrastructure projects could positively impact the segment. Additionally, the bipartisan infrastructure proposal, known as the IRA, was enacted in the fourth quarter of 2021 and is providing long-term opportunities by designating $119 billion for the repair and rebuilding of roads and bridges across the Company's footprint. In addition, the IRA provides $369 billion in new funding for clean energy programs. These programs include new tax incentives for solar, battery storage and hydrogen development along with funding to expand the production of electric vehicles and the build out of infrastructure to support electric vehicles. In addition to federal funding, 11 out of the 14 states in which the Company operates have implemented their own funding mechanisms for public projects, including projects related to highways, airports and other public infrastructure. The Company continues to monitor the progress of these legislative items.

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

During 2022 and 2021, the Company made strategic purchases and completed acquisitions that support the Company's long-term strategy to expand its market presence in the higher-margin materials markets. The Company continues to evaluate additional acquisition opportunities. For more information on the Company's business combinations, see Item 8 - Note 4. In 2022, the Company is upgrading its prestress facility located in Spokane, Washington. The state-of-the-art facility is expected to be completed during the first half of 2023. The facility is expected to be a platform for growth through improved productivity and quality, which will help meet strong market demand for prefabricated concrete solutions.

The construction materials and contracting segment's backlog remained strong at December 31, 2022, at $935 million, as compared to backlog at December 31, 2021, of $708 million. A significant portion of the Company's backlog at December 31, 2022, relates to publicly funded projects, largely street and highway construction projects, which are primarily driven by public work projects for state departments of transportation. Period over period increases or decreases in backlog cannot be used as an indicator of future revenues or net income. Of the $935 million of backlog at December 31, 2022, the Company expects to complete an estimated $836 million during 2023. While the Company believes the current backlog of work remains firm, prolonged delays in the receipt of critical supplies and materials or continued increases to pricing could result in customers seeking to delay or terminate existing or pending agreements. Factors noted in Item 1A - Risk Factors can cause revenues to be realized in periods and at levels that are different from originally projected.

Construction Services

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

The construction services segment faces challenges, which are not under direct control of the business, in the markets in which it operates, including those described in Item 1A - Risk Factors. These factors, and those noted below, have caused fluctuations in revenues, gross margins and earnings in the past and are likely to cause fluctuations in the future.

- *Revenue mix and impact on margins.* The mix of revenues based on the types of services the segment provides can impact margins as certain industries and services provide higher margin opportunities. Larger or more complex projects typically result in higher margin opportunities since the segment assumes a higher degree of performance risk and there is greater utilization of the segment's resources for longer construction timelines. However, larger or more complex projects have a higher risk of regulatory and seasonal or cyclical delay. Project schedules fluctuate, which can affect the amount of work performed in a given period. Smaller or less complex projects typically have a greater number of companies competing for them, and competitors at times may be more aggressive when pursuing available work. A greater percentage of smaller scale or less complex work in a given period could negatively impact margins due to the inefficiency of transitioning between a greater number of smaller projects versus continuous production on a few larger projects.

- *Project variability and performance.* Margins for a single project may fluctuate period to period due to changes in the volume or type of work performed, the pricing structure under the project contract or job productivity. Productivity and performance on a project can vary period to period based on a number of factors, including unexpected project difficulties; unexpected project site conditions; project location, including locations with challenging operating conditions or difficult geographic characteristics; whether the work is on an open or encumbered right of way; inclement weather or severe weather events; environmental restrictions or regulatory delays; political or legal challenges related to a project; and the performance of third parties. In addition, the type of contract can impact the margin on a project. Under fixed-price contracts, which are more common with larger or more complex projects, the segment assumes risk related to project estimates versus execution. Revenues under this type of contract can vary, sometimes significantly, from original projects due to additional project complexity; timing uncertainty or extended bidding; extended regulatory or permitting processes; and other factors, which can result in a reduction in profit or losses on a project.

- *Subcontractor work and provision of materials.* Some work under project contracts is subcontracted out to other companies and margins on subcontractor work is generally lower than work performed by the Company. Increased subcontractor work in a given period may therefore result in lower margins. In addition, inflationary or other pressures may increase the cost of materials under fixed-price contracts and may result in decreased margins on the project. The Company has worked to implement provisions in project contracts to allow for the pass-through of inflationary costs to customers where feasible and will continue to do so to mitigate the impacts.

The segment's management continually monitors its operating margins and has been proactive in addressing the inflationary impacts seen across the United States. The segment is currently experiencing continued labor constraints and increased fuel and material costs, as well as impacts from delays in the national supply chain. The segment is working with suppliers and providers of goods and services in advance of construction to secure pricing and reduce delays for goods and services. The inflationary costs and national supply chain challenges experienced by the segment have increased costs but have not had significant impacts to the procurement of project materials. Such volatility and inflationary pressures may continue to have an impact on the segment's margins, including fixed-price construction contracts that are particularly vulnerable to the volatility of energy and material prices. These increases are partially offset by mitigation measures implemented by the Company, including escalation clauses in contracts, pre-purchased materials and other cost savings initiatives. The segment also continues recruitment and retention efforts to attract and retain employees. The Company expects these inflationary pressures and national supply chain challenges to continue. Accordingly, operating results in any particular period may not be indicative of the results that can be expected for any other period.

The need to ensure available specialized labor resources for projects also drives strategic relationships with customers and project margins. These trends include an aging workforce and labor availability issues, as well as increasing duration and complexity of customer capital programs. Most of the markets the segment operates in have experienced labor shortages which in some cases have caused increased labor-related costs. The Company continues to monitor the labor markets and expects labor costs to continue to increase based on increases included in the collective bargaining agreements and, to a lesser extent, the recent escalated inflationary environment in the United States. Due to these and other factors, the Company believes overall customer and competitor demand for labor resources will continue to increase.

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

Years ended December 31,	2022	2021	2020	2022 vs. 2021 Variance	2021 vs. 2020 Variance
		(In millions)			
Operating revenues	**$ 2,699.2**	$ 2,051.6	$ 2,095.7	32 %	(2)%
Cost of sales:					
Operation and maintenance	**2,325.9**	1,725.5	1,747.5	35 %	(1)%
Depreciation, depletion and amortization	**16.9**	15.8	15.7	7 %	1 %
Taxes, other than income	**80.4**	62.4	74.2	29 %	(16)%
Total cost of sales	**2,423.2**	1,803.7	1,837.4	34 %	(2)%
Gross profit	**276.0**	247.9	258.3	11 %	(4)%
Selling, general and administrative expense:					
Operation and maintenance	**101.5**	92.9	98.1	9 %	(5)%
Depreciation, depletion and amortization	**4.6**	4.5	7.8	2 %	(42)%
Taxes, other than income	**5.3**	4.8	4.8	10 %	— %
Total selling, general and administrative expense	**111.4**	102.2	110.7	9 %	(8)%
Operating income	**164.6**	145.7	147.6	13 %	(1)%
Other income	**7.3**	2.6	2.0	181 %	30 %
Interest expense	**6.3**	3.5	4.1	80 %	(15)%
Income before income taxes	**165.6**	144.8	145.5	14 %	— %
Income tax expense	**40.8**	35.4	35.8	15 %	(1)%
Net income	**$ 124.8**	$ 109.4	$ 109.7	14 %	— %

Operating Statistics

Business Line	Revenues 2022	2021	2020	Gross profit 2022	2021	2020
			(In millions)			
Electrical & mechanical						
Commercial	**$ 1,082.5**	$ 553.2	$ 741.5	**$ 105.2**	$ 59.8	$ 48.4
Industrial	**405.7**	457.5	374.8	**43.4**	51.3	41.3
Institutional	**215.5**	123.1	158.8	**3.8**	6.2	23.8
Renewables	**151.1**	12.3	5.4	**(.6)**	1.2	1.1
Service & other	**143.0**	188.4	121.0	**19.8**	25.1	21.5
	1,997.8	1,334.5	1,401.5	**171.6**	143.6	136.1
Transmission & distribution						
Utility	**645.1**	630.5	592.5	**100.3**	92.4	106.7
Transportation	**72.3**	103.1	111.8	**4.1**	11.9	15.5
	717.4	733.6	704.3	**104.4**	104.3	122.2
Intrasegment eliminations	**(16.0)**	(16.5)	(10.1)	**—**	—	—
	$ 2,699.2	$ 2,051.6	$ 2,095.7	**$ 276.0**	$ 247.9	$ 258.3

2022 compared to 2021 Construction services earnings increased $15.4 million as a result of:

- Revenues increased $647.6 million.
  - Largely due to:
    - Increased electrical and mechanical revenues, partially as a result of inflationary pressures as well as:
      - Higher commercial revenues driven largely by a $251.5 million increase in hospitality projects due to the progress on large projects, a $121.8 million increase in data center projects driven by both the number of and progress on projects and an increase in general commercial projects as a result of project mix and progression of contracts.
      - Higher renewable revenues from the timing of and progress on projects.
      - Higher institutional revenues largely the result of increased activity and progress on projects from education projects of $26.0 million, healthcare projects of $24.1 million and government projects.
    - Increased utility revenues for electrical projects of $37.5 million, underground projects of $24.5 million, distribution projects of $12.7 million, telecommunications projects of $7.0 million and substation projects, with each sector being driven by higher customer demand. These increases were partially offset by lower transmission and storm work projects.
  - Partially offset by:
    - Lower industrial revenues driven by decreased demand for maintenance, high-tech and refinery projects and lower service revenues driven by decreased demand for the repair and maintenance of electrical and mechanical projects.
    - Lower transportation revenues, primarily from lower customer demand for street lighting projects of $39.8 million.
- Gross profit increased $28.1 million.
  - Largely due to the increased electrical and mechanical revenues previously discussed.
  - Partially offset by higher operating costs related to inflationary pressures, including labor, materials and equipment costs.
- Selling, general and administrative expense increased $9.2 million resulting from higher payroll-related costs of $5.7 million, increased expected credit losses of $2.4 million due to changes in estimates during 2021 and higher office expenses.
- Other income increased $4.7 million, primarily related to the Company's joint ventures.
- Interest expense increased $2.8 million due to higher working capital needs and higher interest rates.
- Income tax expense increased $5.4 million as a result of higher income before income taxes.

2021 compared to 2020 Construction services earnings decreased $300,000 as a result of:

- Revenues decreased $44.1 million.
  - Largely due to:
    - The completion of several large commercial projects in early 2021 and 2020 in the Las Vegas market of $129.0 million.
    - Decreased institutional projects of $15.0 million from less available work and the completion of a larger project.
    - The completion of a significant industrial project of $43.0 million.
    - Decreased demand for electric transportation projects which includes traffic signalization and street lighting.
  - Partially offset by:
    - Higher industrial work due to the number of projects awarded and progress on significant projects of $96.0 million.
    - Increased service work of $37.0 million related to the repair and maintenance of electrical, mechanical and fire protection systems.
    - Strong demand for utility projects including the progress on substations of $21.0 million and power line repair of $3.0 million.

- Gross profit decreased $10.4 million.
  - Largely due to:
    - The absence of higher margin utility projects in 2020 negatively impacted gross profit by $15.0 million, which includes storm power line repair and fire hardening work.
    - Decreased transportation gross profit, largely the completion of a higher margin project of $5.1 million.
    - Institutional projects, primarily the recognition of reduced margins of $9.4 million from lower margin work in 2021 and the impacts of a job loss of $8.4 million related to change order disputes which resulted in a significant job recognizing higher labor and material costs.
  - Partially offset by:
    - Increased industrial gross profit primarily due to a change order settlement of $10.0 million on a significant project.
    - The absence of a job loss in 2020 of $8.9 million related to a large commercial project.
    - An increase in the amount of service work awarded and the progress on that work.
- Selling, general and administrative expense decreased $8.5 million.
  - Largely due to:
    - Lower bad debt expense of $7.0 million, largely due to changes in estimates related to expected credit losses.
    - Lower amortization expense of $3.2 million.
  - Offset in part by:
    - Higher office expenses of $1.3 million.
    - Increased payroll-related costs.
- Other income increased $600,000, largely related to increased earnings on investments.
- Interest expense decreased $600,000, largely related to decreased debt balances due to lower working capital needs and increased cash collections.
- Income tax expense decreased $400,000 as a result of lower income before income taxes.

Outlook Funding for public projects is highly dependent on federal and state funding, such as appropriations to the Federal Highway Administration. The American Rescue Plan provides $1.9 trillion in COVID-19 relief funding for states, schools and local government including broadband infrastructure. States are beginning to move forward with allocating these funds based on federal criteria and state needs, and in some cases, funding of infrastructure projects could positively impact the segment. Additionally, the Infrastructure Investment and Jobs Act, was enacted in the fourth quarter of 2021 and is providing long-term opportunities by designating funds for investments for upgrades to electric and grid infrastructure, transportation systems, airports and electric vehicle infrastructure, all industries this segment supports. In addition, the IRA provides $369 billion in new funding for clean energy programs. These programs include new tax incentives for solar, battery storage and hydrogen development along with funding to expand the production of electric vehicles and the build out of infrastructure to support electric vehicles. The Company will continue to monitor the implementation of these legislative items.

The Company continues to have bidding opportunities in the specialty contracting markets in which it operated in during 2022, as evidenced by the segment's backlog. Although bidding remains highly competitive in all areas, the Company expects the segment's relationship with existing customers, skilled workforce, quality of service and effective cost management will continue to provide a benefit in securing and executing profitable projects in the future. The Company has also seen rapidly growing needs for services across the electric vehicle charging, wind generation and energy storage markets that complement existing renewable projects performed by the Company.

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

	2022	2021
	(In millions)	
Electrical & mechanical	**$ 1,861**	$ 1,109
Transmission & distribution	**270**	276
	$ 2,131	$ 1,385

The increase in backlog at December 31, 2022, as compared to backlog at December 31, 2021, was largely attributable to the new project opportunities that the Company continues to be awarded across its diverse operations, particularly within the commercial, industrial, institutional, and power utility markets. The increases in backlog have been offset by decreases in the renewable and transportation markets due to the timing of project completions. Period over period increases or decreases in backlog cannot be used as an indicator of future revenues or net income. Of the $2.1 billion of backlog at December 31, 2022, the Company expects to complete an estimated $1.8 billion during 2023. While the Company believes the current backlog of work remains firm, prolonged delays in the receipt of critical supplies and materials could result in customers seeking to delay or terminate existing or pending agreements. As of December 31, 2022, customers have not provided the Company with any indications that they no longer wish to proceed with the planned projects that have been included in backlog. Additionally, the Company continues to further evaluate potential acquisition opportunities that would be accretive to earnings of the Company and continue to grow the segment's backlog. Factors noted in Item 1A - Risk Factors can cause revenues to be realized in periods and at levels that are different from originally projected.

Other

Years ended December 31,	2022	2021	2020	2022 vs. 2021 Variance	2021 vs. 2020 Variance
		(In millions)			
Operating revenues	**$ 17.6**	$ 13.7	$ 11.9	28 %	15 %
Operating expenses:					
Operation and maintenance	**25.1**	15.2	12.2	65 %	25 %
Depreciation, depletion and amortization	**4.4**	4.6	2.7	(4)%	70 %
Taxes, other than income	**.1**	.1	.1	— %	— %
Total operating expenses	**29.6**	19.9	15.0	49 %	33 %
Operating loss	**(12.0)**	(6.2)	(3.1)	94 %	(100)%
Other income	**1.0**	.4	.4	150 %	— %
Interest expense	**1.5**	.3	.8	400 %	(63)%
Loss before income taxes	**(12.5)**	(6.1)	(3.5)	105 %	(74)%
Income tax benefit	**(1.2)**	(.2)	(.4)	500 %	50 %
Net loss	**$ (11.3)**	$ (5.9)	$ (3.1)	(93)%	(90)%

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

During 2022, Other experienced higher operation and maintenance expense related to costs incurred of $14.4 million for the announced strategic initiatives, partially offset by a reduction in the estimated losses recorded at the captive insurer. Other was positively impacted by higher premiums included in operating revenues in 2022 for the captive insurer compared to 2021.

Other was negatively impacted in 2021 as a result of higher insurance claims experience at the captive insurer and depreciation expense as compared to 2020. Premiums for the captive insurer were also higher in 2021 compared to 2020, which impacts both operating revenues and operation and maintenance expense.

Intersegment Transactions

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

Years ended December 31,	2022	2021	2020
		(In millions)	
Intersegment transactions:			
Operating revenues	**$ 84.1**	$ 77.6	$ 77.0
Operation and maintenance	**25.9**	18.7	19.1
Purchased natural gas sold	**58.2**	58.9	57.9

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

Liquidity and Capital Commitments

At December 31, 2022, the Company had cash and cash equivalents of $80.5 million and available borrowing capacity of $427.3 million under the outstanding credit facilities of the Company's subsidiaries. The Company expects to meet its obligations for debt maturing within 12 months and its other operating and capital requirements from various sources, including internally generated funds; credit facilities and commercial paper of the Company's subsidiaries, as described later in Capital resources; and the issuance of debt and equity securities if necessary.

Cash flows

Years ended December 31,	2022	2021	2020
		(In millions)	
Net cash provided by (used in)			
Operating activities	**$ 510.0**	$ 495.8	$ 768.4
Investing activities	**(638.9)**	(885.9)	(630.2)
Financing activities	**155.2**	384.7	(145.1)
Increase (decrease) in cash and cash equivalents	**26.3**	(5.4)	(6.9)
Cash and cash equivalents -- beginning of year	**54.2**	59.6	66.5
Cash and cash equivalents -- end of year	**$ 80.5**	$ 54.2	$ 59.6

Operating activities

Years ended December 31,	2022	2021	2020	2022 vs. 2021 Variance	2021 vs. 2020 Variance
			(In millions)		
Income from continuing operations	**$ 367.3**	$ 377.7	$ 390.5	$ (10.4)	$ (12.8)
Adjustments to reconcile net income to net cash provided by operating activities	**355.0**	350.9	276.2	4.1	74.7
Changes in current assets and current liabilities, net of acquisitions:					
Receivables	**(363.3)**	(60.0)	(2.8)	(303.3)	(57.2)
Inventories	**(46.6)**	(42.3)	(7.2)	(4.3)	(35.1)
Other current assets	**(9.4)**	(72.0)	31.6	62.6	(103.6)
Accounts payable	**186.3**	15.3	16.0	171.0	(.7)
Other current liabilities	**27.0**	(17.6)	35.6	44.6	(53.2)
Pension and postretirement benefit plan contributions	**(.5)**	(.5)	(.4)	—	(.1)
Other noncurrent changes	**(6.0)**	(55.4)	30.3	49.4	(85.7)
Net cash provided by (used in) discontinued operations	**.2**	(.3)	(1.4)	.5	1.1
Net cash provided by operating activities	**$ 510.0**	$ 495.8	$ 768.4	$ 14.2	$ (272.6)

The changes in cash flows from operating activities generally follow the results of operations as discussed in Business Segment Financial and Operating Data and are also affected by changes in working capital. The increase in cash flows provided by operating activities from 2022 to 2021 was largely driven by higher 2022 accounts payable for natural gas purchases due to higher natural gas prices and colder weather, partially offset by the associated increased receivables from customers. Partially offsetting the increase in cash flows provided by operating activities was higher working capital needs at the construction services business due to fluctuations in job activity resulting in higher receivables in the period, as well as lower collections of accounts receivable compared to 2021, offset in part by increased accounts payable. In addition, higher revenues resulted in higher receivables in the period at the construction materials and contracting business.

The decrease in cash flows provided by operating activities from 2021 to 2020 was largely driven by an increase in natural gas purchases and the related unbilled revenues at the natural gas distribution business, partially offset by the associated deferred taxes and increased payables. Also contributing to the decrease was the payment of previously deferred CARES Act taxes and the timing of income tax payments across all of the Company's businesses, as well as the timing of insurance claim payments in relation to receipt of insurance reimbursement at the construction services business. In addition, higher asphalt oil inventory balances due to higher material costs and tank storage balances and higher aggregate inventory balances as a result of production at the businesses acquired at the construction materials and contracting business contributed to the decrease. Partially offsetting the decrease in cash flows provided by operating activities was higher bonus depreciation related to acquisitions at construction materials and contracting business.

Investing activities

Years ended December 31,	2022	2021	2020	2022 vs. 2021 Variance	2021 vs. 2020 Variance
			(In millions)		
Capital expenditures	**$ (656.6)**	$ (659.4)	$ (558.0)	$ 2.8	$ (101.4)
Acquisitions, net of cash acquired	**1.8**	(237.7)	(106.0)	239.5	(131.7)
Net proceeds from sale or disposition of property and other	**22.4**	15.2	35.6	7.2	(20.4)
Investments	**(6.5)**	(4.0)	(1.8)	(2.5)	(2.2)
Net cash used in investing activities	**$ (638.9)**	$ (885.9)	$ (630.2)	$ 247.0	$ (255.7)

The decrease in cash used in investing activities from 2022 to 2021 was primarily the result of lower cash used for acquisition activity at the construction materials and contracting business, along with increased proceeds from asset sales. Decreased capital expenditures at the pipeline business as a result of the North Bakken Expansion project being placed in service in February 2022 were mostly offset by increased capital expenditures at the natural gas distribution business for higher natural gas distribution projects, including natural gas mains and meters, and at the electric business for increased electric production projects, including the construction of Heskett Unit 4 and the repower of Diamond Willow.

The increase in cash used in investing activities from 2021 to 2020 was primarily the result of higher cash used in acquisition activity at the construction materials and contracting business, partially offset by decreased acquisition activity at the construction services business. In addition, increased capital expenditures in 2021 at the pipeline business, largely related to the North Bakken Expansion project, and the construction materials and contracting business contributed to the increase, partially offset by lower capital expenditures at the electric and natural gas distribution businesses related to reduced electric transmission and distribution projects and reduced natural gas meters and mains.

Financing activities

Years ended December 31,	2022	2021	2020	2022 vs. 2021 Variance	2021 vs. 2020 Variance
			(In millions)		
Issuance of short-term borrowings	**$ 246.5**	$ 50.0	$ 75.0	$ 196.5	$ (25.0)
Repayment of short-term borrowings	**—**	(100.0)	(25.0)	100.0	(75.0)
Issuance of long-term debt	**361.6**	554.0	117.4	(192.4)	436.6
Repayment of long-term debt	**(261.7)**	(25.0)	(148.6)	(236.7)	123.6
Debt issuance costs	**(1.9)**	(.9)	(.5)	(1.0)	(.4)
Proceeds from issuance of common stock	**(.1)**	88.8	3.4	(88.9)	85.4
Dividends paid	**(176.9)**	(171.3)	(166.4)	(5.6)	(4.9)
Repurchase of common stock	**(7.4)**	(6.7)	—	(.7)	(6.7)
Tax withholding on stock-based compensation	**(4.9)**	(4.2)	(.4)	(.7)	(3.8)
Net cash provided by (used in) financing activities	**$ 155.2**	$ 384.7	$ (145.1)	$ (229.5)	$ 529.8

The decrease in cash flows provided by financing activities from 2022 to 2021 was largely the result of increased repayment and decreased issuance of long-term debt at the construction materials and contracting business. Partially offsetting this was increased issuances of short-term borrowings as long-term debt was replaced with short-term debt at the construction materials and contracting business related to the anticipated spinoff previously discussed and decreased repayment of short-term borrowings at Montana-Dakota. Partially offsetting the decrease was the increased issuance of long-term debt at the construction services business as a result of higher working capital needs and the absence of the issuance of common stock under the Company's "at-the-market" offering during 2022, as discussed in Note 12.

The increase in cash flows provided by financing activities from 2021 to 2020 was largely the result of increased long-term borrowings for acquisitions at the construction materials and contracting business, and increased long-term borrowings, net of repayments, associated with capital expenditures at the pipeline, electric and natural gas distribution businesses. The construction services business also increased its long-term borrowings as a result of increased working capital needs. In addition, net proceeds from the issuance of common stock under the Company's "at-the-market" offering during 2021 also contributed to the increase in cash flows from financing activities. Partially offsetting these increases were decreased short-term borrowings during 2021 at the natural gas distribution business. Montana-Dakota repaid $50 million of short-term borrowings during the first quarter of 2021 related to short-term borrowings during 2020. Montana-Dakota also issued $50 million of short-term borrowings during the first quarter of 2021 related to financing the higher natural gas purchases, as previously discussed, which was repaid prior to the end of the year.

Defined benefit pension plans

The Company has noncontributory qualified defined benefit pension plans for certain employees. Plan assets consist of investments in equity and fixed-income securities. Various actuarial assumptions are used in calculating the benefit expense (income) and liability (asset) related to the pension plans. Actuarial assumptions include assumptions about the discount rate and expected return on plan assets. For 2022, the Company assumed a long-term rate of return on its qualified defined pension plan assets of 6 percent. Due to the decline in the equity and fixed-income markets, the Company experienced more of a loss than estimated on its qualified defined pension plan assets. Differences between actuarial assumptions and actual plan results are deferred and amortized into expense when the accumulated differences exceed 10 percent of the greater of the projected benefit obligation or the market-related value of plan assets. Therefore, this change in asset values will be reflected in future expenses of the plans beginning in 2023. The funded status of the plans did not change significantly with the decrease in assets because the liabilities decreased as well. The Company's benefit obligations for the pension plans also saw a decline in value due to higher discount rates at the end of 2022.

At December 31, 2022, the pension plans' accumulated benefit obligations exceeded these plans' assets by approximately $41.6 million. Pretax pension income reflected in the Consolidated Statements of Income for the years ended December 31, 2022, 2021 and 2020, was $2.3 million, $1.7 million and $684,000, respectively. The Company's pension income is currently projected to be approximately $236,000 in 2023. Funding for the pension plans is actuarially determined. The Company has no minimum funding requirements for its defined benefit pension plans for 2023 due to an additional contribution of $20.0 million in 2019, which created prefunding credits to be used in future periods. There were no minimum required contributions for the years ended December 31, 2022 and 2021 or 2020. For more information on the Company's pension plans, see Item 8 - Note 18.

Capital expenditures

The Company's capital expenditures for 2020 through 2022 and as anticipated for 2023 through 2025 are summarized in the following table.

	Actual (a)			Estimated		
	2020	2021	**2022**	2023	2024	2025
			(In millions)			
Capital expenditures:						
Electric	$ 115	$ 82	**$ 134**	$ 112	$ 127	$ 130
Natural gas distribution	193	170	**240**	224	311	260
Pipeline	62	235	**62**	145	117	127
Construction materials and contracting (b)	191	418	**182**	125	183	173
Construction services (b)	84	29	**36**	38	34	34
Other	3	2	**3**	3	4	4
Total capital expenditures	$ 648	$ 936	**$ 657**	$ 647	$ 776	$ 728

(a) Capital expenditures for 2022, 2021 and 2020 include noncash transactions such as capital expenditure-related accounts payable, the issuance of the Company's equity securities in connection with an acquisition, AFUDC and accrual of holdback payments in connection with acquisitions totaling $1.7 million, $38.7 million and $(15.7) million, respectively.
(b) Capital expenditures for both the construction materials and contracting and construction services segments are subject to change with the announced strategic initiatives.

The 2022 capital expenditures were funded by internal sources, equity issuance, long-term debt issuances and borrowings under credit facilities and issuance of commercial paper of the Company's subsidiaries. The Company has included in the estimated capital expenditures for 2023 through 2025 the development and construction of a renewable natural gas facility at the Deschutes County Landfill near Bend, Oregon, at the natural gas distribution segment; construction of Heskett Unit 4 at the electric segment; and the Wahpeton Expansion and additional growth projects at the pipeline segment, as previously discussed in Business Segment Financial and Operating Data.

Estimated capital expenditures for the years 2023 through 2025 include those for:

- System upgrades
- Routine replacements
- Service extensions
- Routine equipment maintenance and replacements
- Buildings, land and building improvements
- Pipeline and natural gas storage projects
- Power generation and transmission opportunities
- Environmental upgrades, including:
    - The investigation of a manufactured gas plant site
    - The closure of coal ash management units
    - Upgrades to maintain air emissions compliance at electric generating stations
- Other growth opportunities

The Company continues to evaluate potential future acquisitions and other growth opportunities that would be incremental to the outlined capital program; however, they are dependent upon the availability of economic opportunities and, as a result, capital expenditures may vary significantly from the estimates in the preceding table. The Company continuously monitors its capital expenditures for project delays and changes in economic viability and adjusts as necessary. It is anticipated that all of the funds required for capital expenditures for the years 2023 through 2025 will be funded by various sources, including internally generated funds; credit facilities and commercial paper of the Company's subsidiaries, as described later; and issuance of debt and equity securities if necessary.

Capital resources

The Company requires significant cash to support and grow its businesses. The primary sources of cash other than cash generated from operating activities are cash from revolving credit facilities, the issuance of long-term debt and the sale of equity securities.

Debt resources

Certain debt instruments of the Company's subsidiaries contain restrictive and financial covenants and cross-default provisions. In order to borrow under the respective debt instruments, the subsidiary companies must be in compliance with the applicable covenants and certain other conditions, all of which the subsidiaries, as applicable, were in compliance with at December 31, 2022. In the event the subsidiaries do not comply with the applicable covenants and other conditions, alternative sources of funding may need to be pursued. As of December 31, 2022, the Company had investment grade credit ratings at all entities issuing debt. For more information on the covenants, certain other conditions and cross-default provisions, see Item 8 - Note 9.

The following table summarizes the outstanding revolving credit facilities of the Company's subsidiaries at December 31, 2022:

Company	Facility	Facility Limit		Amount Outstanding	Letters of Credit		Expiration Date
				(In millions)			
Montana-Dakota Utilities Co.	Commercial paper/Revolving credit agreement (a)	$ 175.0		$ 117.5	$ —		12/19/24
Cascade Natural Gas Corporation	Revolving credit agreement	$ 100.0	(b)	$ 44.4	$ 2.2	(c)	11/30/27
Intermountain Gas Company	Revolving credit agreement	$ 100.0	(d)	$ 85.6	$ —		10/13/27
Centennial Energy Holdings, Inc.	Commercial paper/Revolving credit agreement (e)	$ 600.0		$ 298.0	$ —		12/19/24

(a) The commercial paper program is supported by a revolving credit agreement with various banks (provisions allow for increased borrowings, at the option of Montana-Dakota on stated conditions, up to a maximum of $225.0 million). At December 31, 2022, there were no amounts outstanding under the revolving credit agreement.
(b) Certain provisions allow for increased borrowings, up to a maximum of $125.0 million.
(c) Outstanding letter(s) of credit reduce the amount available under the credit agreement.
(d) Certain provisions allow for increased borrowings, up to a maximum of $125.0 million.
(e) The commercial paper program is supported by a revolving credit agreement with various banks (provisions allow for increased borrowings, at the option of Centennial on stated conditions, up to a maximum of $700.0 million). At December 31, 2022, there were no amounts outstanding under the revolving credit agreement.

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

Total equity as a percent of total capitalization was 54 percent and 55 percent at December 31, 2022 and 2021, respectively. This ratio is calculated as the Company's total equity, divided by the Company's total capital. Total capital is the Company's total debt, including short-term borrowings and long-term debt due within 12 months, plus total equity. Management believes this ratio is an indicator of how the Company is financing its operations, as well as its financial strength.

Montana-Dakota Montana-Dakota's objective is to maintain acceptable credit ratings in order to access the capital markets through the issuance of commercial paper. Historically, downgrades in credit ratings have not limited, nor are currently expected to limit, Montana-Dakota's ability to access the capital markets. If Montana-Dakota were to experience a downgrade of its credit ratings in the future, it may need to borrow under its credit agreement and may experience an increase in overall interest rates with respect to its cost of borrowings. Prior to the maturity of the credit agreement, Montana-Dakota expects that it will negotiate the extension or replacement of this agreement. If Montana-Dakota is unable to successfully negotiate an extension of, or replacement for, the credit agreement, or if the fees on this facility become too expensive, which Montana-Dakota does not currently anticipate, it would seek alternative funding.

MDU Energy Capital On October 21, 2022, MDU Energy Capital entered into a $11.5 million term loan agreement with a SOFR-based variable interest rate and a maturity date of July 21, 2023. The agreement contains customary covenants and provisions, including a covenant of MDU Energy Capital not to permit, at any time, the ratio of total debt to total capitalization to be greater than 70 percent. The covenants also include certain restrictions on the sale of certain assets, loans and investments.

Cascade On November 30, 2022, Cascade amended and restated its revolving credit agreement to extend the maturity date to November 30, 2027. Any borrowings under the revolving credit agreement are classified as long-term debt as they are intended to be refinanced on a long-term basis through continued borrowings. The credit agreement contains customary covenants and provisions, including a covenant of Cascade not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent. Other covenants include restrictions on the sale of certain assets, limitations on indebtedness and the making of certain investments.

On June 15, 2022, Cascade issued $50.0 million of senior notes under a note purchase agreement with maturity dates ranging from June 15, 2032 to June 15, 2052, at a weighted average interest rate of 4.50 percent. The agreement contains customary covenants and provisions, including a covenant of Cascade not to permit, at any time, the ratio of debt to total capitalization to be greater than 65 percent. Other covenants include restrictions on the sale of certain assets, limitations on indebtedness and the making of certain investments.

On January 20, 2023, Cascade entered into a $150.0 million term loan agreement with a SOFR-based variable interest rate and a maturity date of January 19, 2024. The agreement contains customary covenants and provisions, including a covenant of Cascade not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent. The covenants also include certain restrictions on the sale of certain assets, loans and investments.

Intermountain On October 13, 2022, Intermountain amended and restated its revolving credit agreement to increase the borrowing capacity to $100.0 million and extend the maturity date to October 13, 2027. Any borrowings under the revolving credit agreement are classified as long-term debt as they are intended to be refinanced on a long-term basis through continued borrowings. The credit agreement contains customary covenants and provisions, including a covenant of Intermountain not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent. Other covenants include restrictions on the sale of certain assets, limitations on indebtedness and the making of certain investments.

On June 15, 2022, Intermountain issued $40.0 million of senior notes under a note purchase agreement with maturity dates ranging from June 15, 2052 to June 15, 2062, at a weighted average interest rate of 4.68 percent. The agreement contains customary covenants and provisions, including a covenant of Intermountain not to permit, at any time, the ratio of debt to total capitalization to be greater than 65 percent. Other covenants include restrictions on the sale of certain assets, limitations on indebtedness and the making of certain investments.

On January 20, 2023, Intermountain entered into a $125.0 million term loan agreement with a SOFR-based variable interest rate and a maturity date of January 19, 2024. The agreement contains customary covenants and provisions, including a covenant of Intermountain not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent. The covenants also include certain restrictions on the sale of certain assets, loans and investments.

Centennial Centennial's objective is to maintain acceptable credit ratings in order to access the capital markets through the issuance of commercial paper. Historically, downgrades in Centennial's credit ratings have not limited, nor are currently expected to limit, Centennial's ability to access the capital markets. If Centennial were to experience a downgrade of its credit ratings in the future, it may need to borrow under its credit agreement and may experience an increase in overall interest rates with respect to its cost of borrowings. Prior to the maturity of the Centennial credit agreement, Centennial expects that it will negotiate the extension or replacement of this agreement, which provides credit support to access the capital markets. In the event Centennial is unable to successfully negotiate this agreement, or in the event the fees on this facility become too expensive, which Centennial does not currently anticipate, it would seek alternative funding.

On March 18, 2022, Centennial entered into a $100.0 million term loan agreement with a SOFR-based variable interest rate and a maturity date of March 17, 2023. The agreement contains customary covenants and provisions, including a covenant of Centennial not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent. The covenants also include certain restrictions on the sale of certain assets, loans and investments.

On March 23, 2022, Centennial issued $150.0 million of senior notes under a note purchase agreement with maturity dates ranging from March 23, 2032 to March 23, 2034, at a weighted average interest rate of 3.71 percent. The agreement contains customary covenants and provisions, including a covenant of Centennial not to permit, at any time, the ratio of debt to total capitalization to be greater than 60 percent. Other covenants include restrictions on the sale of certain assets, limitations on indebtedness and the making of certain investments.

On December 19, 2022, Centennial entered into a $135.0 million term loan agreement with a SOFR-based variable interest rate and a maturity date of December 18, 2023. The agreement contains customary covenants and provisions, including a covenant of Centennial not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent. The covenants also include certain restrictions on the sale of certain assets, loans and investments.

WBI Energy Transmission On December 22, 2022, WBI Energy Transmission amended its uncommitted note purchase and private shelf agreement to increase capacity to $350.0 million with an expiration date of December 22, 2025. On December 22, 2022, WBI Energy Transmission issued $40.0 million in senior notes under the private shelf agreement with a maturity date of December 22, 2030, at an interest rate of 6.67 percent. WBI Energy Transmission had $235.0 million of notes outstanding at December 31, 2022, which reduced the remaining capacity under this uncommitted private shelf agreement to $115.0 million. This agreement contains customary covenants and provisions, including a covenant of WBI Energy Transmission not to permit, as of the end of any fiscal quarter, the ratio of total debt to total capitalization to be greater than 55 percent. Other covenants include a limitation on priority debt, restrictions on the sale of certain assets and the making of certain investments.

Equity Resources
The Company currently has a shelf registration statement on file with the SEC, under which the Company may issue and sell any combination of common stock and debt securities. The Company may sell such securities if warranted by market conditions and the Company's capital requirements. Any public offer and sale of such securities will be made only by means of a prospectus meeting the requirements of the Securities Act and the rules and regulations thereunder. For more information on the Company's equity, see Item 8 - Note 12.

In August 2020, the Company amended the Distribution Agreement dated February 22, 2019, with J.P. Morgan Securities LLC and MUFG Securities Americas Inc., as sales agents. This agreement, as amended, allows the offering, issuance and sale of up to 6.4 million shares of the Company's common stock in connection with an “at-the-market” offering. The common stock may be offered for sale, from time to time, in accordance with the terms and conditions of the agreement. As of December 31, 2022, the Company had capacity to issue up to 3.6 million additional shares of common stock under the "at-the-market" offering program. The Company did not issue any shares under the "at-the-market" offering program in 2022. Proceeds from the sale of shares of common stock under the agreement have been and are expected to be used for general corporate purposes, which may include, among other things, working capital, capital expenditures, debt repayment and the financing of acquisitions.

Dividend restrictions

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

Material cash requirements

For more information on the Company's contractual obligations on long-term debt, operating leases and purchase commitments, see Item 8 - Notes 9, 10 and 21. At December 31, 2022, the Company's material cash requirements under these obligations were as follows:

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
			(In millions)		
Short-term debt	$ 246.5	$ —	$ —	$ —	$ 246.5
Long-term debt maturities*	78.1	654.7	371.6	1,743.9	2,848.3
Estimated interest payments**	163.0	229.0	182.2	903.7	1,477.9
Operating leases	38.9	46.5	18.5	40.0	143.9
Purchase commitments	712.9	416.2	185.3	676.5	1,990.9
	$ 1,239.4	$ 1,346.4	$ 757.6	$ 3,364.1	$ 6,707.5

* Unamortized debt issuance costs and discount are excluded from the table.
** Represents the estimated interest payments associated with the Company's long-term debt outstanding at December 31, 2022, assuming current interest rates and consistent amounts outstanding until their respective maturity dates over the periods indicated in the table above.

Material short-term cash requirements of the Company include repayment of outstanding borrowings and interest payments on those agreements, payments on operating lease agreements, payment of obligations on purchase commitments and asset retirement obligations. At December 31, 2022, the current portion of asset retirement obligations was $4.6 million and was included in other accrued liabilities on the Consolidated Balance Sheets.

Material long-term cash requirements of the Company include repayment of outstanding borrowings and interest payments on those agreements, payments on operating lease agreements, payment of obligations on purchase commitments and asset retirement obligations. At December 31, 2022, the Company had total liabilities of $410.5 million related to asset retirement obligations that are excluded from the table above. Due to the nature of these obligations, the Company cannot determine precisely when the payments will be made to settle these obligations. For more information, see Item 8 - Note 11.

Not reflected in the previous table are $2.0 million in uncertain tax positions at December 31, 2022.

The Company has no minimum funding requirements for its defined benefit pension plans for 2023 due to an additional contribution of $20.0 million in 2019.

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

New Accounting Standards

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

Critical Accounting Estimates

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

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

Goodwill

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

The Company has determined that the reporting units for its goodwill impairment test are its operating segments, or components of an operating segment, that constitute a business for which discrete financial information is available and for which segment management regularly reviews the operating results. For more information on the Company's operating segments, see Item 8 - Note 17. Goodwill impairment, if any, is measured by comparing the fair value of each reporting unit to its carrying value. If the fair value of a reporting unit exceeds its carrying value, the goodwill of the reporting unit is not impaired. If the carrying value of a reporting unit exceeds its fair value, the Company must record an impairment loss for the amount that the carrying value of the reporting unit, including goodwill, exceeds the fair value of the reporting unit. For the years ended December 31, 2022, 2021 and 2020, there were no impairment losses recorded.

At October 31, 2022, the fair value substantially exceeded the carrying value at the Company's reporting units with goodwill, with the exception of the natural gas distribution reporting unit. The Company's annual impairment testing indicated the natural gas distribution reporting unit's fair value is not substantially in excess of its carrying value ("cushion"). Based on the Company's assessment, the estimated fair value of the natural gas distribution reporting unit exceeded its carrying value, which includes $345.7 million of goodwill, by approximately 8 percent as of October 31, 2022. The decrease in the natural gas distribution reporting unit's cushion from the prior year was primarily attributable to the risk adjusted cost of capital increasing from 5.0 percent in 2021 to 6.4 percent 2022, which directly correlates with the treasury rates at the date of the test. The natural gas distribution reporting unit is at risk of future impairment if projected operating results are not met or other inputs into the fair value measurement model change.

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, long-term growth rates, amount and timing of estimated capital expenditures, inflation rates, risk adjusted 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 believes that the estimates and assumptions used in its impairment assessments are reasonable and based on available market information.

The Company uses a discounted cash flow methodology for its income approach. Under the income approach, the discounted cash flow model determines fair value based on the present value of projected cash flows over a specified period and a residual value related to future cash flows beyond the projection period. Both values are discounted using a rate which reflects the best estimate of the risk adjusted cost of capital at each reporting unit. The risk adjusted cost of capital varies by reporting unit and was in the range of 6 percent to 10 percent in 2022, 5 percent to 9 percent for 2021 and 4 percent to 8 percent for 2020.

Under the market approach, the Company estimates fair value using various multiples derived from enterprise value to EBITDA for comparative peer companies for each respective reporting unit. These multiples are applied to operating data for each reporting unit to arrive at an indication of fair value. In addition, the Company adds a reasonable control premium when calculating the fair value utilizing the peer multiples, which is estimated as the premium that would be received in a sale in an orderly transaction between market participants. The Company used a 20 percent control premium in 2022 and a 15 percent control premium in 2021 and 2020.

The Company uses significant judgment in estimating its five-year forecast. The assumptions underlying cash flow projections are in sync as applicable with the Company's strategy and assumptions. Future projections are heavily correlated with the current year results of operations. Future results of operations may vary due to economic and financial impacts. The long-term growth rates are developed by management based on industry data, management's knowledge of the industry and management's strategic plans. The long-term growth rate varies by reporting unit. Construction materials and contracting and construction services long-term growth rate was 3 percent in 2022, 2021 and 2020. Natural gas distribution's long-term growth rate has been in the range of 1.5 percent to 3 percent in 2022, 2021 and 2020.

Regulatory accounting

The Company is subject to rate regulation by state public service commissions and/or the FERC. Regulatory assets generally represent incurred or accrued costs that have been deferred and are expected to be recovered in rates charged to customers. Regulatory liabilities generally represent amounts that are expected to be refunded to customers in future rates or amounts collected in current rates for future costs.

Management continually assesses the likelihood of recovery in future rates of incurred costs and refunds to customers associated with regulatory assets and liabilities. Decisions made by the various regulatory agencies can directly impact the amount and timing of these items. Therefore, expected recovery or refund of these deferred items generally is based on specific ratemaking decisions or precedent for each item. If future recovery of costs is no longer probable, the Company would be required to include those costs in the statement of income or accumulated other comprehensive loss in the period in which it is no longer deemed probable. The Company believes that the accounting subject to rate regulation remains appropriate and its regulatory assets are probable of recovery in current rates or in future rate proceedings. At December 31, 2022 and 2021, the Company's regulatory assets were $494.8 million and $476.5 million, respectively, and regulatory liabilities were $474.9 million and $445.1 million, respectively. At December 31, 2022 and 2021, regulatory assets in recovery were $427.8 million and $367.7 million, respectively, and regulatory assets not in recovery were $67.0 million and $108.8 million, respectively.

Revenue recognition

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

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

The Company recognizes construction contract revenue over time using an input method based on the cost-to-cost measure of progress for contracts because it best depicts the transfer of assets to the customer which occurs as the Company incurs costs on the contract. Under the cost-to-cost measure of progress, the costs incurred are compared with total estimated costs of a performance obligation. Revenues are recorded proportionately to the costs incurred. This method depends largely on the ability to make reasonably dependable estimates related to the extent of progress toward completion of the contract, contract revenues and contract costs. Since contract prices are generally set before the work is performed, the estimates pertaining to every project could contain significant unknown risks such as volatile labor, material and fuel costs, weather delays, adverse project site conditions, unforeseen actions by regulatory agencies, performance by subcontractors, job management and relations with project owners. Changes in estimates could have a material effect on the Company's results of operations, financial position and cash flows. For the years ended December 31, 2022 and 2021, the Company's total construction contract revenue was $3.8 billion and $3.0 billion, respectively.

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

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

The Company's construction contracts generally contain variable consideration including liquidated damages, performance bonuses or incentives, claims, unpriced change orders and penalties or index pricing. The variable amounts usually arise upon achievement of certain performance metrics or change in project scope. The Company estimates the amount of revenue to be recognized on variable consideration using one of the two prescribed estimation methods, the expected value method or the most likely amount method, depending on which method best predicts the most likely amount of consideration the Company expects to be entitled to or expects to incur. Assumptions as to the occurrence of future events and the likelihood and amount of variable consideration are made during the contract performance period. Estimates of variable consideration and assessment of anticipated performance and all information (historical, current and forecasted) that is reasonably available to management. The Company only includes variable consideration in the estimated transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is resolved. Changes in circumstances could impact management's estimates made in determining the value of variable consideration recorded. When determining if the variable consideration is constrained, the Company considers if factors exist that could increase the likelihood of the magnitude of a potential reversal of revenue. The Company updates its estimate of the transaction price each reporting period and the effect of variable consideration on the transaction price is recognized as an adjustment to revenue on a cumulative catch-up basis.

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

Pension and other postretirement benefits

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

The Company makes various assumptions when determining plan costs, including the current discount rates and the expected long-term return on plan assets, the rate of compensation increases, actuarially determined mortality data and health care cost trend rates. In selecting the expected long-term return on plan assets, which is considered to be one of the key variables in determining benefit expense or income, the Company considers historical returns, current market conditions, the mix of investments and expected future market trends, including changes in interest rates and equity and bond market performance. Another key variable in determining benefit expense or income is the discount rate. In selecting the discount rate, the Company matches forecasted future cash flows of the pension and postretirement plans to a yield curve which consists of a hypothetical portfolio of high-quality corporate bonds with varying maturity dates, as well as other factors, as a basis. The Company's pension and other postretirement benefit plan assets are primarily made up of equity and fixed-income investments. Fluctuations in actual equity and bond market returns, as well as changes in general interest rates, may result in increased or decreased pension and other postretirement benefit costs in the future. Management estimates the rate of compensation increase based on long-term assumed wage increases and the health care cost trend rates are determined by historical and future trends.

The Company believes the estimates made for its pension and other postretirement benefits are reasonable based on the information that is known when the estimates are made. These estimates and assumptions are subject to a number of variables and are expected to change in the future. Estimates and assumptions will be affected by changes in the discount rate, the expected long-term return on plan assets, the rate of compensation increase and health care cost trend rates. A 50 basis point change in the assumed discount rate and the expected long-term return on plan assets would have had the following effects at December 31, 2022:

	Pension Benefits		Other Postretirement Benefits	
	50 Basis Point Increase	50 Basis Point Decrease	50 Basis Point Increase	50 Basis Point Decrease
Discount rate	(In millions)			
Projected benefit obligation as of December 31, 2022	$ (13.7)	$ 14.8	$ (2.5)	$ 2.7
Net periodic benefit cost (credit) for 2023	$ —	$ (.1)	$ (.2)	$ .2
Expected long-term return on plan assets				
Net periodic benefit cost (credit) for 2023	$ (1.6)	$ 1.6	$ (.4)	$ .4

A 100 basis point change in the assumed health care cost trend rates would have had the following effects at December 31, 2022:

	100 Basis Point Increase	100 Basis Point Decrease
	(In millions)	
Service and interest cost components for 2023	$ .1	$ (.1)
Postretirement benefit obligation as of December 31, 2022	$ 1.8	$ (1.6)

The Company plans to continue to use its current methodologies to determine plan costs. For more information on the assumptions used in determining plan costs, see Item 8 - Note 18.

Business combinations

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

In determining fair values of acquired assets and liabilities assumed, the Company uses various observable inputs for similar assets or liabilities in active markets and various unobservable inputs, which includes the use of valuation models. Fair values are based on various factors including, but not limited to, age and condition of property, maintenance records, auction values for equipment with similar characteristics, recent sales and listings of comparable properties, data collected from drill holes and other subsurface investigations and geologic data. The Company primarily uses the market and cost approaches in determining the fair value of land and property, plant and equipment. A combination of the market and income approaches are used for aggregate reserves and intangibles, primarily a discounted cash flow model. The Company must develop reasonable and supportable assumptions to evaluate future cash flows. The process is highly subjective and requires a large degree of management judgement. Assumptions used may vary for each specific business combination due to unique circumstances of each transaction. Assumptions may include discount rate, time period, terminal value and growth rate. The values generated from the discounted cash flow model are sensitive to the assumptions used. Inaccurate assumptions can lead to deviations from the values generated.

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

Income taxes

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

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

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Interest rate risk

The Company uses fixed and variable rate long-term debt to partially finance capital expenditures, including acquisitions, and mandatory debt retirements. These debt agreements expose the Company to market risk related to changes in interest rates. The Company manages this risk by attempting to take advantage of favorable market conditions when timing the placement of long-term financing. The Company from time to time has utilized interest rate swap agreements to manage a portion of the Company's interest rate risk and may take advantage of such agreements in the future to minimize such risk. For additional information on the Company's long-term debt, see Item 8 - Notes 8 and 9. At December 31, 2022 and 2021, the Company had no outstanding interest rate hedges.

The following table shows the amount of long-term debt, which excludes unamortized debt issuance costs and discount, and related weighted average interest rates, both by expected maturity dates, as of December 31, 2022.

	2023	2024	2025	2026	2027	Thereafter	Total	Fair Value
				(Dollars in millions)				
Long-term debt:								
Fixed rate	$ 78.1	$ 61.4	$ 177.8	$ 140.8	$ 100.8	$ 1,743.9	$ 2,302.8	$ 1,930.7
Weighted average interest rate	3.7 %	4.2 %	4.0 %	5.7 %	5.5 %	4.3 %	4.4 %	
Variable rate	$ —	$ 415.5	$ —	$ —	$ 130.0	$ —	$ 545.5	$ 545.5
Weighted average interest rate	— %	5.1 %	— %	— %	6.3 %	— %	5.4 %	

Commodity price risk

The Company enters into commodity price derivative contracts to minimize the price volatility associated with natural gas costs for its customers at its natural gas distribution segment. At December 31, 2022 and 2021, these contracts were not material. For more information on the Company's derivatives, see Item 8 - Note 2.

Item 8. Financial Statements and Supplementary Data

Management's Report on Internal Control Over Financial Reporting

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

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

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2022. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework (2013)*.

Based on our evaluation under the framework in *Internal Control-Integrated Framework (2013)*, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2022.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2022, has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report.

/s/ David L. Goodin	/s/ Jason L. Vollmer
David L. Goodin	Jason L. Vollmer
President and Chief Executive Officer	Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of MDU Resources Group, Inc. and subsidiaries (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2022, and the related notes and the schedules listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 and December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2023, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

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

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

Critical Audit Matters

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

Revenue from Contracts with Customers-Construction Contract Revenue-Refer to Notes 2 and 3 to the financial statements
Critical Audit Matter Description
The Company recognizes construction contract revenue over time using an input method based on the cost-to-cost measure of progress for contracts because it best depicts the transfer of assets to the customer, which occurs as the Company incurs costs on the contract. Under the cost-to-cost measure of progress, the costs incurred are compared with total estimated costs of a performance obligation. Revenues are recorded proportionately to the costs incurred. This method depends largely on the ability to make reasonably dependable estimates related to the extent of progress toward completion of the contract, contract revenues, contract costs, and contract profits. The accounting for these contracts involves judgment, particularly as it relates to the process of estimating total costs and profit for the performance obligation. For the year ended December 31, 2022, the Company recognized $3.8 billion of construction contract revenue.

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

How the Critical Audit Matter Was Addressed in the Audit

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

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

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

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

Critical Audit Matter Description

Through the Company's regulated utility businesses, it provides electric and natural gas services to customers, and generates, transmits, and distributes electricity. The Company is subject to rate regulation by federal and state utility regulatory agencies (collectively, the "Commissions"), which have jurisdiction with respect to the rates of electric and natural gas distribution companies in states where the Company operates. The Company's regulated utility businesses account for certain income and expense items under the provisions of regulatory accounting, which requires these businesses to defer as regulatory assets or liabilities certain items that would have otherwise been reflected as expense or income, respectively, based on the expected regulatory treatment in future rates. The expected recovery, refund or future rate reduction of these deferred items generally is based on specific ratemaking decisions or precedent for each item. Accounting for the economics of rate regulation impacts multiple financial statement line items and disclosures, such as property, plant, and equipment; regulatory assets and liabilities; operating revenues; operation and maintenance expense; depreciation expense; and income taxes.

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

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures and the degree of subjectivity involved in assessing the impact of future regulatory orders on the financial statements. Management judgments include assessing the likelihood of (1) recovery in future rates of incurred costs and (2) refunds or future rate reduction to customers. Given management's accounting judgments are based on assumptions about the outcome of future decisions by the Commissions, auditing these judgments requires specialized knowledge of accounting for rate regulation due to its inherent complexities.

How the Critical Audit Matter Was Addressed in the Audit

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

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

- We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.
- We read relevant regulatory orders issued by the Commissions for the Company and other public utilities in the Company's significant jurisdictions, procedural memorandums, filings made by the Company or interveners, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the treatment of similar costs under similar circumstances. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness, and for any evidence that might contradict management's assertions.
- We obtained an analysis from management regarding probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities not yet addressed in a regulatory order to assess management's assertion that amounts are probable of recovery, or a future reduction in rates.
- We inspected minutes of the board of directors to identify any evidence that may contradict management's assertions regarding probability of recovery or refunds. We also inquired of management regarding current year rate filings and new regulatory assets or liabilities.

Goodwill – Natural Gas Distribution Reporting Unit – Refer to Notes 2 and 7 to the financial statements

Critical Audit Matter Description

The Company's evaluation of goodwill for impairment involves the comparison of the fair value of the reporting unit to its carrying value. The Company determines the fair value of its reporting units using the discounted cash flow model and the market approach. The determination of the fair value requires management to make significant estimates and assumptions related to forecasts of future cash flows, earnings before interest, taxes, depreciation, and amortization (EBITDA), long-term growth rates, and discount rates. Changes in these assumptions could have a significant impact on either the fair value or the amount of any goodwill impairment charge. The goodwill balance was $764 million as of December 31, 2022, of which $346 million was allocated to the Natural Gas Distribution Reporting Unit ("Natural Gas Distribution"). The fair value of Natural Gas Distribution exceeded its carrying value as of the measurement date and, therefore, no impairment was recognized.

We identified goodwill for Natural Gas Distribution as a critical audit matter because of the significant judgments made by management to estimate the fair value and the difference between its fair value and carrying value. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to forecasts of future cash flows, EBITDA and selection of the discount rate and long-term growth rate.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the forecasts of future cash flows, EBITDA, the discount rate, and the long-term growth rate, used by management to estimate the fair value of Natural Gas Distribution included the following, among others:

- We tested the effectiveness of controls over management's goodwill impairment evaluation, including those over the determination of the fair value of Natural Gas Distribution, such as controls related to management's forecasts of future cash flows, EBITDA and selection of the discount rate and long-term growth rate.
- We evaluated management's ability to accurately forecast by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's forecasts by comparing the forecasts to (1) historical results, (2) internal communications to management and the Board of Directors, and (3) forecasted information included in the Company press releases as well as in analyst and industry reports of the Company and companies in its peer group.
- We evaluated the impact of changes in management's forecasts from the October 31, 2022, annual measurement date to December 31, 2022.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the valuation methodology, discount rate, and long-term growth rate, including testing the underlying source information and the mathematical accuracy of the calculations, and developing a range of independent estimates and comparing those to the discount rate and long-term growth rate selected by management.
- With the assistance of our fair value specialists, we evaluated the EBITDA multiples, including testing the underlying source information and mathematical accuracy of the calculations, and comparing the multiples selected by management to its guideline companies.

/s/ Deloitte & Touche LLP

Minneapolis, Minnesota

February 24, 2023

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

Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of MDU Resources Group, Inc. and subsidiaries (the "Company") as of December 31, 2022, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2022, of the Company and our report dated February 24, 2023, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ Deloitte & Touche LLP

Minneapolis, Minnesota
February 24, 2023

Consolidated Statements of Income

Years ended December 31,	2022	2021	2020
	(In thousands, except per share amounts)		
Operating revenues:			
Electric, natural gas distribution and regulated pipeline	**$ 1,735,759**	$ 1,390,343	$ 1,249,146
Non-regulated pipeline, construction materials and contracting, construction services and other	**5,238,105**	4,290,390	4,283,604
Total operating revenues	**6,973,864**	5,680,733	5,532,750
Operating expenses:			
Operation and maintenance:			
Electric, natural gas distribution and regulated pipeline	**374,708**	366,586	353,184
Non-regulated pipeline, construction materials and contracting, construction services and other	**4,604,149**	3,712,037	3,675,078
Total operation and maintenance	**4,978,857**	4,078,623	4,028,262
Purchased natural gas sold	**757,883**	483,118	390,269
Depreciation, depletion and amortization	**327,826**	299,214	285,100
Taxes, other than income	**243,338**	211,454	217,253
Electric fuel and purchased power	**92,007**	74,105	66,941
Total operating expenses	**6,399,911**	5,146,514	4,987,825
Operating income	**573,953**	534,219	544,925
Other income	**7,379**	26,416	26,711
Interest expense	**119,273**	93,984	96,519
Income before income taxes	**462,059**	466,651	475,117
Income taxes	**94,783**	88,920	84,590
Income from continuing operations	**367,276**	377,731	390,527
Discontinued operations, net of tax	**213**	400	(322)
Net income	**$ 367,489**	$ 378,131	$ 390,205
Earnings per share - basic:			
Income from continuing operations	**$ 1.81**	$ 1.87	$ 1.95
Discontinued operations, net of tax	**—**	—	—
Earnings per share - basic	**$ 1.81**	$ 1.87	$ 1.95
Earnings per share - diluted:			
Income from continuing operations	**$ 1.81**	$ 1.87	$ 1.95
Discontinued operations, net of tax	**—**	—	—
Earnings per share - diluted	**$ 1.81**	$ 1.87	$ 1.95
Weighted average common shares outstanding - basic	**203,358**	202,076	200,502
Weighted average common shares outstanding - diluted	**203,462**	202,383	200,571

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

Consolidated Statements of Comprehensive Income

Years ended December 31,	2022	2021	2020
		(In thousands)	
Net income	**$ 367,489**	$ 378,131	$ 390,205
Other comprehensive income (loss):			
Reclassification adjustment for loss on derivative instruments included in net income, net of tax of $177, $145 and $145 in 2022, 2021 and 2020, respectively	**413**	446	446
Postretirement liability adjustment:			
Postretirement liability gains (losses) arising during the period, net of tax of $3,965, $1,626 and $(2,606) in 2022, 2021 and 2020, respectively	**12,007**	4,876	(8,395)
Amortization of postretirement liability losses included in net periodic benefit credit, net of tax of $597, $615 and $630 in 2022, 2021 and 2020, respectively	**1,819**	1,870	1,922
Reclassification of postretirement liability adjustment from regulatory asset, net of tax of $(1,086), $— and $— in 2022, 2021 and 2020, respectively	**(3,265)**	—	—
Postretirement liability adjustment	**10,561**	6,746	(6,473)
Net unrealized (loss) gain on available-for-sale investments:			
Net unrealized loss on available-for-sale investments arising during the period, net of tax of $(177), $(67) and $0 in 2022, 2021 and 2020, respectively	**(667)**	(252)	(1)
Reclassification adjustment for loss on available-for-sale investments included in net income, net of tax of $31, $36 and $14 in 2022, 2021 and 2020, respectively	**114**	134	52
Net unrealized (loss) gain on available-for-sale investments	**(553)**	(118)	51
Other comprehensive income (loss)	**10,421**	7,074	(5,976)
Comprehensive income attributable to common stockholders	**$ 377,910**	$ 385,205	$ 384,229

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

Consolidated Balance Sheets

December 31,		2022		2021
	(In thousands, except shares and per share amounts)			
Assets				
Current assets:				
Cash and cash equivalents	$	**80,517**	$	54,161
Receivables, net		**1,305,642**		946,741
Inventories		**387,525**		335,609
Current regulatory assets		**165,092**		118,691
Prepayments and other current assets		**72,972**		95,741
Total current assets		**2,011,748**		1,550,943
Noncurrent assets:				
Property, plant and equipment		**9,364,038**		8,972,849
Less accumulated depreciation, depletion and amortization		**3,272,493**		3,216,461
Net property, plant and equipment		**6,091,545**		5,756,388
Goodwill		**763,500**		765,386
Other intangible assets, net		**17,532**		22,578
Regulatory assets		**329,659**		357,851
Investments		**161,913**		175,476
Operating lease right-of-use assets		**119,375**		124,138
Other		**165,509**		157,675
Total noncurrent assets		**7,649,033**		7,359,492
Total assets	$	**9,660,781**	$	8,910,435
Liabilities and Stockholders' Equity				
Current liabilities:				
Short-term borrowings	$	**246,500**	$	—
Long-term debt due within one year		**78,031**		148,053
Accounts payable		**657,168**		478,933
Taxes payable		**70,810**		80,372
Dividends payable		**45,245**		44,229
Accrued compensation		**88,662**		81,904
Operating lease liabilities due within one year		**34,516**		35,368
Regulatory liabilities due within one year		**26,440**		16,303
Other accrued liabilities		**232,231**		207,078
Total current liabilities		**1,479,603**		1,092,240
Noncurrent liabilities:				
Long-term debt		**2,763,394**		2,593,847
Deferred income taxes		**631,303**		591,962
Asset retirement obligations		**405,885**		458,061
Regulatory liabilities		**448,454**		428,790
Operating lease liabilities		**85,534**		89,253
Other		**259,479**		273,408
Total noncurrent liabilities		**4,594,049**		4,435,321
Commitments and contingencies				
Stockholders' equity:				
Common stock Authorized - 500,000,000 shares, $1.00 par value Shares issued - 204,162,814 at December 31, 2022 and 203,889,661 at December 31, 2021		**204,163**		203,889
Other paid-in capital		**1,466,037**		1,461,205
Retained earnings		**1,951,138**		1,762,410
Accumulated other comprehensive loss		**(30,583)**		(41,004)
Treasury stock at cost - 538,921 shares		**(3,626)**		(3,626)
Total stockholders' equity		**3,587,129**		3,382,874
Total liabilities and stockholders' equity	$	**9,660,781**	$	8,910,435

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

Consolidated Statements of Equity

Years ended December 31, 2022, 2021 and 2020

	Common Stock Shares	Common Stock Amount	Other Paid-in Capital	Retained Earnings	Accumu-lated Other Compre-hensive Loss	Treasury Stock Shares	Treasury Stock Amount	Total
				(In thousands, except shares)				
At December 31, 2019	200,922,790	$ 200,923	$ 1,355,404	$ 1,336,647	$ (42,102)	(538,921)	$ (3,626)	$ 2,847,246
Net income	—	—	—	390,205	—	—	—	390,205
Other comprehensive loss	—	—	—	—	(5,976)	—	—	(5,976)
Dividends declared on common stock	—	—	—	(168,489)	—	—	—	(168,489)
Employee stock-based compensation	—	—	13,096	—	—	—	—	13,096
Issuance of common stock upon vesting of stock-based compensation, net of shares used for tax withholdings	26,406	26	(388)	—	—	—	—	(362)
Issuance of common stock	112,002	112	3,273	—	—	—	—	3,385
At December 31, 2020	201,061,198	201,061	1,371,385	1,558,363	(48,078)	(538,921)	(3,626)	3,079,105
Net Income	—	—	—	378,131	—	—	—	378,131
Other comprehensive income	—	—	—	—	7,074	—	—	7,074
Dividends declared on common stock	—	—	—	(174,084)	—	—	—	(174,084)
Employee stock-based compensation	—	—	14,709	—	—	—	—	14,709
Repurchase of common stock	—	—	—	—	—	(392,294)	(6,701)	(6,701)
Issuance of common stock upon vesting of stock-based compensation, net of shares used for tax withholdings	—	—	(10,828)	—	—	392,294	6,701	(4,127)
Issuance of common stock	2,828,463	2,828	85,939	—	—	—	—	88,767
At December 31, 2021	203,889,661	203,889	1,461,205	1,762,410	(41,004)	(538,921)	(3,626)	3,382,874
Net income	—	—	—	367,489	—	—	—	367,489
Other comprehensive income	—	—	—	—	10,421	—	—	10,421
Dividends declared on common stock	—	—	—	(178,761)	—	—	—	(178,761)
Employee stock-based compensation	—	—	10,254	—	—	—	—	10,254
Repurchase of common stock	—	—	—	—	—	(266,821)	(7,399)	(7,399)
Issuance of common stock upon vesting of stock-based compensation, net of shares used for tax withholdings	—	—	(12,303)	—	—	266,821	7,399	(4,904)
Issuance of common stock	273,153	274	6,881	—	—	—	—	7,155
At December 31, 2022	**204,162,814**	**$ 204,163**	**$ 1,466,037**	**$ 1,951,138**	**$ (30,583)**	**(538,921)**	**$ (3,626)**	**$ 3,587,129**

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

Consolidated Statements of Cash Flows

Years ended December 31,	2022	2021	2020
		(In thousands)	
Operating activities:			
Net income	**$ 367,489**	$ 378,131	$ 390,205
Income (loss) from discontinued operations, net of tax	**213**	400	(322)
Income from continuing operations	**367,276**	377,731	390,527
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	**327,826**	299,214	285,100
Deferred income taxes	**23,326**	60,250	(1,801)
Provision for credit losses	**6,133**	1,085	10,576
Amortization of debt issuance costs	**1,461**	1,333	2,162
Employee stock-based compensation costs	**10,254**	14,709	13,096
Pension and postretirement benefit plan net periodic benefit credit	**(6,018)**	(4,900)	(3,001)
Unrealized losses (gains) on investments	**12,732**	(7,728)	(14,563)
Gains on sales of assets	**(20,723)**	(13,056)	(15,350)
Changes in current assets and liabilities, net of acquisitions:			
Receivables	**(363,314)**	(60,024)	(2,780)
Inventories	**(46,588)**	(42,302)	(7,221)
Other current assets	**(9,360)**	(71,964)	31,601
Accounts payable	**186,285**	15,247	15,955
Other current liabilities	**27,011**	(17,650)	35,591
Pension and postretirement benefit plan contributions	**(507)**	(476)	(434)
Other noncurrent changes	**(5,944)**	(55,367)	30,291
Net cash provided by continuing operations	**509,850**	496,102	769,749
Net cash provided by (used in) discontinued operations	**214**	(325)	(1,375)
Net cash provided by operating activities	**510,064**	495,777	768,374
Investing activities:			
Capital expenditures	**(656,588)**	(659,425)	(558,007)
Acquisitions, net of cash acquired	**1,745**	(237,718)	(105,979)
Net proceeds from sale or disposition of property and other	**22,439**	15,238	35,557
Investments	**(6,477)**	(3,973)	(1,814)
Net cash used in investing activities	**(638,881)**	(885,878)	(630,243)
Financing activities:			
Issuance of short-term borrowings	**246,500**	50,000	75,000
Repayment of short-term borrowings	**—**	(100,000)	(25,000)
Issuance of long-term debt	**361,650**	554,027	117,450
Repayment of long-term debt	**(261,674)**	(24,979)	(148,634)
Debt issuance costs	**(1,936)**	(918)	(477)
Proceeds from issuance of common stock	**(149)**	88,767	3,385
Dividends paid	**(176,915)**	(171,354)	(166,405)
Repurchase of common stock	**(7,399)**	(6,701)	—
Tax withholding on stock-based compensation	**(4,904)**	(4,127)	(362)
Net cash provided by (used in) financing activities	**155,173**	384,715	(145,043)
Increase (decrease) in cash and cash equivalents	**26,356**	(5,386)	(6,912)
Cash and cash equivalents - beginning of year	**54,161**	59,547	66,459
Cash and cash equivalents - end of year	**$ 80,517**	$ 54,161	$ 59,547

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

Notes to Consolidated Financial Statements

Note 1 - Basis of Presentation

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

On August 4, 2022, the Company announced its board of directors unanimously approved a plan to pursue the separation of Knife River from the Company. The separation is planned as a tax-free spinoff transaction to the Company's stockholders for U.S. federal income tax purposes. As the next step of the Company's strategic planning, on November 3, 2022, the Company announced its intention to create two pure-play publicly traded companies, one focused on regulated energy delivery and the other on construction materials, and to achieve this future structure, the board authorized management to commence a strategic review process of MDU Construction Services.

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

Management has also evaluated the impact of events occurring after December 31, 2022, up to the date of issuance of these consolidated financial statements on February 24, 2023, that would require recognition or disclosure in the financial statements.

Principles of consolidation

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

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

Use of estimates

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

Note 2 - Significant Accounting Policies

New accounting standards

The following table provides a brief description of the accounting pronouncements applicable to the Company and the potential impact on its financial statements and or disclosures:

Standard	Description	Effective date	Impact on financial statements/disclosures
Recently adopted accounting standards			
ASU 2021-10 - Government Assistance	In November 2021, the FASB issued guidance on modifying the disclosure requirements to increase the transparency of government assistance including disclosure of the types of assistance, an entity's accounting for the assistance and the effect of the assistance on an entity's financial statements.	January 1, 2022	The Company determined the guidance did not have a material impact on its disclosures for the year ended December 31, 2022.
ASU 2020-04 - Reference Rate Reform	In March 2020, the FASB issued optional guidance to ease the facilitation of the effects of reference rate reform on financial reporting. The guidance applies to certain contract modifications, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. Beginning January 1, 2022, LIBOR or other discontinued reference rates cannot be applied to new contracts. New contracts will incorporate a new reference rate, which includes SOFR. LIBOR or other discontinued reference rates cannot be applied to contract modifications or hedging relationships entered into or evaluated after December 31, 2022. Existing contracts referencing LIBOR or other reference rates expected to be discontinued must identify a replacement rate by June 30, 2023.	Effective as of March 12, 2020 through December 31, 2022	For more information, see ASU 2022-06 - Reference Rate Reform: Deferral of Sunset Date in recently issued accounting standards not yet adopted.
Recently issued accounting standards not yet adopted			
ASU 2022-06 - Reference Rate Reform: Deferral of Sunset Date	In December 2022, the FASB included a sunset provision within ASC 848 based on expectations of when LIBOR would cease being published. At the time ASU 2020-04 was issued, the UK Financial Conduct Authority had established its intent to cease overnight tenors of LIBOR after December 31, 2021. In March 2021, the UK Financial Conduct Authority announced that the intended cessation date of the overnight tenors of LIBOR would be June 30, 2023 which is beyond the current sunset date of ASC 848. The amendments in this Update defer the sunset date of ASC 848 from December 31, 2022 to December 31, 2024, after which entities will no longer be permitted to apply the relief in ASC 848.	December 31, 2024	The Company has updated its credit agreements to include language regarding the successor or alternate rate to LIBOR, and a review of other contracts and agreements is on-going. The Company does not expect the guidance to have a material impact on its results of operations, financial position, cash flows or disclosures.

Cash and cash equivalents

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

Revenue recognition

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

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

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

The construction materials and contracting segment generates revenue from contracting services and construction materials sales. This segment focuses on the vertical integration of its contracting services with its construction materials to support the aggregate-based product lines. This segment provides contracting services to a customer when a contract has been signed by both the customer and a representative of the segment obligating a service to be provided in exchange for the consideration identified in the contract. The nature of the services this segment provides generally include integrating a set of services and related construction materials into a single project to create a distinct bundle of goods and services, which the Company has determined are single performance obligations. The transaction price includes the fixed consideration required pursuant to the original contract price together with any additional consideration, to which the Company expects to be entitled to, associated with executed change orders plus the estimate of variable consideration to which the Company expects to be entitled, subject to the following constraint. The nature of this segment's contracts gives rise to several types of variable consideration. Examples of variable consideration include: liquidated damages; performance bonuses or incentives and penalties; claims; unpriced change orders; and index pricing. The variable amounts usually arise upon achievement of certain performance metrics or change in project scope. The Company estimates the amount of revenue to be recognized on variable consideration using one of the two prescribed estimation methods, the expected value method or the most likely amount method, depending on which method best predicts the most likely amount of consideration the Company expects to be entitled to or expects to incur. Assumptions as to the occurrence of future events and the likelihood and amount of variable consideration are made during the contract performance period. Estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on the assessment of anticipated performance and all information (historical, current and forecasted) that is reasonably available to management. The Company only includes variable consideration in the estimated transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is resolved. Changes in circumstances could impact management's estimates made in determining the value of variable consideration recorded. When determining if the variable consideration is constrained, the Company considers if factors exist that could increase the likelihood or the magnitude of a potential reversal of revenue. The Company updates its estimate of the transaction price each reporting period and the effect of variable consideration on the transaction price is recognized as an adjustment to revenue on a cumulative catch-up basis. Contract revenue is recognized over time using an input method based on the cost-to-cost measure of progress on a project. This is the preferred method of measuring revenue because the costs incurred have been determined to represent the best indication of the overall progress toward the transfer of such goods or services promised to a customer. Under the cost-to-cost measure of progress, the costs incurred are compared with total estimated costs of a performance obligation. Revenues are recorded proportionately to the costs incurred. The percentage of completion is determined on a performance obligation basis. This segment also sells construction materials to third parties and internal customers. The contract for material sales is the use of a sales order or an invoice, which includes the pricing and payment terms. All material contracts contain a single performance obligation for the delivery of a single distinct product or a distinct separately identifiable bundle of products and services. Revenue is recognized at a point in time when the performance obligation has been satisfied with the delivery of the products or services. The warranties associated with the sales are those consistent with a standard warranty that the product meets certain specifications for quality or those required by law. For most contracts, amounts billed to customers are due within 30 days of receipt. There are no material obligations for returns, refunds or other similar obligations.

The construction services segment generates revenue from specialty contracting services which also includes the sale of construction equipment and other supplies. This segment provides specialty contracting services to a customer when a contract has been signed by both the customer and a representative of the segment obligating a service to be provided in exchange for the consideration identified in the contract. The nature of the services this segment provides generally includes multiple promised goods and services in a single project to create a distinct bundle of goods and services, which the Company has determined are single performance obligations. The transaction price includes the fixed consideration required pursuant to the original contract price together with any additional consideration, to which the Company expects to be entitled to, associated with executed change orders plus the estimate of variable consideration to which the Company expects to be entitled, subject to the following constraint. The nature of the segment's contracts gives rise to several types of variable consideration. Examples of variable consideration include: liquidated damages; performance bonuses or incentives and penalties; claims; unpriced change orders; and index pricing. The variable amounts usually arise upon achievement of certain performance metrics or change in project scope. The Company estimates the amount of revenue to be recognized on variable consideration using one of the two prescribed estimation methods, the expected value method or the most likely amount method, depending on which method best predicts the most likely amount of consideration the Company expects to be entitled to or expects to incur. Assumptions as to the occurrence of future events and the likelihood and amount of variable consideration are made during the contract performance period. Estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on the assessment of anticipated performance and all information (historical, current, and forecasted) that is reasonably available to management. The Company only includes variable consideration in the estimated transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is resolved. Changes in circumstances could impact management's estimates made in determining the value of variable consideration recorded. When determining if the variable consideration is constrained, the Company considers if factors exist that could increase the likelihood or the magnitude of a potential reversal of revenue. The Company updates its estimate of the transaction price each reporting period and the effect of variable consideration on the transaction price is recognized as an adjustment to revenue on a cumulative catch-up basis. Contract revenue is recognized over time using the input method based on the measurement of progress on a project. This is the preferred method of measuring revenue because the costs incurred have been determined to represent the best indication of the overall progress toward the transfer of such goods or services promised to a customer. Under the cost-to-cost measure of progress, the costs incurred are compared with total estimated costs of a performance obligation. Revenues are recorded proportionately to the costs incurred. This segment also sells construction equipment and other supplies to third parties and internal customers. The contract for these sales is the use of a sales order or invoice, which includes the pricing and payment terms. All such contracts include a single performance obligation for the delivery of a single distinct product or a distinct separately identifiable bundle of products and services. Revenue is recognized at a point in time when the performance obligation has been satisfied with the delivery of the products or services. The warranties associated with the sales are those consistent with a standard warranty that the product meets certain specifications for quality or those required by law. For most contracts, amounts billed to customers are due within 30 days of receipt. There are no material obligations for returns, refunds or other similar obligations.

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

Legal costs

The Company expenses external legal fees as they are incurred.

Business combinations

For all business combinations, the Company preliminarily allocates the purchase price of the acquisitions to the assets acquired and liabilities assumed based on their estimated fair values as of the acquisition dates and are considered provisional until final fair values are determined or the measurement period has passed. The Company expects to record adjustments as it accumulates the information needed to estimate the fair value of assets acquired and liabilities assumed, including working capital balances, estimated fair value of identifiable intangible assets, property, plant and equipment, total consideration and goodwill. The excess of the purchase price over the aggregate fair values is recorded as goodwill. The Company calculated the fair value of the assets acquired in 2022 and 2021 using a market or cost approach (or a combination of both). Fair values for some of the assets were determined based on Level 3 inputs including estimated future cash flows, discount rates, growth rates, sales projections, retention rates and terminal values, all of which require significant management judgment and are susceptible to change. The discount rate used in calculating the fair value of common stock issued in a business combination is determined by using a Black-Scholes-Merton model. The model uses Level 2 inputs including risk-free interest rate, volatility range and dividend yield. The final fair value of the net assets acquired may result in adjustments to the assets and liabilities, including goodwill, and will be made as soon as practical, but no later than 12 months from the respective acquisition dates. Any subsequent measurement period adjustments are not expected to have a material impact on the Company's results of operations.

Receivables and allowance for expected credit losses

Receivables consist primarily of trade and contracting services receivables from the sale of goods and services net of expected credit losses. The Company's trade receivables are all due in 12 months or less. The total balance of receivables past due 90 days or more was $45.6 million and $44.8 million at December 31, 2022 and 2021, respectively.

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

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

	Electric	Natural gas distribution	Pipeline	Construction materials and contracting	Construction services	Total
	(In thousands)					
At December 31, 2020	$ 899	$ 2,571	$ 2	$ 6,164	$ 5,722	$ 15,358
Current expected credit loss provision*	1,099	2,188	—	68	(2,250)	1,105
Less write-offs charged against the allowance	2,139	4,072	—	826	1,032	8,069
Credit loss recoveries collected	410	819	—	—	93	1,322
At December 31, 2021	269	1,506	2	5,406	2,533	9,716
Current expected credit loss provision	1,325	4,084	—	538	186	6,133
Less write-offs charged against the allowance	1,625	4,913	—	467	625	7,630
Credit loss recoveries collected	406	938	—	—	68	1,412
At December 31, 2022	**$ 375**	**$ 1,615**	**$ 2**	**$ 5,477**	**$ 2,162**	**$ 9,631**

* Includes impacts from businesses acquired.

Receivables also consist of accrued unbilled revenue representing revenues recognized in excess of amounts billed. Accrued unbilled revenue at MDU Energy Capital was $181.8 million and $144.9 million at December 31, 2022 and 2021, respectively.

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

	2022	2021
	(In thousands)	
Short-term retainage*	**$ 120,333**	$ 70,600
Long-term retainage**	**19,511**	10,742
Total retainage	**$ 139,844**	$ 81,342

* Expected to be paid within 12 months or less and included in receivables, net.
** Included in noncurrent assets - other.

Inventories and natural gas in storage

Natural gas in storage for the Company's regulated operations is generally valued at lower of cost or market using the last-in, first-out method or lower of cost or net realizable value using the average cost or first-in, first-out method. The majority of all other inventories are valued at the lower of cost or net realizable value using the average cost method. Inventories include production costs incurred as part of the Company's aggregate mining activities. These inventoriable production costs include all mining and processing costs associated with the production of aggregates. Stripping costs incurred during the production phase, which represent costs of removing overburden and waste materials to access mineral deposits, are a component of inventoriable production costs. The portion of the cost of natural gas in storage expected to be used within 12 months was included in inventories. Inventories at December 31 consisted of:

	2022	2021
	(In thousands)	
Aggregates held for resale	**$ 199,110**	$ 184,363
Asphalt oil	**68,609**	57,002
Materials and supplies	**40,056**	30,629
Merchandise for resale	**40,296**	28,501
Natural gas in storage (current)	**22,533**	18,867
Other	**16,921**	16,247
Total	**$ 387,525**	$ 335,609

The remainder of natural gas in storage, which largely represents the cost of gas required to maintain pressure levels for normal operating purposes, was included in noncurrent assets - other and was $47.5 million at both December 31, 2022 and 2021.

Property, plant and equipment

Additions to property, plant and equipment are recorded at cost. Aggregate mining development costs are capitalized and classified as land improvements and depreciated over the lower of the estimated life of the reserves or the life of the associated improvement. The Company begins capitalizing development costs at a point when reserves are determined to be proven or probable and economically mineable. Capitalization of these costs cease when production commences. The cost of acquiring reserves in connection with a business combination are valued at fair value. When regulated assets are retired, or otherwise disposed of in the ordinary course of business, the original cost of the asset is charged to accumulated depreciation. With respect to the retirement or disposal of all other assets, the resulting gains or losses are recognized as a component of income.

The Company is permitted to capitalize AFUDC on regulated construction projects and to include such amounts in rate base when the related facilities are placed in service. In addition, the Company capitalizes interest, when applicable, on certain contracting services projects associated with its other operations. The amount of AFUDC for the years ended December 31 was as follows:

	2022	2021	2020
	(In thousands)		
AFUDC - borrowed	**$ 2,236**	$ 2,833	$ 2,640
AFUDC - equity	**$ 2,165**	$ 6,961	$ 1,270

Generally, property, plant and equipment are depreciated on a straight-line basis over the average useful lives of the assets, except for depletable aggregate reserves, which are depleted based on the units-of-production method. The Company uses proven and probable aggregate reserves as the denominator in its units-of production calculation. Exploration costs are expensed as incurred in operation and maintenance expense and production costs are either expensed or capitalized to inventory.

The Company collects removal costs for certain plant assets in regulated utility rates. These amounts are recorded as regulatory liabilities on the Consolidated Balance Sheets.

Impairment of long-lived assets, excluding goodwill

The Company reviews the carrying values of its long-lived assets, including mining and related assets, whenever events or changes in circumstances indicate that such carrying values may not be recoverable. The Company tests long-lived assets for impairment at a level significantly lower than that of goodwill impairment testing. Long-lived assets or groups of assets that are evaluated for impairment at the lowest level of largely independent identifiable cash flows at an individual operation or group of operations collectively serving a local market. The determination of whether an impairment has occurred is based on an estimate of undiscounted future cash flows attributable to the assets, compared to the carrying value of the assets. If impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the assets and recording a loss if the carrying value is greater than the fair value. The impairments are recorded in operation and maintenance expense on the Consolidated Statements of Income.

No impairment losses were recorded in 2022, 2021 or 2020. Unforeseen events and changes in circumstances could require the recognition of impairment losses at some future date.

Regulatory assets and liabilities

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

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

Natural gas costs recoverable or refundable through rate adjustments

Under the terms of certain orders of the applicable state public service commissions, the Company is deferring natural gas commodity, transportation and storage costs that are greater or less than amounts presently being recovered through its existing rate schedules. Such orders generally provide that these amounts are recoverable or refundable through rate adjustments. Natural gas costs refundable through rate adjustments were $1.0 million and $6.7 million at December 31, 2022 and 2021, respectively, which were included in regulatory liabilities due within one year on the Consolidated Balance Sheets. Natural gas costs recoverable through rate adjustments were $141.3 million and $91.6 million at December 31, 2022 and 2021, respectively, which were included in current regulatory assets and noncurrent assets - regulatory assets on the Consolidated Balance Sheets.

Goodwill

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

The Company has determined that the reporting units for its goodwill impairment test are its operating segments, or components of an operating segment, that constitute a business for which discrete financial information is available and for which segment management regularly reviews the operating results. For more information on the Company's operating segments, see Note 17. Goodwill impairment, if any, is measured by comparing the fair value of each reporting unit to its carrying value. If the fair value of a reporting unit exceeds its carrying value, the goodwill of the reporting unit is not impaired. If the carrying value of a reporting unit exceeds its fair value, the Company must record an impairment loss for the amount that the carrying value of the reporting unit, including goodwill, exceeds the fair value of the reporting unit. For the years ended December 31, 2022, 2021 and 2020, there were no impairment losses recorded.

Investments

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

Government Assistance

The Company accounts for government assistance received for capital projects by reducing the cost of the project by the amount of assistance received. The Company records government assistance received as taxable income and writes-up the tax basis of the asset to include the amount of the assistance received.

Government assistance received for the years ended December 31, 2022, 2021 and 2020, was immaterial.

Variable interest entities

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

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

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

Joint ventures

The Company accounts for unconsolidated joint ventures using either the equity method or proportionate consolidation. The Company currently holds interests between 25 percent and 50 percent in joint ventures formed primarily for the purpose of pooling resources on construction contracts. Proportionate consolidation is used for joint ventures that include unincorporated legal entities and activities of the joint venture which are construction-related. For those joint ventures accounted for under proportionate consolidation, only the Company’s pro rata share of assets, liabilities, revenues and expenses are included in the Company’s balance sheet and results of operations.

For those joint ventures accounted for using proportionate consolidation, the Company recorded in its Consolidated Statements of Income $14.8 million, $14.7 million, and $69.7 million of revenue for the years ended December 31, 2022, 2021 and 2020, respectively, and $3.0 million, $4.7 million and $20.6 million of operating income for the years ended December 31, 2022, 2021 and 2020, respectively. At December 31, 2022 and 2021, the Company had interest in assets from these joint ventures of $2.4 million and $14.3 million, respectively.

For those joint ventures accounted for under the equity method, the Company's investment balances for the joint venture is included in Investments in the Consolidated Balance Sheets and the Company’s pro rata share of net income is included in Other income in the Consolidated Statements of Income. The Company’s investments in equity method joint ventures were a net asset of $1.3 million for both December 31, 2022 and 2021, respectively. In 2022, 2021 and 2020, the Company recognized income (loss) from equity method joint ventures of $5.4 million, $892,000 and $(32,000), respectively.

Derivative instruments

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

During 2022, the Company did not enter into any commodity price derivative contracts. During 2021, the Company entered into commodity price derivative contracts securing the purchase of 450,000 MMBtu of natural gas.

Leases

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

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

Asset retirement obligations

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

Stock-based compensation

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

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

Earnings per share

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

	2022	2021	2020
		(In thousands)	
Weighted average common shares outstanding - basic	**203,358**	202,076	200,502
Effect of dilutive performance share awards	**104**	307	69
Weighted average common shares outstanding - diluted	**203,462**	202,383	200,571
Shares excluded from the calculation of diluted earnings per share	**14**	—	164

Income taxes

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

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

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

Note 3 - Revenue from Contracts with Customers

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

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

Disaggregation

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

Year ended December 31, 2022	Electric	Natural gas distribution	Pipeline	Construction materials and contracting	Construction services	Other	Total
				(In thousands)			
Residential utility sales	$ 138,634	$ 718,191	$ —	$ —	$ —	$ —	$ 856,825
Commercial utility sales	146,182	453,802	—	—	—	—	599,984
Industrial utility sales	43,766	41,710	—	—	—	—	85,476
Other utility sales	7,597	—	—	—	—	—	7,597
Natural gas transportation	—	48,886	129,290	—	—	—	178,176
Natural gas storage	—	—	14,583	—	—	—	14,583
Contracting services	—	—	—	1,187,721	—	—	1,187,721
Construction materials	—	—	—	1,940,890	—	—	1,940,890
Internal sales	—	—	—	(593,882)	—	—	(593,882)
Electrical & mechanical specialty contracting	—	—	—	—	1,988,729	—	1,988,729
Transmission & distribution specialty contracting	—	—	—	—	662,705	—	662,705
Other	45,608	13,617	11,450	—	436	17,605	88,716
Intersegment eliminations	(494)	(555)	(59,012)	(1,016)	(5,494)	(17,605)	(84,176)
Revenues from contracts with customers	381,293	1,275,651	96,311	2,533,713	2,646,376	—	6,933,344
Other revenues	(4,714)	(2,402)	256	—	47,380	—	40,520
Total external operating revenues	$ 376,579	$ 1,273,249	$ 96,567	$ 2,533,713	$ 2,693,756	$ —	$ 6,973,864

Year ended December 31, 2021	Electric	Natural gas distribution	Pipeline	Construction materials and contracting	Construction services	Other	Total
				(In thousands)			
Residential utility sales	$ 126,841	$ 544,721	$ —	$ —	$ —	$ —	$ 671,562
Commercial utility sales	137,556	328,285	—	—	—	—	465,841
Industrial utility sales	41,757	30,964	—	—	—	—	72,721
Other utility sales	7,051	—	—	—	—	—	7,051
Natural gas transportation	—	48,408	114,001	—	—	—	162,409
Natural gas storage	—	—	14,680	—	—	—	14,680
Contracting services	—	—	—	1,017,471	—	—	1,017,471
Construction materials	—	—	—	1,712,503	—	—	1,712,503
Internal sales	—	—	—	(501,044)	—	—	(501,044)
Electrical & mechanical specialty contracting	—	—	—	—	1,324,419	—	1,324,419
Transmission & distribution specialty contracting	—	—	—	—	677,074	—	677,074
Other	42,902	10,567	13,667	—	557	13,714	81,407
Intersegment eliminations	(543)	(576)	(59,678)	(624)	(2,555)	(13,630)	(77,606)
Revenues from contracts with customers	355,564	962,369	82,670	2,228,306	1,999,495	84	5,628,488
Other revenues	(6,525)	8,995	188	—	49,587	—	52,245
Total external operating revenues	$ 349,039	$ 971,364	$ 82,858	$ 2,228,306	$ 2,049,082	$ 84	$ 5,680,733

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

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

Contract balances

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

The changes in contract assets and liabilities were as follows:

	December 31, 2022	December 31, 2021	Change	Location on Consolidated Balance Sheets
	(In thousands)			
Contract assets	$ 185,289	$ 125,742	$ 59,547	Receivables, net
Contract liabilities - current	(208,204)	(179,140)	(29,064)	Accounts payable
Contract liabilities - noncurrent	(6)	(118)	112	Noncurrent liabilities - other
Net contract liabilities	$ (22,921)	$ (53,516)	$ 30,595	

	December 31, 2021	December 31, 2020	Change	Location on Consolidated Balance Sheets
	(In thousands)			
Contract assets	$ 125,742	$ 104,345	$ 21,397	Receivables, net
Contract liabilities - current	(179,140)	(158,603)	(20,537)	Accounts payable
Contract liabilities - noncurrent	(118)	(52)	(66)	Noncurrent liabilities - other
Net contract liabilities	$ (53,516)	$ (54,310)	$ 794	

The Company recognized $173.8 million and $155.0 million in revenue for the years ended December 31, 2022 and 2021, respectively, which was previously included in contract liabilities at December 31, 2021 and 2020, respectively.

The Company recognized a net increase in revenues of $57.9 million and $66.3 million for the years ended December 31, 2022 and 2021, respectively, from performance obligations satisfied in prior periods.

Remaining performance obligations

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

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

At December 31, 2022, the Company's remaining performance obligations were $3.5 billion. The Company expects to recognize the following revenue amounts in future periods related to these remaining performance obligations: $2.7 billion within the next 12 months or less; $411.8 million within the next 13 to 24 months; and $429.1 million in 25 months or more.

Note 4 - Business Combinations

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

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

In 2022 and 2021, the construction materials and contracting segment's acquisitions included:

- Allied Concrete and Supply Co., a producer of ready-mixed concrete in California, acquired in December 2022. At December 31, 2022, the purchase price allocation was preliminary and will be finalized within 12 months of the acquisition date.
- Baker Rock Resources and Oregon Mainline Paving, two construction materials companies located around the Portland, Oregon metro area, acquired in November 2021. As of September 30, 2022, the purchase price allocation was settled with no material adjustments to the provisional accounting.

- Mt. Hood Rock, a construction aggregates business in Oregon, acquired in April 2021. As of March 31, 2022, the purchase price allocation was settled with no material adjustments to the provisional accounting.

The total purchase price for acquisitions that occurred in 2022 was $8.9 million, subject to certain adjustments, with cash acquired totaling $2.8 million. The purchase price includes consideration paid of $1.5 million, a $70,000 holdback liability, and 273,153 shares of common stock with a market value of $8.4 million as of the respective acquisition date. Due to the holding period restriction on the common stock, the share consideration has been discounted to a fair value of approximately $7.3 million. The amounts allocated to the aggregated assets acquired and liabilities assumed during 2022 were as follows: $1.7 million to current assets; $5.9 million to property, plant and equipment; $200,000 to goodwill; $100,000 to current liabilities; $500,000 to noncurrent liabilities - other and $1.2 million to deferred tax liabilities.

The total purchase price for acquisitions that occurred in 2021 was $236.1 million, subject to certain adjustments, with cash acquired totaling $900,000. The purchase price includes consideration paid of $235.2 million. The amounts allocated to the aggregated assets acquired and liabilities assumed during 2021 were as follows: $17.0 million to current assets; $179.8 million to property, plant and equipment; $50.6 million to goodwill; $2.2 million to other intangible assets; $8.7 million to current liabilities; $2.5 million to noncurrent liabilities - other; and $3.2 million to deferred tax liabilities. The intangible assets include non-compete agreements, customer relationships, and trade names. The intangible assets fair value is based on various income approach methods, including, multi-period excess earnings, relief-from-royalty and the with and without method. The amortizable intangible assets are being amortized using a straight-line method over a weighted average period of 5.5 years. During the first quarter of 2022, measurement period adjustments were made to the previously reported provisional amounts, which decreased goodwill and increased property, plant and equipment by $2.1 million. The Company issued debt to finance these acquisitions.

Costs incurred for acquisitions are included in operation and maintenance expense on the Consolidated Statements of Income and were immaterial for the years ended December 31, 2022, 2021 and 2020.

Note 5 - Property, Plant and Equipment

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

	2022	2021	Weighted Average Depreciable Life in Years
	(Dollars in thousands, where applicable)		
Regulated:			
Electric:			
Generation	$ 938,614	$ 1,056,632	48
Distribution	489,351	474,037	47
Transmission	616,611	562,080	65
Construction in progress	87,003	62,781	—
Other	145,034	140,117	14
Natural gas distribution:			
Distribution	2,569,921	2,427,779	52
Transmission	104,769	107,721	61
Storage	42,318	34,997	37
General	204,993	197,653	13
Construction in progress	55,759	21,741	—
Other	230,299	225,272	15
Pipeline:			
Transmission	951,187	673,344	46
Storage	55,383	57,670	53
Construction in progress	34,655	263,640	—
Other	59,917	50,477	19
Non-regulated:			
Pipeline:			
Construction in progress	49	18	—
Other	6,950	6,719	10
Construction materials and contracting:			
Land	150,809	149,066	—
Buildings and improvements	165,833	149,262	21
Machinery, vehicles and equipment	1,492,506	1,414,260	12
Construction in progress	88,163	50,425	—
Aggregate reserves	592,097	584,683	*
Construction services:			
Land	8,234	6,513	—
Buildings and improvements	50,776	39,039	24
Machinery, vehicles and equipment	179,459	166,739	7
Other	6,643	13,467	4
Other:			
Land	2,648	2,648	—
Other	34,057	34,069	7
Less accumulated depreciation, depletion and amortization	3,272,493	3,216,461	
Net property, plant and equipment	$ 6,091,545	$ 5,756,388	

* Depleted on the units-of-production method based on proven and probable aggregate reserves.

Note 6 - Regulatory Assets and Liabilities

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

	Estimated Recovery or Refund Period *	2022	2021
		(In thousands)	
Regulatory assets:			
Current:			
Natural gas costs recoverable through rate adjustments	Up to 1 year	$ 141,306	$ 86,371
Conservation programs	Up to 1 year	8,544	8,225
Cost recovery mechanisms	Up to 1 year	4,019	4,536
Decoupling	Up to 1 year	1,801	9,131
Other	Up to 1 year	9,422	10,428
		165,092	118,691
Noncurrent:			
Pension and postretirement benefits	**	143,349	142,681
Cost recovery mechanisms	Up to 10 years	67,171	44,870
Plant costs/asset retirement obligations	Over plant lives	44,462	63,116
Manufactured gas plant sites remediation	-	26,624	26,053
Plant to be retired	-	21,525	50,070
Taxes recoverable from customers	Over plant lives	12,330	12,339
Long-term debt refinancing costs	Up to 38 years	3,188	3,794
Natural gas costs recoverable through rate adjustments	Up to 2 years	—	5,186
Other	Up to 16 years	11,010	9,742
		329,659	357,851
Total regulatory assets		$ 494,751	$ 476,542
Regulatory liabilities:			
Current:			
Electric fuel and purchased power deferral	Up to 1 year	$ 4,929	$ —
Conservation programs	Up to 1 year	4,126	12
Taxes refundable to customers	Up to 1 year	3,937	3,841
Refundable fuel & electric costs	Up to 1 year	3,253	713
Natural gas costs refundable through rate adjustments	Up to 1 year	955	6,700
Other	Up to 1 year	9,240	5,037
		26,440	16,303
Noncurrent:			
Plant removal and decommissioning costs	Over plant lives	208,650	168,152
Taxes refundable to customers	Over plant lives	203,222	215,421
Cost recovery mechanisms	Up to 19 years	14,025	2,919
Accumulated deferred investment tax credit	Up to 19 years	13,594	12,696
Pension and postretirement benefits	**	7,376	20,434
Other	Up to 15 years	1,587	9,168
		448,454	428,790
Total regulatory liabilities		$ 474,894	$ 445,093
Net regulatory position		$ 19,857	$ 31,449

* Estimated recovery or refund period for amounts currently being recovered or refunded in rates to customers.
** Recovered as expense is incurred or cash contributions are made.

As of December 31, 2022 and 2021, approximately $242.5 million and $296.6 million, respectively, of regulatory assets were not earning a rate of return but are expected to be recovered from customers in future rates. These assets are largely comprised of the unfunded portion of pension and postretirement benefits, asset retirement obligations, accelerated depreciation on plant retirement and the estimated future cost of manufactured gas plant site remediation.

In the last half of 2021 and in 2022, the Company has experienced higher natural gas costs due to increase in demand outpacing the supply along with the impact of global events. This increase in natural gas costs experienced in certain jurisdictions has been partially offset by the recovery of prior period natural gas costs being recovered over a period longer than the normal one-year period.

In February 2019, the Company announced the retirement of three aging coal-fired electric generating units. The Company accelerated the depreciation related to these facilities in property, plant and equipment and recorded the difference between the accelerated depreciation, in accordance with GAAP, and the depreciation approved for rate-making purposes as regulatory assets. Requests were filed with the NDPSC and SDPUC, and subsequently approved, to offset the savings associated with the cessation of operations of these units with the amortization of the deferred regulatory assets. The Company ceased operations of Lewis & Clark Station in March 2021 and Units 1 and 2 at Heskett Station in February 2022. The Company subsequently reclassified the costs being recovered for these facilities from plant retirement to cost recovery mechanisms in the previous table and began amortizing the associated plant retirement and closure costs in the jurisdictions where requests were filed, as previously discussed. The Company expects to recover the regulatory assets related to the plant retirements in future rates.

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

Note 7 - Goodwill and Other Intangible Assets

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

	Balance at January 1, 2022	Goodwill Acquired During the Year	Measurement Period Adjustments	Balance at December 31, 2022
	(In thousands)			
Natural gas distribution	$ 345,736	$ —	$ —	$ 345,736
Construction materials and contracting	276,426	238	(2,124)	274,540
Construction services	143,224	—	—	143,224
Total	$ 765,386	$ 238	$ (2,124)	$ 763,500

	Balance at January 1, 2021	Goodwill Acquired During the Year	Measurement Period Adjustments	Balance at December 31, 2021
	(In thousands)			
Natural gas distribution	$ 345,736	$ —	$ —	$ 345,736
Construction materials and contracting	226,003	50,640	(217)	276,426
Construction services	143,224	—	—	143,224
Total	$ 714,963	$ 50,640	$ (217)	$ 765,386

Other amortizable intangible assets at December 31 were as follows:

	2022	2021
	(In thousands)	
Customer relationships	**$ 28,990**	$ 29,740
Less accumulated amortization	**13,724**	10,650
	15,266	19,090
Noncompete agreements	**4,591**	4,591
Less accumulated amortization	**3,529**	2,856
	1,062	1,735
Other	**5,280**	12,601
Less accumulated amortization	**4,076**	10,848
	1,204	1,753
Total	**$ 17,532**	$ 22,578

The previous tables include goodwill and intangible assets associated with the business combinations completed during 2022 and 2021. For more information related to these business combinations, see Note 4.

Amortization expense for amortizable intangible assets for the years ended December 31, 2022, 2021 and 2020, was $5.0 million, $5.1 million and $9.0 million, respectively. The amounts of estimated amortization expense for identifiable intangible assets as of December 31, 2022, were:

	2023	2024	2025	2026	2027	Thereafter
			(In thousands)			
Amortization expense	$ 4,591	$ 4,249	$ 2,200	$ 1,782	$ 1,759	$ 2,951

At October 31, 2022, the fair value substantially exceeded the carrying value at the Company's reporting units with goodwill, with the exception of the natural gas distribution reporting unit. The Company's annual impairment testing indicated the natural gas distribution reporting units fair value is not substantially in excess of its carrying value ("cushion"). Based on the Company's assessment, the estimated fair value of the natural gas distribution reporting unit exceeded its carrying value, which includes $345.7 million of goodwill, by approximately 8 percent as of October 31, 2022. The decrease in the natural gas distribution reporting unit's cushion from the prior year was primarily attributable to the risk adjusted cost of capital increasing from 5.0 percent in 2021 to 6.4 percent 2022, which directly correlates with the treasury rates at the date of the test. The natural gas distribution reporting unit is at risk of future impairment if projected operating results are not met or other inputs into the fair value measurement model change.

Note 8 - Fair Value Measurements

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

The Company 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 insurance contracts, to satisfy its obligations under its unfunded, nonqualified defined benefit and defined contribution plans for the Company's 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 $98.0 million and $109.6 million at December 31, 2022 and 2021, respectively, are classified as investments on the Consolidated Balance Sheets. The net unrealized losses on these investments for the year ended December 31, 2022, were $14.1 million. The net unrealized gains on these investments for the years ended December 31, 2021 and 2020, were $7.2 million and $13.1 million, respectively. The change in fair value, which is considered part of the cost of the plan, is classified in other income on the Consolidated Statements of Income.

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

December 31, 2022	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In thousands)		
Mortgage-backed securities	$ 8,928	$ 2	$ 636	$ 8,294
U.S. Treasury securities	2,608	—	72	2,536
Total	$ 11,536	$ 2	$ 708	$ 10,830

December 31, 2021	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In thousands)		
Mortgage-backed securities	$ 8,702	$ 51	$ 47	$ 8,706
U.S. Treasury securities	2,407	—	11	2,396
Total	$ 11,109	$ 51	$ 58	$ 11,102

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

	Fair Value Measurements at December 31, 2022, 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, 2022
	(In thousands)			
Assets:				
Money market funds	$ —	$ 7,361	$ —	$ 7,361
Insurance contracts*	—	98,041	—	98,041
Available-for-sale securities:				
Mortgage-backed securities	—	8,294	—	8,294
U.S. Treasury securities	—	2,536	—	2,536
Total assets measured at fair value	$ —	$ 116,232	$ —	$ 116,232

* The insurance contracts invest approximately 63 percent in fixed-income investments, 15 percent in common stock of large-cap companies, 8 percent in common stock of mid-cap companies, 6 percent in common stock of small-cap companies, 6 percent in target date investments and 2 percent in cash equivalents.

	Fair Value Measurements at December 31, 2021, 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, 2021
	(In thousands)			
Assets:				
Money market funds	$ —	$ 10,190	$ —	$ 10,190
Insurance contracts*	—	109,603	—	109,603
Available-for-sale securities:				
Mortgage-backed securities	—	8,706	—	8,706
U.S. Treasury securities	—	2,396	—	2,396
Total assets measured at fair value	$ —	$ 130,895	$ —	$ 130,895

* The insurance contracts invest approximately 61 percent in fixed-income investments, 17 percent in common stock of large-cap companies, 8 percent in common stock of mid-cap companies, 7 percent in common stock of small-cap companies, 5 percent in target date investments and 2 percent in cash equivalents.

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

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

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

The Company performed a fair value assessment of the assets acquired and liabilities assumed in the business combinations that occurred during 2022 and 2021. For more information on these Level 2 and Level 3 fair value measurements, see Notes 2 and 4.

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

	2022	2021
	(In thousands)	
Carrying Amount	**$ 2,841,425**	$ 2,741,900
Fair Value	**$ 2,469,625**	$ 2,984,866

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

Note 9 - Debt

Certain debt instruments of the Company's subsidiaries contain restrictive and financial covenants and cross-default provisions. In order to borrow under the respective debt instruments, the subsidiary companies must be in compliance with the applicable covenants and certain other conditions, all of which the subsidiaries, as applicable, were in compliance with at December 31, 2022. In the event the subsidiaries do not comply with the applicable covenants and other conditions, alternative sources of funding may need to be pursued.

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

Company	Facility	Facility Limit	Amount Outstanding at December 31, 2022	Amount Outstanding at December 31, 2021	Letters of Credit at December 31, 2022	Expiration Date
				(In millions)		
Montana-Dakota Utilities Co.	Commercial paper/Revolving credit agreement (a)	$ 175.0	$ 117.5	$ 64.9	$ —	12/19/24
Cascade Natural Gas Corporation	Revolving credit agreement	$ 100.0 (b)	$ 44.4	$ 71.0	$ 2.2 (c)	11/30/27
Intermountain Gas Company	Revolving credit agreement	$ 100.0 (d)	$ 85.6	$ 56.5	$ —	10/13/27
Centennial Energy Holdings, Inc.	Commercial paper/Revolving credit agreement (e)	$ 600.0	$ 298.0	$ 385.4	$ —	12/19/24

(a) The commercial paper program is supported by a revolving credit agreement with various banks (provisions allow for increased borrowings, at the option of Montana-Dakota on stated conditions, up to a maximum of $225.0 million). At December 31, 2022 and 2021, there were no amounts outstanding under the revolving credit agreement.
(b) Certain provisions allow for increased borrowings, up to a maximum of $125.0 million.
(c) Outstanding letter(s) of credit reduce the amount available under the credit agreement.
(d) Certain provisions allow for increased borrowings, up to a maximum of $125.0 million.
(e) The commercial paper program is supported by a revolving credit agreement with various banks (provisions allow for increased borrowings, at the option of Centennial on stated conditions, up to a maximum of $700.0 million). At December 31, 2022 and 2021, there were no amounts outstanding under the revolving credit agreement.

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

Short-term debt

MDU Energy Capital On October 21, 2022, MDU Energy Capital entered into a $11.5 million term loan agreement with a SOFR-based variable interest rate and a maturity date of July 21, 2023. The agreement contains customary covenants and provisions, including a covenant of MDU Energy Capital not to permit, at any time, the ratio of total debt to total capitalization to be greater than 70 percent. The covenants also include certain restrictions on the sale of certain assets, loans and investments.

Centennial On March 18, 2022, Centennial entered into a $100.0 million term loan agreement with a SOFR-based variable interest rate and a maturity date of March 17, 2023. The agreement contains customary covenants and provisions, including a covenant of Centennial not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent. The covenants also include certain restrictions on the sale of certain assets, loans and investments.

On December 19, 2022, Centennial entered into a $135.0 million term loan agreement with a SOFR-based variable interest rate and a maturity date of December 18, 2023. The agreement contains customary covenants and provisions, including a covenant of Centennial not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent. The covenants also include certain restrictions on the sale of certain assets, loans and investments.

Long-term debt

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

	Weighted Average Interest Rate at December 31, 2022	2022	2021
		(In thousands)	
Senior Notes due on dates ranging from May 15, 2023 to June 15, 2062	**4.32 %**	**$ 2,258,500**	$ 2,125,000
Commercial paper supported by revolving credit agreements	**5.13 %**	**415,500**	450,300
Credit agreements due on October 13, 2027 and November 30, 2027	**6.31 %**	**130,000**	127,500
Medium-Term Notes due on dates ranging from September 15, 2027 to March 16, 2029	**7.32 %**	**35,000**	35,000
Term Loan Agreement due on September 3, 2032	**3.64 %**	**7,000**	7,700
Other notes due on dates ranging from March 1, 2024 to January 1, 2061	**1.00 %**	**2,253**	2,564
Less unamortized debt issuance costs		**6,542**	6,090
Less discount		**286**	74
Total long-term debt		**2,841,425**	2,741,900
Less current maturities		**78,031**	148,053
Net long-term debt		**$ 2,763,394**	$ 2,593,847

Montana-Dakota Montana-Dakota's revolving credit agreement supports its commercial paper program. Commercial paper borrowings under this agreement are classified as long-term debt as they are intended to be refinanced on a long-term basis through continued commercial paper borrowings. The credit agreement contains customary covenants and provisions, including covenants of Montana-Dakota not to permit, as of the end of any fiscal quarter, the ratio of funded debt to total capitalization (determined on a consolidated basis) to be greater than 65 percent. Other covenants include limitations on the sale of certain assets and on the making of certain loans and investments.

Montana-Dakota's ratio of total debt to total capitalization at December 31, 2022, was 51 percent.

Cascade On November 30, 2022, Cascade amended and restated its revolving credit agreement to extend the maturity date to November 30, 2027. Any borrowings under the revolving credit agreement are classified as long-term debt as they are intended to be refinanced on a long-term basis through continued borrowings. The credit agreement contains customary covenants and provisions, including a covenant of Cascade not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent. Other covenants include restrictions on the sale of certain assets, limitations on indebtedness and the making of certain investments.

On June 15, 2022, Cascade issued $50.0 million of senior notes under a note purchase agreement with maturity dates ranging from June 15, 2032 to June 15, 2052, at a weighted average interest rate of 4.50 percent. The agreement contains customary covenants and provisions, including a covenant of Cascade not to permit, at any time, the ratio of debt to total capitalization to be greater than 65 percent. Other covenants include restrictions on the sale of certain assets, limitations on indebtedness and the making of certain investments.

Cascade's ratio of total debt to total capitalization at December 31, 2022, was 50 percent.

Intermountain On October 13, 2022, Intermountain amended and restated its revolving credit agreement to increase the borrowing capacity to $100.0 million and extend the maturity date to October 13, 2027. Any borrowings under the revolving credit agreement are classified as long-term debt as they are intended to be refinanced on a long-term basis through continued borrowings. The credit agreement contains customary covenants and provisions, including a covenant of Intermountain not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent. Other covenants include restrictions on the sale of certain assets, limitations on indebtedness and the making of certain investments.

On June 15, 2022, Intermountain issued $40.0 million of senior notes under a note purchase agreement with maturity dates ranging from June 15, 2052 to June 15, 2062, at a weighted average interest rate of 4.68 percent. The agreement contains customary covenants and provisions, including a covenant of Intermountain not to permit, at any time, the ratio of debt to total capitalization to be greater than 65 percent. Other covenants include restrictions on the sale of certain assets, limitations on indebtedness and the making of certain investments.

Intermountain's ratio of total debt to total capitalization at December 31, 2022, was 57 percent.

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

On March 23, 2022, Centennial issued $150.0 million of senior notes under a note purchase agreement with maturity dates ranging from March 23, 2032 to March 23, 2034, at a weighted average interest rate of 3.71 percent. The agreement contains customary covenants and provisions, including a covenant of Centennial not to permit, at any time, the ratio of debt to total capitalization to be greater than 60 percent. Other covenants include restrictions on the sale of certain assets, limitations on indebtedness and the making of certain investments.

Centennial's ratio of total debt to total capitalization, as defined by its debt covenants, at December 31, 2022, was 46 percent.

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

WBI Energy Transmission On December 22, 2022, WBI Energy Transmission amended its uncommitted note purchase and private shelf agreement to increase capacity to $350.0 million with an expiration date of December 22, 2025. On December 22, 2022, WBI Energy Transmission issued $40.0 million in senior notes under the private shelf agreement with a maturity date of December 22, 2030, at an interest rate of 6.67 percent. WBI Energy Transmission had $235.0 million of notes outstanding at December 31, 2022, which reduced the remaining capacity under this uncommitted private shelf agreement to $115.0 million. This agreement contains customary covenants and provisions, including a covenant of WBI Energy Transmission not to permit, as of the end of any fiscal quarter, the ratio of total debt to total capitalization to be greater than 55 percent. Other covenants include a limitation on priority debt, restrictions on the sale of certain assets and the making of certain investments.

WBI Energy Transmission's ratio of total debt to total capitalization at December 31, 2022, was 40 percent.

Schedule of Debt Maturities Long-term debt maturities, which excludes unamortized debt issuance costs and discount, for the five years and thereafter following December 31, 2022, were as follows:

	2023	2024	2025	2026	2027	Thereafter
			(In thousands)			
Long-term debt maturities	$ 78,031	$ 476,923	$ 177,802	$ 140,802	$ 230,802	$ 1,743,893

Note 10 - Leases

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

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

Lessee accounting

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

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

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

	2022	2021	2020
	(In thousands)		
Lease costs:			
Short-term lease cost	**$ 160,318**	$ 132,449	$ 135,376
Operating lease cost	**44,956**	46,622	45,319
Variable lease cost	**1,739**	1,516	1,319
	$ 207,013	$ 180,587	$ 182,014

	2022	2021	2020
	(Dollars in thousands)		
Weighted average remaining lease term	**2.83 years**	2.67 years	2.73 years
Weighted average discount rate	**4.05 %**	3.54 %	4.03 %
Cash paid for amounts included in the measurement of lease liabilities	**$ 44,512**	$ 43,489	$ 45,043

The reconciliation of future undiscounted cash flows to operating lease liabilities presented on the Consolidated Balance Sheet at December 31, 2022, was as follows:

	(In thousands)
2023	$ 38,927
2024	27,825
2025	18,741
2026	11,191
2027	7,297
Thereafter	39,963
Total	143,944
Less discount	23,894
Total operating lease liabilities	$ 120,050

Lessor accounting

The Company leases certain equipment to third parties through its utility and construction services segments, which are considered short-term operating leases with terms of less than 12 months. The Company recognized revenue from operating leases of $47.9 million, $50.1 million and $48.0 million for the years ended December 31, 2022, 2021and 2020, respectively. At December 31, 2022, the Company had $9.7 million of lease receivables with a majority due within 12 months or less.

Note 11 - Asset Retirement Obligations

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

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

	2022	2021
	(In thousands)	
Balance at beginning of year	**$ 468,686**	$ 446,919
Liabilities incurred	**5,972**	12,454
Liabilities acquired	**—**	1,805
Liabilities settled	**(9,646)**	(15,155)
Accretion expense*	**23,188**	21,214
Revisions in estimates	**(77,692)**	1,449
Balance at end of year	**$ 410,508**	$ 468,686

* Includes $21.8 million and $19.6 million in 2022 and 2021, respectively, recorded to regulatory assets.

The 2022 revisions in estimates consist principally of updated asset retirement obligation costs associated with natural gas distribution and transmission lines at the natural gas distribution segment.

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

Note 12 - Equity

The Company depends on earnings and dividends from its subsidiaries to pay dividends on common stock. The Company has paid quarterly dividends for 85 consecutive years with an increase in the dividend amount for the last 32 consecutive years. For the years ended December 31, 2022, 2021 and 2020, dividends declared on common stock were $.8750, $.8550 and $.8350 per common share, respectively. Dividends on common stock are paid quarterly to the stockholders of record less than 30 days prior to the distribution date. For the years ended December 31, 2022, 2021 and 2020, the dividends declared to common stockholders were $177.9 million, $173.0 million and $167.4 million, respectively.

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

Pursuant to a covenant under its revolving 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 trailing 12 month EBITDA does not exceed 3.5 to 1. In addition, certain credit agreements and regulatory limitations of the Company's subsidiaries also contain restrictions on dividend payments. The most restrictive limitation requires the Company's subsidiaries not to permit the ratio of funded debt to capitalization to be greater than 60 percent. Based on this limitation, approximately $1.9 billion of the net assets of the Company's subsidiaries, which represents common stockholders' equity including retained earnings, would be restricted from use for dividend payments at December 31, 2022.

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

In August 2020, the Company amended the Distribution Agreement dated February 22, 2019, with J.P. Morgan Securities LLC and MUFG Securities Americas Inc., as sales agents. This agreement, as amended, allows the offering, issuance and sale of up to 6.4 million shares of the Company's common stock in connection with an “at-the-market” offering. The common stock may be offered for sale, from time to time, in accordance with the terms and conditions of the agreement. As of December 31, 2022, the Company had capacity to issue up to 3.6 million additional shares of common stock under the "at-the-market" offering program.

Details of the Company's "at-the-market" offering activity for the years ended December 31 was as follows:

	2022	2021	
	(In millions)		
Shares issued	—	2.8	
Net proceeds *	**$ (0.1)**	$ 88.8	**

* Net proceeds include issuance costs of $149,000 and $1.2 million for the years ended December 31, 2022 and 2021, respectively.
** Net proceeds were used for capital expenditures.

The K-Plan provides participants the option to invest in the Company's common stock. For the years ended December 31, 2022, 2021 and 2020, the K-Plan purchased shares of common stock on the open market or issued original issue common stock of the Company. At December 31, 2022, there were 7.2 million shares of common stock reserved for original issuance under the K-Plan.

The Company currently has 2.0 million shares of preferred stock authorized to be issued with a $100 par value. At December 31, 2022 and 2021, there were no shares outstanding.

Note 13 - Stock-Based Compensation

The Company has stock-based compensation plans under which it is currently authorized to grant restricted stock and other stock awards. As of December 31, 2022, there were 3.4 million remaining shares available to grant under these plans. The Company either purchases shares on the open market or issues new shares of common stock to satisfy the vesting of stock-based awards.

Total stock-based compensation expense (after tax) was $8.7 million, $12.0 million and $10.8 million in 2022, 2021 and 2020, respectively. The Company uses the straight-line amortization method to recognize compensation expense related to restricted stock, which only has a service condition. The Company recognizes compensation expense related to performance awards with market-based performance metrics on a straight-line basis over the requisite service period. As of December 31, 2022, total remaining unrecognized compensation expense related to stock-based compensation was approximately $12.5 million (before income taxes) which will be amortized over a weighted average period of 1.6 years.

Stock awards

Non-employee directors receive shares of common stock in addition to and in lieu of cash payment for directors' fees. There were 40,800 shares with a fair value of $1.2 million, 41,925 shares with a fair value of $1.2 million and 45,273 shares with a fair value of $1.1 million issued to non-employee directors during the years ended December 31, 2022, 2021 and 2020, respectively.

Restricted stock awards

In February 2022 and 2021, key employees were granted restricted stock awards under the long-term performance-based incentive plan. The shares vest over three years, contingent on continued employment. Compensation expense is recognized over the vesting period. At December 31, 2022, the number of outstanding shares granted was 188,499 with a weighted average grant-date fair value of $27.54 per share.

Performance share awards

Since 2003, key employees of the Company have been granted performance share awards each year under the long-term performance-based incentive plan authorized by the Company's compensation committee. The compensation committee has the authority to select the recipients of awards, determine the type and size of awards, and establish certain terms and conditions of award grants. Share awards are generally earned over a three-year vesting period and tied to financial metrics. Upon vesting, participants receive dividends that accumulate during the vesting period.

Target grants of performance shares outstanding at December 31, 2022, were as follows:

Grant Date	Performance Period	Target Grant of Shares
February 2021	2021-2023	281,129
February 2022	2022-2024	284,416

Under the market condition for these performance share awards, participants may earn from zero to 200 percent of the apportioned target grant of shares based on the Company's total stockholder return relative to that of the selected peer group. Compensation expense is based on the grant-date fair value as determined by Monte Carlo simulation. The blended volatility term structure ranges are comprised of 50 percent historical volatility and 50 percent implied volatility. Risk-free interest rates were based on U.S. Treasury security rates in effect as of the grant date. Assumptions used for grants applicable to the market condition for certain performance shares issued in 2022, 2021 and 2020 were:

	2022	2021	2020
Weighted average grant-date fair value	**$36.25**	$37.96	$40.75
Blended volatility range	**24.07% - 31.41%**	35.37% - 46.35%	15.30% - 15.97%
Risk-free interest rate range	**.71% - 1.68%**	.02% - .20%	1.45% - 1.62%
Weighted average discounted dividends per share	**$2.93**	$3.16	$2.91

Under the performance conditions for these performance share awards, participants may earn from zero to 200 percent of the apportioned target grant of shares. The performance conditions are based on the Company's compound annual growth rate in earnings from continuing operations before interest, taxes, depreciation, depletion and amortization and the Company's compound annual growth rate in earnings from continuing operations. The weighted average grant-date fair value per share for the performance shares applicable to these performance conditions issued in 2022, 2021 and 2020 was $27.73, $27.35 and $31.63, respectively.

The fair value of the performance shares that vested during the years ended December 31, 2022, 2021 and 2020, was $7.6 million, $13.7 million and $9.7 million, respectively.

A summary of the status of the performance share awards for the year ended December 31, 2022, was as follows:

	Number of Shares	Weighted Average Grant-Date Fair Value
Nonvested at beginning of period	555,047	$ 34.40
Granted	284,416	31.99
Performance shares earned/unearned	(22,750)	31.63
Less:		
Vested	251,168	36.60
Nonvested at end of period	565,545	$ 32.32

Note 14 - Accumulated Other Comprehensive Loss

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

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

	Net Unrealized Loss on Derivative Instruments Qualifying as Hedges	Post-retirement Liability Adjustment	Net Unrealized Gain (Loss) on Available-for-sale Investments	Total Accumulated Other Comprehensive Loss
	(In thousands)			
At December 31, 2020	$ (984)	$ (47,207)	$ 113	$ (48,078)
Other comprehensive income (loss) before reclassifications	—	4,876	(252)	4,624
Amounts reclassified from accumulated other comprehensive loss	446	1,870	134	2,450
Net current-period other comprehensive income (loss)	446	6,746	(118)	7,074
At December 31, 2021	(538)	(40,461)	(5)	(41,004)
Other comprehensive income (loss) before reclassifications	—	12,007	(667)	11,340
Amounts reclassified to accumulated other comprehensive loss from a regulatory asset	—	(3,265)	—	(3,265)
Amounts reclassified from accumulated other comprehensive loss	413	1,819	114	2,346
Net current-period other comprehensive income (loss)	413	10,561	(553)	10,421
At December 31, 2022	**$ (125)**	**$ (29,900)**	**$ (558)**	**$ (30,583)**

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

	2022	2021	Location on Consolidated Statements of Income
	(In thousands)		
Reclassification adjustment for loss on derivative instruments included in net income	**$ (590)**	$ (591)	Interest expense
	177	145	Income taxes
	(413)	(446)	
Amortization of postretirement liability losses included in net periodic benefit credit	**(2,416)**	(2,485)	Other income
	597	615	Income taxes
	(1,819)	(1,870)	
Reclassification adjustment on available-for-sale investments included in net income	**(145)**	(170)	Other income
	31	36	Income taxes
	(114)	(134)	
Total reclassifications	**$ (2,346)**	$ (2,450)	

Note 15 - Income Taxes

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

	2022	2021	2020
		(In thousands)	
United States	$ 462,059	$ 466,651	$ 474,856
Foreign	—	—	261
Income before income taxes from continuing operations	$ 462,059	$ 466,651	$ 475,117

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

	2022	2021	2020
		(In thousands)	
Current:			
Federal	$ 50,747	$ 17,121	$ 65,006
State	20,710	11,549	21,234
Foreign	—	—	151
	71,457	28,670	86,391
Deferred:			
Income taxes:			
Federal	17,820	45,885	(3,735)
State	4,608	12,610	(625)
Investment tax credit - net	898	1,755	2,559
	23,326	60,250	(1,801)
Total income tax expense	$ 94,783	$ 88,920	$ 84,590

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

	2022	2021
	(In thousands)	
Deferred tax assets:		
Postretirement	$ 41,298	$ 45,752
Compensation-related	35,196	37,917
Operating lease liabilities	25,718	26,710
Asset retirement obligations	9,687	8,696
Legal and environmental contingencies	8,526	8,603
Customer advances	7,615	7,683
Payroll tax deferral	—	6,940
Other	51,472	39,960
Total deferred tax assets	179,512	182,261
Deferred tax liabilities:		
Basis differences on property, plant and equipment	608,528	585,095
Postretirement	47,340	48,302
Purchased gas adjustment	33,567	21,136
Operating lease right-of-use-assets	25,472	26,570
Intangible assets	23,007	21,074
Other	60,078	59,934
Total deferred tax liabilities	797,992	762,111
Valuation allowance	12,823	12,112
Net deferred income tax liability	$ 631,303	$ 591,962

As of December 31, 2022 and 2021, the Company had various state income tax net operating loss carryforwards of $176.0 million and $164.8 million, respectively, and federal and state income tax credit carryforwards, excluding alternative minimum tax credit carryforwards, of $35.7 million and $35.6 million, respectively. The state credits include various regulatory investment tax credits of approximately $35.1 million and $35.0 million at December 31, 2022 and 2021, respectively. The state income tax credit carryforwards are due to expire between 2024 and 2036. Changes in tax regulations or assumptions regarding current and future taxable income could require additional valuation allowances in the future.

The following table reconciles the change in the net deferred income tax liability from December 31, 2021, to December 31, 2022, to deferred income tax expense:

		2022
		(In thousands)
Change in net deferred income tax liability from the preceding table	$	39,341
Deferred taxes associated with other comprehensive loss		(3,507)
Excess deferred income tax amortization		(9,008)
Other		(3,500)
Deferred income tax expense for the period	$	23,326

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,		2022			2021			2020	
		Amount	%		Amount	%		Amount	%
					(Dollars in thousands)				
Computed tax at federal statutory rate	$	97,032	21.0	$	97,997	21.0	$	99,775	21.0
Increases (reductions) resulting from:									
State income taxes, net of federal income tax		19,126	4.1		19,496	4.2		17,845	3.8
Federal renewable energy credit		(15,343)	(3.3)		(13,914)	(3.0)		(16,009)	(3.4)
Tax compliance and uncertain tax positions		1,080	.2		(477)	(.1)		(3,543)	(.7)
Nonqualified benefit plans		2,827	.6		(1,881)	(.4)		(2,443)	(.5)
Excess deferred income tax amortization		(9,008)	(1.9)		(10,295)	(2.2)		(12,517)	(2.6)
Other		(931)	(.2)		(2,006)	(.4)		1,482	.2
Total income tax expense	$	94,783	20.5	$	88,920	19.1	$	84,590	17.8

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state, local and foreign jurisdictions. The Company is no longer subject to U.S. federal or non-U.S. income tax examinations by tax authorities for years ending prior to 2019. With few exceptions, as of December 31, 2022, the Company is no longer subject to state and local income tax examinations by tax authorities for years ending prior to 2019.

For the years ended December 31, 2022, 2021 and 2020, total reserves for uncertain tax positions were not material. The Company recognizes interest and penalties accrued relative to unrecognized tax benefits in income tax expense.

Note 16 - Cash Flow Information

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

		2022		2021		2020
				(In thousands)		
Interest, net*	$	83,118	$	91,165	$	88,681
Income taxes paid, net**	$	26,503	$	71,079	$	65,536

* AFUDC - borrowed was $2.2 million, $2.8 million and $2.6 million for the years ended December 31, 2022, 2021 and 2020, respectively.
** Income taxes paid, including discontinued operations, were $26.4 million, $70.9 million and $59.4 million for the years ended December 31, 2022, 2021 and 2020, respectively.

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

		2022		2021		2020
				(In thousands)		
Property, plant and equipment additions in accounts payable	$	49,602	$	57,605	$	26,082
Right-of-use assets obtained in exchange for new operating lease liabilities	$	50,921	$	55,987	$	54,356
Debt assumed in connection with a business combination	$	—	$	10	$	—
Accrual for holdback payment related to a business combination	$	70	$	—	$	2,500
Stock issued in connection with a business combination	$	7,304	$	—	$	—

Note 17 - Business Segment Data

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

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

The pipeline segment provides natural gas transportation and underground storage services through a regulated pipeline system primarily in the Rocky Mountain and northern Great Plains regions of the United States. This segment also provides non-regulated cathodic protection services.

The construction materials and contracting segment mines, processes and sells construction aggregates (crushed stone and sand and gravel); produces and sells asphalt; and supplies ready-mix concrete. This segment's aggregate reserves provide the foundation for the vertical integration of its contracting services with its construction materials to support its aggregate-based product lines including heavy-civil construction, asphalt paving, concrete construction and site development and grading. Although not common to all locations, the segment also includes the sale of cement, liquid asphalt modification and distribution, various finished concrete products, merchandise and other building materials and related contracting services. This segment operates in the central, southern and western United States, including Alaska and Hawaii.

The construction services segment provides a full spectrum of construction services through its electrical and mechanical and transmission and distribution specialty contracting services across the United States. These specialty contracting services are provided to utilities, manufacturing, transportation, commercial, industrial, institutional, renewable and governmental customers. Its electrical and mechanical contracting services include construction and maintenance of electrical and communication wiring and infrastructure, fire suppression systems, and mechanical piping and services. Its transmission and distribution contracting services include construction and maintenance of overhead and underground electrical, gas and communication infrastructure, as well as manufacturing and distribution of transmission line construction equipment and tools.

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

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

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

	2022	2021	2020
		(In thousands)	
External operating revenues:			
Regulated operations:			
Electric	**$ 376,579**	$ 349,039	$ 331,538
Natural gas distribution	**1,273,249**	971,364	847,651
Pipeline	**85,931**	69,940	69,957
	1,735,759	1,390,343	1,249,146
Non-regulated operations:			
Pipeline	**10,636**	12,918	15,389
Construction materials and contracting	**2,533,713**	2,228,306	2,177,585
Construction services	**2,693,756**	2,049,082	2,090,685
Other	**—**	84	(55)
	5,238,105	4,290,390	4,283,604
Total external operating revenues	**$ 6,973,864**	$ 5,680,733	$ 5,532,750

	2022	2021	2020
		(In thousands)	
Intersegment operating revenues:			
Regulated operations:			
Electric	$ 494	$ 543	$ 491
Natural gas distribution	555	576	534
Pipeline	58,368	58,989	57,977
	59,417	60,108	59,002
Non-regulated operations:			
Pipeline	644	689	554
Construction materials and contracting	1,016	624	417
Construction services	5,494	2,555	5,038
Other	17,605	13,630	11,958
	24,759	17,498	17,967
Total Intersegment operating revenues	$ 84,176	$ 77,606	$ 76,969
Depreciation, depletion and amortization:			
Electric	$ 67,802	$ 66,750	$ 62,998
Natural gas distribution	89,466	86,065	84,580
Pipeline	26,857	20,569	21,669
Construction materials and contracting	117,798	100,974	89,626
Construction services	21,468	20,270	23,523
Other	4,435	4,586	2,704
Total depreciation, depletion and amortization	$ 327,826	$ 299,214	$ 285,100
Operating income (loss):			
Electric	$ 79,655	$ 66,335	$ 63,434
Natural gas distribution	91,889	89,173	73,082
Pipeline	55,466	48,078	49,436
Construction materials and contracting	194,295	191,077	214,498
Construction services	164,644	145,754	147,644
Other	(11,996)	(6,198)	(3,169)
Total operating income	$ 573,953	$ 534,219	$ 544,925
Interest expense:			
Electric	$ 28,526	$ 26,712	$ 26,699
Natural gas distribution	42,126	37,265	36,798
Pipeline	11,318	7,010	7,622
Construction materials and contracting	30,121	19,218	20,577
Construction services	6,354	3,540	4,095
Other	1,465	342	883
Intersegment eliminations	(637)	(103)	(155)
Total interest expense	$ 119,273	$ 93,984	$ 96,519
Income tax expense (benefit):			
Electric	$ (5,420)	$ (7,626)	$ (11,636)
Natural gas distribution	7,805	8,366	5,746
Pipeline	10,212	9,594	7,650
Construction materials and contracting	42,601	43,459	47,431
Construction services	40,788	35,426	35,797
Other	(1,203)	(299)	(398)
Total income tax expense	$ 94,783	$ 88,920	$ 84,590

	2022	2021	2020
		(In thousands)	
Net income (loss):			
Regulated operations:			
Electric	**$ 57,077**	$ 51,906	$ 55,601
Natural gas distribution	**45,171**	51,596	44,049
Pipeline	**35,357**	39,583	35,453
	137,605	143,085	135,103
Non-regulated operations:			
Pipeline	**(69)**	1,313	1,559
Construction materials and contracting	**116,220**	129,755	147,325
Construction services	**124,781**	109,402	109,721
Other	**(11,261)**	(5,824)	(3,181)
	229,671	234,646	255,424
Income from continuing operations	**367,276**	377,731	390,527
Discontinued operations, net of tax	**213**	400	(322)
Net income	**$ 367,489**	$ 378,131	$ 390,205
Capital expenditures:			
Electric	**$ 133,970**	$ 82,427	$ 114,676
Natural gas distribution	**240,064**	170,411	193,048
Pipeline	**61,923**	234,803	62,224
Construction materials and contracting	**181,917**	417,524	191,635
Construction services	**36,413**	29,140	83,651
Other	**2,272**	1,501	3,045
Total capital expenditures (a)	**$ 656,559**	$ 935,806	$ 648,279
Assets:			
Electric (b)	**$ 1,856,258**	$ 1,810,695	$ 2,123,693
Natural gas distribution (b)	**3,214,452**	2,929,519	2,302,770
Pipeline	**961,893**	913,945	703,377
Construction materials and contracting	**2,268,970**	2,161,653	1,798,493
Construction services	**1,126,323**	845,262	818,662
Other (c)	**232,885**	249,361	306,377
Total assets	**$ 9,660,781**	$ 8,910,435	$ 8,053,372
Property, plant and equipment:			
Electric (b)	**$ 2,276,613**	$ 2,295,646	$ 2,323,403
Natural gas distribution (b)	**3,208,060**	3,015,164	2,868,853
Pipeline	**1,108,141**	1,051,868	821,697
Construction materials and contracting	**2,489,408**	2,347,696	2,028,476
Construction services	**245,111**	225,758	220,796
Other	**36,705**	36,717	37,545
Less accumulated depreciation, depletion and amortization	**3,272,493**	3,216,461	3,133,831
Net property, plant and equipment	**$ 6,091,545**	$ 5,756,388	$ 5,166,939

(a) Capital expenditures for 2022, 2021 and 2020 include noncash transactions such as capital expenditure-related accounts payable, the issuance of the Company's equity securities in connection with an acquisition, AFUDC and accrual of holdback payments in connection with acquisitions totaling $1.7 million, $38.7 million and $(15.7) million, respectively.
(b) Includes allocations of common utility property.
(c) Includes assets not directly assignable to a business (i.e. cash and cash equivalents, certain accounts receivable, certain investments and other miscellaneous current and deferred assets).

A reconciliation of reportable segment operating revenues and assets to consolidated operating revenues and assets is as follows:

	2022	2021	2020
		(In thousands)	
Operating revenues reconciliation:			
Total reportable segment operating revenues	$ **7,040,435**	$ 5,744,625	$ 5,597,816
Other revenue	**17,605**	13,714	11,903
Elimination of intersegment operating revenues	**(84,176)**	(77,606)	(76,969)
Total consolidated operating revenues	$ **6,973,864**	$ 5,680,733	$ 5,532,750
Asset reconciliation:			
Total reportable segment assets	$ **9,491,679**	$ 8,717,563	$ 7,816,848
Other assets	**1,353,614**	1,184,956	947,740
Elimination of intersegment receivables	**(1,184,512)**	(992,084)	(711,216)
Total consolidated assets	$ **9,660,781**	$ 8,910,435	$ 8,053,372

Note 18 - Employee Benefit Plans

Pension and other postretirement benefit plans

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

Prior to 2013, defined benefit pension plan benefits and accruals for all nonunion and certain union plans were frozen and on June 30, 2015, the remaining union plan was frozen. These employees were eligible to receive additional defined contribution plan benefits.

Effective January 1, 2010, eligibility to receive retiree medical benefits was modified at certain of the Company's businesses. Employees who had attained age 55 with 10 years of continuous service by December 31, 2010, were provided the option to choose between a pre-65 comprehensive medical plan coupled with a Medicare supplement or a specified company funded Retiree Reimbursement Account, regardless of when they retire. All other eligible employees must meet the new eligibility criteria of age 60 and 10 years of continuous service at the time they retire to be eligible for a specified company funded Retiree Reimbursement Account. Employees hired after December 31, 2009, will not be eligible for retiree medical benefits at certain of the Company's businesses.

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

Changes in benefit obligation and plan assets and amounts recognized in the Consolidated Balance Sheets at December 31 were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2022	2021	**2022**	2021
Change in benefit obligation:	(In thousands)			
Benefit obligation at beginning of year	**$ 411,497**	$ 437,360	**$ 73,460**	$ 86,155
Service cost	**—**	—	**1,416**	1,600
Interest cost	**10,522**	9,819	**1,896**	1,862
Plan participants' contributions	**—**	—	**569**	641
Actuarial gain	**(85,303)**	(12,140)	**(18,401)**	(12,802)
Benefits paid	**(24,672)**	(23,542)	**(4,009)**	(3,996)
Benefit obligation at end of year	**312,044**	411,497	**54,931**	73,460
Change in net plan assets:				
Fair value of plan assets at beginning of year	**373,109**	383,834	**100,158**	101,639
Actual return on plan assets	**(77,975)**	12,817	**(20,893)**	1,398
Employer contribution	**—**	—	**501**	476
Plan participants' contributions	**—**	—	**569**	641
Benefits paid	**(24,672)**	(23,542)	**(4,009)**	(3,996)
Fair value of net plan assets at end of year	**270,462**	373,109	**76,326**	100,158
Funded status - (under) over	**$ (41,582)**	$ (38,388)	**$ 21,395**	$ 26,698
Amounts recognized in the Consolidated Balance Sheets at December 31:				
Noncurrent assets - other	**$ —**	$ —	**$ 36,325**	$ 45,863
Other accrued liabilities	**—**	—	**1,044**	544
Noncurrent liabilities - other	**41,582**	38,388	**13,886**	18,621
Benefit obligation (liabilities) assets - net amount recognized	**$ (41,582)**	$ (38,388)	**$ 21,395**	$ 26,698
Amounts recognized in accumulated other comprehensive loss:				
Actuarial loss (gain)	**$ 32,378**	$ 25,976	**$ (2,923)**	$ 2,367
Prior service credit	**—**	—	**(289)**	(290)
Total	**$ 32,378**	$ 25,976	**$ (3,212)**	$ 2,077
Amounts recognized in regulatory assets or liabilities:				
Actuarial loss (gain)	**$ 141,207**	$ 142,166	**$ (1,439)**	$ (14,727)
Prior service credit	**—**	—	**(3,796)**	(5,193)
Total	**$ 141,207**	$ 142,166	**$ (5,235)**	$ (19,920)

Employer contributions and benefits paid in the preceding table include only those amounts contributed directly to, or paid directly from, plan assets. Amounts related to regulated operations are recorded as regulatory assets or liabilities and are expected to be reflected in rates charged to customers over time. For more information on regulatory assets and liabilities, see Note 6.

In 2022 and 2021, the actuarial gain recognized in the benefit obligation was primarily the result of an increase in the discount rate. For more information on the discount rates, see the table below. Unrecognized pension actuarial gains and 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:

	2022	2021
	(In thousands)	
Projected benefit obligation	**$ 312,044**	$ 411,497
Accumulated benefit obligation	**$ 312,044**	$ 411,497
Fair value of plan assets	**$ 270,462**	$ 373,109

The components of net periodic benefit cost (credit), other than the service cost component, are included in other income on the Consolidated Statements of Income. Prior service credit is amortized on a straight-line basis over the average remaining service period of active participants. These components related to the Company's pension and other postretirement benefit plans for the years ended December 31 were as follows:

	Pension Benefits			Other Postretirement Benefits		
	2022	2021	2020	**2022**	2021	2020
Components of net periodic benefit credit:			(In thousands)			
Service cost	**$ —**	$ —	$ —	**$ 1,416**	$ 1,600	$ 1,532
Interest cost	**10,522**	9,819	12,093	**1,896**	1,862	2,437
Expected return on assets	**(19,455)**	(19,576)	(19,949)	**(5,288)**	(5,098)	(5,019)
Amortization of prior service credit	**—**	—	—	**(1,398)**	(1,398)	(1,398)
Recognized net actuarial loss (gain)	**6,683**	8,017	7,172	**(219)**	24	287
Net periodic benefit credit, including amount capitalized	**(2,250)**	(1,740)	(684)	**(3,593)**	(3,010)	(2,161)
Less amount capitalized	**—**	—	—	**175**	150	156
Net periodic benefit cost credit	**(2,250)**	(1,740)	(684)	**(3,768)**	(3,160)	(2,317)
Other changes in plan assets and benefit obligations recognized in accumulated comprehensive loss:						
Net (gain) loss	**2,369**	(265)	934	**(4,141)**	(2,811)	(259)
Amortization of actuarial loss	**(1,310)**	(1,286)	(1,155)	**(281)**	(135)	(306)
Amortization of prior service credit	**—**	—	—	**125**	100	101
Reclassification of postretirement liability adjustment from regulatory asset	**5,343**	—	—	**(992)**	—	—
Total recognized in accumulated other comprehensive loss	**6,402**	(1,551)	(221)	**(5,289)**	(2,846)	(464)
Other changes in plan assets and benefit obligations recognized in regulatory assets or liabilities:						
Net (gain) loss	**9,757**	(5,116)	4,546	**11,920**	(6,292)	(3,793)
Amortization of actuarial gain (loss)	**(5,373)**	(6,731)	(6,017)	**500**	110	19
Amortization of prior service credit	**—**	—	—	**1,273**	1,298	1,297
Reclassification of postretirement liability adjustment from regulatory asset	**(5,343)**	—	—	**992**	—	—
Total recognized in regulatory assets or liabilities	**(959)**	(11,847)	(1,471)	**14,685**	(4,884)	(2,477)
Total recognized in net periodic benefit credit, accumulated other comprehensive loss and regulatory assets or liabilities	**$ 3,193**	$ (15,138)	$ (2,376)	**$ 5,628**	$ (10,890)	$ (5,258)

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

	Pension Benefits		Other Postretirement Benefits	
	2022	2021	**2022**	2021
Discount rate	**5.06 %**	2.64 %	**5.07 %**	2.66 %
Expected return on plan assets	**6.50 %**	6.00 %	**6.00 %**	5.50 %
Rate of compensation increase	**N/A**	N/A	**3.00 %**	3.00 %

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

	Pension Benefits		Other Postretirement Benefits	
	2022	2021	**2022**	2021
Discount rate	**2.64 %**	2.30 %	**2.66 %**	2.30 %
Expected return on plan assets	**6.00 %**	6.00 %	**5.50 %**	5.50 %
Rate of compensation increase	**N/A**	N/A	**3.00 %**	3.00 %

The expected rate of return on pension plan assets is based on a targeted asset allocation range determined by the funded ratio of the plan. As of December 31, 2022, 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 10 percent to 20 percent equity securities and 80 percent to 90 percent fixed-income securities and the expected rate of return from these asset categories. The expected return on plan assets for other postretirement benefits reflects insurance-related investment costs.

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

	2022	2021
Health care trend rate assumed for next year	**7.5 %**	7.0 %
Health care cost trend rate - ultimate	**4.5 %**	4.5 %
Year in which ultimate trend rate achieved	**2033**	2031

The Company's other postretirement benefit plans include health care and life insurance benefits for certain retirees. The plans underlying these benefits may require contributions by the retiree depending on such retiree's age and years of service at retirement or the date of retirement. The Company contributes a flat dollar amount to the monthly premiums which is updated annually on January 1.

The Company does not expect to contribute to its defined benefit pension plans in 2023 due to an additional $20.0 million contributed to the plans in 2019 creating prefunding credits to be used in future years. The Company expects to contribute approximately $595,000 to its postretirement benefit plans in 2023.

The following benefit payments, which reflect future service, as appropriate, and expected Medicare Part D subsidies at December 31, 2022, are as follows:

Years	Pension Benefits	Other Postretirement Benefits	Expected Medicare Part D Subsidy
		(In thousands)	
2023	$ 24,936	$ 4,275	$ 62
2024	24,882	4,371	53
2025	24,749	4,456	46
2026	24,605	4,509	39
2027	24,387	4,523	31
2028-2032	114,850	16,917	93

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

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

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

The estimated fair value of the pension plans' Level 1 and Level 2 equity securities are based on the closing price reported on the active market on which the individual securities are traded or other known sources including pricing from outside sources. The estimated fair value of the pension plans' Level 1 and Level 2 collective and mutual funds are based on the net asset value of shares held at year end, based on either published market quotations on active markets or other known sources including pricing from outside sources. The estimated fair value of the pension plans' Level 2 corporate and municipal bonds is determined using other observable inputs, including benchmark yields, reported trades, broker/dealer quotes, bids, offers, future cash flows and other reference data. The estimated fair value of the pension plans' Level 1 U.S. Government securities are valued based on quoted prices on an active market. The estimated fair value of the pension plans' Level 2 U.S. Government securities are valued mainly using other observable inputs, including benchmark yields, reported trades, broker/dealer quotes, bids, offers, to be announced prices, future cash flows and other reference data. The estimated fair value of the pension plans' Level 2 pooled separate accounts are determined using observable inputs in active markets or the net asset value of shares held at year end, or other observable inputs. Some of these securities are valued using pricing from outside sources.

All investments measured at net asset value in the tables that follow are invested in commingled funds, separate accounts or common collective trusts which do not have publicly quoted prices. The fair value of the commingled funds, separate accounts and common collective trusts are determined based on the net asset value of the underlying investments. The fair value of the underlying investments held by the commingled funds, separate accounts and common collective trusts is generally based on quoted prices in active markets.

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

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

	Fair Value Measurements at December 31, 2022, 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, 2022
	(In thousands)			
Assets:				
Cash equivalents	$ —	$ 8,170	$ —	$ 8,170
Equity securities:				
U.S. companies	7,388	—	—	7,388
International companies	—	467	—	467
Collective and mutual funds (a)	121,072	33,371	—	154,443
Corporate bonds	—	81,363	—	81,363
Municipal bonds	—	5,904	—	5,904
U.S. Government securities	3,044	880	—	3,924
Pooled separate accounts (b)	—	3,241	—	3,241
Investments measured at net asset value (c)	—	—	—	5,562
Total assets measured at fair value	$ 131,504	$ 133,396	$ —	$ 270,462

(a) Collective and mutual funds invest approximately 29 percent in corporate bonds, 24 percent in common stock of large-cap U.S. companies, 16 percent in common stock of international companies, 7 percent cash and cash equivalents, 7 percent in U.S. Government securities and 17 percent in other investments.
(b) Pooled separate accounts are invested 100 percent in cash and cash equivalents.
(c) In accordance with ASC 820 - *Fair Value Measurements,* certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Consolidated Balance Sheets.

	Fair Value Measurements at December 31, 2021, 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, 2021
	(In thousands)			
Assets:				
Cash equivalents	$ —	$ 4,637	$ —	$ 4,637
Equity securities:				
U.S. companies	7,483	—	—	7,483
International companies	—	1,279	—	1,279
Collective and mutual funds (a)	167,093	41,383	—	208,476
Corporate bonds	—	125,167	—	125,167
Municipal bonds	—	7,507	—	7,507
U.S. Government securities	7,113	1,902	—	9,015
Pooled separate accounts (b)	—	3,088	—	3,088
Investments measured at net asset value (c)	—	—	—	6,457
Total assets measured at fair value	$ 181,689	$ 184,963	$ —	$ 373,109

(a) Collective and mutual funds invest approximately 37 percent in corporate bonds, 19 percent in common stock of international companies, 16 percent in common stock of large-cap U.S. companies, 9 percent in U.S. Government securities and 19 percent in other investments.
(b) Pooled separate accounts are invested 100 percent in cash and cash equivalents.
(c) In accordance with ASC 820 - *Fair Value Measurements,* certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Consolidated Balance Sheets.

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

The estimated fair value of the other postretirement benefit plans' Level 2 cash equivalents is valued at the net asset value of shares held at year end, based on published market quotations on active markets, or using other known sources including pricing from outside sources. The estimated fair value of the other postretirement benefit plans' Level 1 and Level 2 equity securities is based on the closing price reported on the active market on which the individual securities are traded or other known sources including pricing from outside sources. The estimated fair value of the other postretirement benefit plans' Level 2 insurance contract is based on contractual cash surrender values that are determined primarily by investments in managed separate accounts of the insurer. These amounts approximate fair value. The managed separate accounts are valued based on other observable inputs or corroborated market data.

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

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

	Fair Value Measurements at December 31, 2022, 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, 2022
	(In thousands)			
Assets:				
Cash equivalents	$ —	$ 4,196	$ —	$ 4,196
Equity securities:				
U.S. companies	2,572	—	—	2,572
Collective and mutual funds (a)	5	5	—	10
Insurance contract (b)	—	69,548	—	69,548
Total assets measured at fair value	$ 2,577	$ 73,749	$ —	$ 76,326

(a) Collective and mutual funds invest approximately 29 percent in corporate bonds, 24 percent in common stock of large-cap U.S. companies,16 percent in common stock of international companies, 7 percent in cash and cash equivalents,7 percent in U.S. Government securities and 17 percent in other investments.
(b) The insurance contract invests approximately 69 percent in corporate bonds, 13 percent in U.S. Government securities, 14 percent in common stock of large-cap U.S. companies and 4 percent in common stock of small-cap U.S. companies.

	Fair Value Measurements at December 31, 2021, 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, 2021
	(In thousands)			
Assets:				
Cash equivalents	$ —	$ 4,281	$ —	$ 4,281
Equity securities:				
U.S. companies	2,332	—	—	2,332
International companies	—	1	—	1
Collective and mutual funds (a)	4	90	—	94
Insurance contract (b)	—	93,447	—	93,447
Investments measured at net asset value (c)	—	—	—	3
Total assets measured at fair value	$ 2,336	$ 97,819	$ —	$ 100,158

(a) Collective and mutual funds invest approximately 37 percent in corporate bonds, 19 percent in common stock of international companies, 16 percent in common stock of large-cap U.S. companies, 9 percent in U.S. Government securities and 19 percent in other investments.
(b) The insurance contract invests approximately 58 percent in corporate bonds, 13 percent in common stock of large-cap U.S. companies, 13 percent in U.S. Government securities, 5 percent in common stock of small-cap U.S. companies and 11 percent in other investments.
(c) In accordance with ASC 820 - *Fair Value Measurements,* certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Consolidated Balance Sheets.

Nonqualified benefit plans

In addition to the qualified defined benefit pension plans reflected in the table at the beginning of this note, the Company also has unfunded, nonqualified defined benefit plans for executive officers and certain key management employees that generally provide for defined benefit payments at age 65 following the employee's retirement or, upon death, to their beneficiaries for a 15-year period. In February 2016, the Company froze the unfunded, nonqualified defined benefit plans to new participants and eliminated benefit increases. Vesting for participants not fully vested was retained.

The projected benefit obligation and accumulated benefit obligation for these plans at December 31 were as follows:

	2022	2021
	(In thousands)	
Projected benefit obligation	**$ 74,730**	$ 92,918
Accumulated benefit obligation	**$ 74,730**	$ 92,918

The components of net periodic benefit cost are included in other income on the Consolidated Statements of Income. These components related to the Company's nonqualified defined benefit plans for the years ended December 31 were as follows:

	2022	2021	2020
		(In thousands)	
Components of net periodic benefit cost:			
Service cost	**$ —**	$ —	$ 58
Interest cost	**2,142**	1,912	2,606
Recognized net actuarial loss	**950**	1,164	1,192
Net periodic benefit cost	**$ 3,092**	$ 3,076	$ 3,856

Weighted average assumptions used at December 31 were as follows:

	2022	2021
Benefit obligation discount rate	**4.97 %**	2.39 %
Benefit obligation rate of compensation increase	**N/A**	N/A
Net periodic benefit cost discount rate	**2.39 %**	1.97 %
Net periodic benefit cost rate of compensation increase	**N/A**	N/A

The amount of future benefit payments for the unfunded, nonqualified defined benefit plans at December 31, 2022, are expected to aggregate as follows:

	2023	2024	2025	2026	2027	2028-2032
			(In thousands)			
Nonqualified benefits	$ 6,651	$ 7,183	$ 7,430	$ 7,537	$ 7,420	$ 29,930

In 2012, the Company established a nonqualified defined contribution plan for certain key management employees. In 2020, the plan was frozen to new participants and no new Company contributions will be made to the plan after December 31, 2020. Vesting for participants not fully vested was retained. A new nonqualified defined contribution plan was adopted in 2020, effective January 1, 2021, to replace the plan originally established in 2012 with similar provisions. Expenses incurred under these plans for 2022, 2021 and 2020 were $3.3 million, $2.4 million and $1.8 million, respectively.

The amount of investments that the Company anticipates using to satisfy obligations under these plans at December 31 was as follows:

	2022	2021
	(In thousands)	
Investments		
Insurance contracts*	**$ 98,041**	$ 109,603
Life insurance**	**38,448**	38,356
Other	**7,361**	10,190
Total investments	**$ 143,850**	$ 158,149

* For more information on the insurance contracts, see Note 8.
** Investments of life insurance are carried on plan participants (payable upon the employee's death).

Defined contribution plans

The Company sponsors a defined contribution plan for eligible employees and the costs incurred under this plan were $46.4 million in 2022, $45.4 million in 2021 and $50.1 million in 2020.

Multiemployer plans

The Company contributes to a number of MEPPs under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the MEPP by one employer may be used to provide benefits to employees of other participating employers
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers
- If the Company chooses to stop participating in some of its MEPPs, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability

The Company's participation in these plans is outlined in the following table. Unless otherwise noted, the most recent Pension Protection Act zone status available in 2022 and 2021 is for the plan's year-end at December 31, 2021, and December 31, 2020, respectively. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are between 65 percent and 80 percent funded, and plans in the green zone are at least 80 percent funded.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Contributions			Surcharge Imposed	Expiration Date of Collective Bargaining Agreement	
		2022	2021		**2022**	2021	2020			
					(In thousands)					
Edison Pension Plan	936061681-001	**Green**	Green	No	**$ 18,750**	$ 18,331	$ 16,121	No	12/31/2023	
IBEW Local 212 Pension Trust	316127280-001	**Green as of 4/30/2021**	Green as of 4/30/2021	No	**1,622**	1,733	1,521	No	6/1/2025	
IBEW Local 357 Pension Plan A	886023284-001	**Green**	Green	No	**12,876**	6,485	9,913	No	5/31/2024	
IBEW Local 82 Pension Plan	316127268-001	**Green as of 6/30/2022**	Green as of 6/30/2021	No	**1,854**	1,353	1,373	No	12/3/2023	
IBEW Local 648 Pension Plan	316134845-001	**Yellow as of 2/28/2022**	Yellow as of 02/28/2021	Implemented	**915**	706	526	No	9/1/2024	
IBEW Local 683 Pension Fund Pension Plan	341442087-001	**Green**	Green	No	**3,362**	1,238	1,240	No	5/26/2024	
Idaho Plumbers and Pipefitters Pension Plan	826010346-001	**Green as of 5/31/2022**	Green as of 5/31/2021	No	**1,613**	1,528	1,370	No	3/31/2023	
National Electrical Benefit Fund	530181657-001	**Green**	Green	No	**18,060**	14,361	14,484	No	5/31/2022-5/31/2027	*
Pension and Retirement Plan of Plumbers and Pipefitters Local 525	886003864-001	**Green as of 6/30/2022**	Green as of 6/30/2021	No	**6,304**	4,345	6,266	No	9/30/2024	
Pension Trust Fund for Operating Engineers	946090764-001	**Yellow**	Yellow	Implemented	**2,484**	2,495	2,680	No	3/31/2023-6/15/2026	
Sheet Metal Workers Pension Plan of Southern CA, AZ, and NV	956052257-001	**Green**	Yellow	Implemented	**3,400**	2,615	3,255	No	6/30/2024	
Western Conference of Teamsters Pension Plan	916145047-001	**Green**	Green	No	**3,127**	3,006	3,025	No	12/31/2023-12/31/2025	
Other funds					**26,909**	24,192	23,670			
Total contributions					**$ 101,276**	$ 82,388	$ 85,444			

* Plan includes contributions required by collective bargaining agreements which have expired but contain provisions automatically renewing their terms in the absence of a subsequent negotiated agreement.

The Company was listed in the plans' Forms 5500 as providing more than 5 percent of the total contributions for the following plans and plan years:

Pension Fund	Year Contributions to Plan Exceeded More Than 5 Percent of Total Contributions (as of December 31 of the Plan's Year-End)
Edison Pension Plan	2021 and 2020
IBEW Local 82 Pension Plan	2021 and 2020
IBEW Local 124 Pension Trust Fund	2021 and 2020
IBEW Local 212 Pension Trust Fund	2021 and 2020
IBEW Local 357 Pension Plan A	2021 and 2020
IBEW Local 648 Pension Plan	2021 and 2020
IBEW Local 683 Pension Fund Pension Plan	2021 and 2020
IBEW Local Union No 226 Open End Pension Fund	2020
Idaho Plumbers and Pipefitters Pension Plan	2021 and 2020
International Union of Operating Engineers Local 701 Pension Trust Fund	2021 and 2020
Minnesota Teamsters Construction Division Pension Fund	2021 and 2020
Pension and Retirement Plan of Plumbers and Pipefitters Local 525	2021 and 2020
Southwest Marine Pension Trust	2021 and 2020

The Company also contributes to a number of multiemployer other postretirement plans under the terms of collective-bargaining agreements that cover its union-represented employees. These plans provide benefits such as health insurance, disability insurance and life insurance to retired union employees. Many of the multiemployer other postretirement plans are combined with active multiemployer health and welfare plans. The Company's total contributions to its multiemployer other postretirement plans, which also includes contributions to active multiemployer health and welfare plans, were $81.0 million, $66.1 million and $63.8 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Amounts contributed in 2022, 2021 and 2020 to defined contribution multiemployer plans were $67.9 million, $54.8 million and $54.2 million, respectively.

Note 19 - Jointly Owned Facilities

The consolidated financial statements include the Company's ownership interests in three coal-fired electric generating facilities (Big Stone Station, Coyote Station and Wygen III) and one major transmission line (BSSE). Each owner of the jointly owned facilities is responsible for financing its investment. The Company's share of the jointly owned facilities operating expenses was reflected in the appropriate categories of operating expenses (electric fuel and purchased power; operation and maintenance; and taxes, other than income) in the Consolidated Statements of Income.

At December 31, the Company's share of the cost of utility plant in service, construction work in progress and related accumulated depreciation for the jointly owned facilities was as follows:

	Ownership Percentage	2022	2021
		(In thousands)	
Big Stone Station:	22.7 %		
Utility plant in service		**$ 157,699**	$ 157,259
Construction work in progress		**231**	571
Less accumulated depreciation		**48,590**	47,293
		$ 109,340	$ 110,537
BSSE:	50.0 %		
Utility plant in service		**$ 107,260**	$ 107,424
Construction work in progress		**—**	—
Less accumulated depreciation		**6,182**	4,506
		$ 101,078	$ 102,918
Coyote Station:	25.0 %		
Utility plant in service		**$ 158,274**	$ 157,764
Construction work in progress		**1,807**	784
Less accumulated depreciation		**111,203**	109,202
		$ 48,878	$ 49,346
Wygen III:	25.0 %		
Utility plant in service		**$ 66,238**	$ 66,357
Construction work in progress		**273**	108
Less accumulated depreciation		**12,477**	11,383
		$ 54,034	$ 55,082

Note 20 - Regulatory Matters

The Company regularly reviews the need for electric and natural gas rate changes in each of the jurisdictions in which service is provided. The Company files for rate adjustments to seek recovery of operating costs and capital investments, as well as reasonable returns as allowed by regulators. Certain regulatory proceedings and cases may also contain recurring mechanisms that can have an annual true-up. Examples of these recurring mechanisms include: infrastructure riders, transmission trackers, renewable resource cost adjustment riders, as well as weather normalization and decoupling mechanisms. The following paragraphs summarize the Company's significant open regulatory proceedings and cases by jurisdiction. The Company is unable to predict the ultimate outcome of these matters, the timing of final decisions of the various regulators and courts, or the effect on the Company's results of operations, financial position or cash flows.

IPUC

Intermountain filed a request with the IPUC for a natural gas general rate increase on December 1, 2022. The request is for an increase of $11.3 million annually or 3.2 percent above current rates. The requested increase is primarily to recover investments made since the last rate case in 2016 and the depreciation, operation and maintenance expenses and taxes associated with the increased investments. The IPUC has up to seven months to issue a decision on the request, which is currently pending.

Intermountain defers the difference between the actual cost of gas spent to serve customers and the amount approved to be recovered from customers and annually prepares a true-up pursuant to the purchased gas adjustment tariff. On December 27, 2022, Intermountain filed an application with the IPUC for an out-of-cycle cost of gas adjustment requesting an increase in rates of approximately $56.5 million annually or approximately 17.1 percent above current rates. The primary reason for the requested increase was to mitigate the under-collection balance due to the significant increase in the commodity price for natural gas. On January 30, 2023, the request was approved with rates effective February 1, 2023.

MNPUC

Great Plains defers the difference between the actual cost of gas spent to serve customers and that recovered from customers on a monthly basis. Annually, Great Plains prepares a true-up pursuant to the purchased gas adjustment tariff. On August 30, 2021, the MNPUC issued an order to allow Great Plains recovery of an out-of-cycle cost of gas adjustment of $8.8 million over a period of 27 months. The order was effective September 1, 2021, and was subject to a prudence review by the MNPUC. The requested increase was for the February 2021 extreme cold weather, primarily in the central United States, and market conditions surrounding the natural gas commodity market. On October 19, 2022, the MNPUC issued a final order disallowing $845,000 of the gas costs. These costs, which were deferred as a regulatory asset in natural gas costs recoverable through rate adjustments, were then recorded to expense as they were no longer recoverable from customers. On November 8, 2022, Great Plains filed a request for reconsideration, which was denied by the MNPUC on January 6, 2023.

On June 1, 2022, Great Plains filed an application with the MNPUC for a decrease in its depreciation and amortization rates of approximately $1.2 million annually or a decrease from a combined rate of 4.5 percent to 2.8 percent. Great Plains requested the rates be retroactive to January 1, 2022. On November 8, 2022, the MNPUC approved a decrease of $1.0 million annually with rates retroactive to January 1, 2022.

MTPSC

On November 4, 2022, Montana-Dakota filed an application with the MTPSC for an electric general rate increase of approximately $10.5 million annually or 15.2 percent above current rates. The requested increase is primarily to recover investments made since the last rate case, including the Heskett 4 gas turbine, increases in operation and maintenance expenses, and increases in property taxes. On January 24, 2023, the MTPSC approved Montana-Dakota's request for an interim increase of approximately $1.7 million or 2.7 percent above current rates, subject to refund, effective February 1, 2023. The MTPSC has 9 months to render a final decision on the rate case. The matter is pending before the MTPSC with a hearing scheduled for June 20, 2023.

NDPSC

On May 16, 2022, Montana-Dakota filed an application with the NDPSC for an electric general rate increase of approximately $25.4 million annually or 12.3 percent above current rates. The requested increase is primarily to recover investments in production, transmission and distribution facilities and the associated depreciation, operation and maintenance expenses and taxes associated with the increased investment. On July 14, 2022, the NDPSC approved an interim rate increase of approximately $10.9 million annually or 5.3 percent above current rates, subject to refund, for service rendered on and after July 15, 2022. The lower interim rate increase is largely due to excluding the recovery of Heskett Unit 4, which is expected to be in service in the summer of 2023. The matter is pending before the NDPSC with a hearing scheduled for May 1, 2023.

Montana-Dakota has a renewable resource cost adjustment rate tariff that allows for annual adjustments for recent projected capital costs and related expenses for projects determined to be recoverable under the tariff. On November 1, 2022, Montana-Dakota filed an annual update to its renewable resource cost adjustment requesting to recover a revenue requirement of approximately $17.9 million annually, which was revised to $17.0 million annually on January 31, 2023. The update reflects a decrease of approximately $1.0 million from the revenues currently included in rates. On February 22, 2023, this matter was approved by the NDPSC with rates effective March 1, 2023.

WUTC

On March 24, 2022, Cascade filed a request for tariff revision with the WUTC to rectify an inadvertent IRS normalization violation resulting from its tariff established in 2018 that passes back to customers the reversal of plant-related excess deferred income taxes through an annual rate adjustment. This request was made in response to the issuances of an IRS private letter ruling to another Washington utility with the same annual rate adjustment tariff, which addressed its normalization violations. The private letter ruling concluded the tariff to refund excess deferred income taxes without corresponding adjustments for other components of rate base or changes in depreciation or income tax expense, is an impermissible methodology under the IRS normalization and consistency rules. Cascade's request proposes a similar remedy through the tariff to recover the excess amounts refunded to customers while this tariff has been in place, and revises the method going forward to reflect excess deferred income taxes in rates in the same manner as other components of rate base from its most recent general rate case. Cascade requested recovery of the excess refunded to customers of approximately $3.3 million and elimination of the currently deferred but not yet refunded balance. A multi-party settlement was filed with the WUTC on October 21, 2022. On January 23, 2023, the WUTC denied recovery of the excess refunded to customers, but approved the tariff revision going forward to rectify the inadvertent normalization violation. On February 1, 2023, Cascade filed a motion for clarification with the WUTC on the currently deferred but not yet refunded balance.

FERC

On September 1, 2022, Montana-Dakota filed an update to its transmission formula rate under the MISO tariff for its multi-value project and network upgrade charges for $15.4 million, which was effective January 1, 2023.

On January 27, 2023, WBI Energy Transmission filed a general rate case with the FERC for increases in its transportation and storage services rates that also includes a Greenhouse Gas Cost Recovery Mechanism for anticipated future costs. New rates will be in effect no later than August 1, 2023.

Note 21 - Commitments and Contingencies

The Company is party to claims and lawsuits arising out of its business and that of its consolidated subsidiaries, which may include, but are not limited to, matters involving property damage, personal injury, and environmental, contractual, statutory and regulatory obligations. The Company accrues a liability for those contingencies when the incurrence of a loss is probable and the amount can be reasonably estimated. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the minimum of the range is accrued. The Company does not accrue liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated or when the liability is believed to be only reasonably possible or remote. For contingencies where an unfavorable outcome is probable or reasonably possible and which are material, the Company discloses the nature of the contingency and, in some circumstances, an estimate of the possible loss. Accruals are based on the best information available, but in certain situations management is unable to estimate an amount or range of a reasonably possible loss including, but not limited to when: (1) the damages are unsubstantiated or indeterminate, (2) the proceedings are in the early stages, (3) numerous parties are involved, or (4) the matter involves novel or unsettled legal theories.

At December 31, 2022 and 2021, the Company accrued liabilities which have not been discounted of $32.9 million and $37.0 million, respectively. At December 31, 2022 and 2021, the Company also recorded corresponding insurance receivables of $10.4 million and $14.1 million, respectively, and regulatory assets of $20.9 million and $21.2 million, respectively, related to the accrued liabilities. The accruals are for contingencies resulting from litigation and environmental matters. This includes amounts that have been accrued for matters discussed in Environmental matters within this note. The Company will continue to monitor each matter and adjust accruals as might be warranted based on new information and further developments. Management believes that the outcomes with respect to probable and reasonably possible losses in excess of the amounts accrued, net of insurance recoveries, while uncertain, either cannot be estimated or will not have a material effect upon the Company's financial position, results of operations or cash flows. Unless otherwise required by GAAP, legal costs are expensed as they are incurred.

Environmental matters

Portland Harbor Site In December 2000, Knife River - Northwest was named by the EPA as a PRP in connection with the cleanup of the riverbed site adjacent to a commercial property site acquired by Knife River - Northwest from Georgia-Pacific West, Inc. along the Willamette River. The riverbed site is part of the Portland, Oregon, Harbor Superfund Site where the EPA wants responsible parties to share in the costs of cleanup. The EPA entered into a consent order with certain other PRPs referred to as the Lower Willamette Group for a remedial investigation and feasibility study. The Lower Willamette Group has indicated that it has incurred over $115.0 million in investigation related costs. Knife River - Northwest has joined with approximately 100 other PRPs, including the Lower Willamette Group members, in a voluntary process to establish an allocation of costs for the site. Costs to be allocated would include costs incurred by the Lower Willamette Group as well as costs to implement and fund remediation of the site.

In January 2017, the EPA issued a Record of Decision adopting a selected remedy which is expected to take 13 years to complete with a then estimated present value of approximately $1 billion. Corrective action will not be taken until remedial design/remedial action plans are approved by the EPA. In 2020, the EPA encouraged certain PRPs to enter into consent agreements to perform remedial design covering the entire site and proposed dividing the site into multiple subareas for remedial design. Certain PRPs executed consent agreements for remedial design work and certain others were issued unilateral administrative orders to perform design work. Knife River - Northwest is not subject to either a voluntary agreement or unilateral order to perform remedial design work. In February 2021, the EPA announced that 100 percent of the site's area requiring active cleanup is in the remedial design process. Site-wide remediation activities are not expected to commence for a number of years.

Knife River - Northwest was also notified that the Portland Harbor Natural Resource Trustee Council intends to perform an injury assessment to natural resources resulting from the release of hazardous substances at the site. It is not possible to estimate the costs of natural resource damages until an assessment is completed and allocations are undertaken.

At this time, Knife River - Northwest does not believe it is a responsible party and has notified Georgia-Pacific West, Inc., that it intends to seek indemnity for liabilities incurred in relation to the above matters pursuant to the terms of their sale agreement.

The Company believes it is not probable that it will incur any material environmental remediation costs or damages in relation to the above referenced matter.

Manufactured Gas Plant Sites Claims have been made against Cascade for cleanup of environmental contamination at manufactured gas plant sites operated by Cascade's predecessors and a similar claim has been made against Montana-Dakota for a site operated by Montana-Dakota and its predecessors. Any accruals related to these claims are reflected in regulatory assets. For more information, see Note 6.

Demand has been made of Montana-Dakota to participate in investigation and remediation of environmental contamination at a site in Missoula, Montana. The site operated as a former manufactured gas plant from approximately 1907 to 1938 when it was converted to a butane-air plant that operated until 1956. Montana-Dakota or its predecessors owned or controlled the site for a period of the time it operated as a manufactured gas plant and Montana-Dakota operated the butane-air plant from 1940 to 1951, at which time it sold the plant. There are no documented wastes or by-products resulting from the mixing or distribution of butane-air gas. Preliminary assessment of a portion of the site provided a recommended remedial alternative for that portion of approximately $560,000. However, the recommended remediation would not address any potential contamination to adjacent parcels that may be impacted from historic operations of the manufactured gas plant. An environmental assessment was started in 2020, which is estimated to cost approximately $1.8 million. The environmental assessment report is expected to be submitted to the

MTDEQ in 2024. Montana-Dakota and another party agreed to voluntarily investigate and remediate the site and that Montana-Dakota will pay two-thirds of the costs for further investigation and remediation of the site. Montana-Dakota has accrued costs of $725,000 for the remediation and investigation costs, and has incurred costs of $922,000 as of December 31, 2022. Montana-Dakota received notice from a prior insurance carrier that it will participate in payment of defense costs incurred in relation to the claim. On December 9, 2021, Montana Dakota filed an application with the MTPSC for deferred accounting treatment for costs associated with the investigation and remediation of the site. The MTPSC approved the application for deferred accounting treatment as requested on July 26, 2022.

A claim was made against Cascade for contamination at the Bremerton Gasworks Superfund Site in Bremerton, Washington, which was received in 1997. A preliminary investigation has found soil and groundwater at the site contain impacts requiring further investigation and cleanup. The EPA conducted a Targeted Brownfields Assessment of the site and released a report summarizing the results of that assessment in August 2009. The assessment confirmed that impacts have affected soil and groundwater at the site, as well as sediments in the adjacent Port Washington Narrows. In April 2010, the Washington DOE issued notice it considered Cascade a PRP for hazardous substances at the site. In May 2012, the EPA added the site to the National Priorities List of Superfund sites. Cascade entered into an administrative settlement agreement and consent order with the EPA regarding the scope and schedule for a remedial investigation and feasibility study for the site. Current estimates for the cost to complete the remedial investigation and feasibility study are approximately $12.1 million of which $9.9 million has been incurred as of December 31, 2022. Based on the site investigation, preliminary remediation alternative costs were provided by consultants in August 2020. The preliminary information received through the completion of the data report allowed for the projection of possible costs for a variety of site configurations, remedial measures and potential natural resource damage claims of between $13.6 million and $71.0 million. At December 31, 2022, Cascade has accrued $2.2 million for the remedial investigation and feasibility study, as well as $17.5 million for remediation of this site. The accrual for remediation costs will be reviewed and adjusted, if necessary, after the completion of the feasibility study. In April 2010, Cascade filed a petition with the WUTC for authority to defer the costs incurred in relation to the environmental remediation of this site. The WUTC approved the petition in September 2010, subject to conditions set forth in the order.

A claim was made against Cascade for impacts at a site in Bellingham, Washington. Cascade received notice from a party in May 2008 that Cascade may be a PRP, along with other parties, for impacts from a manufactured gas plant owned by Cascade and its predecessor from about 1946 to 1962. Other PRPs reached an agreed order and work plan with the Washington DOE for completion of a remedial investigation and feasibility study for the site. A feasibility study prepared for one of the PRPs in March 2018 identifies five cleanup action alternatives for the site with estimated costs ranging from $8.0 million to $20.4 million with a selected preferred alternative having an estimated total cost of $9.3 million. The other PRPs developed a cleanup action plan and completed public review in 2020. The development of the remediation design is underway, with the Draft Pre-Remedial Design Investigation Data Report submitted to Washington Ecology in early 2023. The remedy construction is expected to occur following the approval of the final design. Cascade believes its proportional share of any liability will be relatively small in comparison to other PRPs. The plant manufactured gas from coal between approximately 1890 and 1946. In 1946, shortly after Cascade's predecessor acquired the plant, the plant converted to a propane-air gas facility. There are no documented wastes or by-products resulting from the mixing or distribution of propane-air gas. Cascade has recorded an accrual for this site for an amount that is not material.

The Company has received notices from and entered into agreements with certain of its insurance carriers that they will participate in the defense for certain contamination claims subject to full and complete reservations of rights and defenses to insurance coverage. To the extent these claims are not covered by insurance, the Company intends to seek recovery of remediation costs through its natural gas rates charged to customers.

Purchase commitments

The Company has entered into various commitments largely consisting of contracts for natural gas and coal supply; purchased power; natural gas transportation and storage; asphalt oil supply; royalties; information technology; and construction materials. Certain of these contracts are subject to variability in volume and price. The commitment terms vary in length, up to 37 years. The commitments under these contracts as of December 31, 2022, were:

	2023	2024	2025	2026	2027	Thereafter
			(In thousands)			
Purchase commitments	$ 712,875	$ 258,074	$ 158,152	$ 103,677	$ 81,619	$ 676,489

These commitments were not reflected in the Company's consolidated financial statements. Amounts purchased under various commitments for the years ended December 31, 2022, 2021 and 2020, were $1.0 billion, $849.3 million and $666.0 million, respectively.

Guarantees

Certain subsidiaries of the Company have outstanding guarantees to third parties that guarantee the performance of other subsidiaries of the Company. These guarantees are related to construction contracts, insurance deductibles and loss limits, and certain other guarantees. At December 31, 2022, the fixed maximum amounts guaranteed under these agreements aggregated $341.8 million. Certain of the guarantees also have no fixed maximum amounts specified. The amounts of scheduled expiration of the maximum amounts guaranteed under these agreements aggregate to $51.3 million in 2023; $148.4 million in 2024; $126.8 million in 2025; $1.3 million in 2026; $800,000 in 2027; $1.7 million thereafter; and $11.5 million, which has no scheduled maturity date. There were no amounts outstanding under the previously mentioned guarantees at December 31, 2022. In the event of default under these guarantee obligations, the subsidiary issuing the guarantee for that particular obligation would be required to make payments under its guarantee.

Certain subsidiaries have outstanding letters of credit to third parties related to insurance policies and other agreements, some of which are guaranteed by other subsidiaries of the Company. At December 31, 2022, the fixed maximum amounts guaranteed under these letters of credit aggregated $30.0 million. The amounts of scheduled expiration of the maximum amounts guaranteed under these letters of credit aggregate to $29.5 million in 2023 and $500,000 in 2024. There were no amounts outstanding under the previously mentioned letters of credit at December 31, 2022. In the event of default under these letter of credit obligations, the subsidiary guaranteeing the letter of credit would be obligated for reimbursement of payments made under the letter of credit.

In addition, Centennial, Knife River and MDU Construction Services have issued guarantees to third parties related to the routine purchase of maintenance items, materials and lease obligations for which no fixed maximum amounts have been specified. These guarantees have no scheduled maturity date. In the event a subsidiary of the Company defaults under these obligations, Centennial, Knife River or MDU Construction Services would be required to make payments under these guarantees. Any amounts outstanding by subsidiaries of the Company were reflected on the Consolidated Balance Sheet at December 31, 2022.

In the normal course of business, Centennial has surety bonds related to construction contracts and reclamation obligations of its subsidiaries. In the event a subsidiary of Centennial does not fulfill a bonded obligation, Centennial would be responsible to the surety bond company for completion of the bonded contract or obligation. A large portion of the surety bonds is expected to expire within the next 12 months; however, Centennial will likely continue to enter into surety bonds for its subsidiaries in the future. At December 31, 2022, approximately $1.3 billion of surety bonds were outstanding, which were not reflected on the Consolidated Balance Sheet.

Variable interest entities

The Company evaluates its arrangements and contracts with other entities to determine if they are VIEs and if so, if the Company is the primary beneficiary.

Fuel Contract Coyote Station entered into a coal supply agreement with Coyote Creek that provides for the purchase of coal necessary to supply the coal requirements of the Coyote Station for the period May 2016 through December 2040. Coal purchased under the coal supply agreement is reflected in inventories on the Consolidated Balance Sheets and is recovered from customers as a component of electric fuel and purchased power.

The coal supply agreement creates a variable interest in Coyote Creek due to the transfer of all operating and economic risk to the Coyote Station owners, as the agreement is structured so that the price of the coal will cover all costs of operations, as well as future reclamation costs. The Coyote Station owners are also providing a guarantee of the value of the assets of Coyote Creek as they would be required to buy the assets at book value should they terminate the contract prior to the end of the contract term and are providing a guarantee of the value of the equity of Coyote Creek in that they are required to buy the entity at the end of the contract term at equity value. Although the Company has determined that Coyote Creek is a VIE, the Company has concluded that it is not the primary beneficiary of Coyote Creek because the authority to direct the activities of the entity is shared by the four unrelated owners of the Coyote Station, with no primary beneficiary existing. As a result, Coyote Creek is not required to be consolidated in the Company's financial statements.

At December 31, 2022, the Company's exposure to loss as a result of the Company's involvement with the VIE, based on the Company's ownership percentage, was $29.5 million.

Note 22 - Subsequent Events

On January 20, 2023, Cascade entered into a $150.0 million term loan agreement with a SOFR-based variable interest rate and a maturity date of January 19, 2024. The agreement contains customary covenants and provisions, including a covenant of Cascade not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent. The covenants also include certain restrictions on the sale of certain assets, loans and investments.

On January 20, 2023, Intermountain entered into a $125.0 million term loan agreement with a SOFR-based variable interest rate and a maturity date of January 19, 2024. The agreement contains customary covenants and provisions, including a covenant of Intermountain not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent. The covenants also include certain restrictions on the sale of certain assets, loans and investments.

Definitions

The following abbreviations and acronyms used in Notes to Consolidated Financial Statements are defined below:

Abbreviation or Acronym	
AFUDC	Allowance for funds used during construction
ASC	FASB Accounting Standards Codification
ASU	FASB Accounting Standards Update
Big Stone Station	475-MW coal-fired electric generating facility near Big Stone City, South Dakota (22.7 percent ownership)
BSSE	345-kilovolt transmission line from Ellendale, North Dakota, to Big Stone City, South Dakota (50 percent ownership)
Btu	British thermal unit
Cascade	Cascade Natural Gas Corporation, an indirect wholly owned subsidiary of MDU Energy Capital
Centennial	Centennial Energy Holdings, Inc., a direct wholly owned subsidiary of the Company
Centennial Capital	Centennial Holdings Capital LLC, a direct wholly owned subsidiary of Centennial
Company	MDU Resources Group, Inc.
Coyote Creek	Coyote Creek Mining Company, LLC, a subsidiary of The North American Coal Corporation
Coyote Station	427-MW coal-fired electric generating facility near Beulah, North Dakota (25 percent ownership)
EBITDA	Earnings before interest, taxes, depreciation, depletion and amortization
EIN	Employer Identification Number
EPA	United States Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Fidelity	Fidelity Exploration & Production Company, a direct wholly owned subsidiary of WBI Holdings (previously referred to as the Company's exploration and production segment)
FIP	Funding improvement plan
GAAP	Accounting principles generally accepted in the United States of America
Great Plains	Great Plains Natural Gas Co., a public utility division of Montana-Dakota
IBEW	International Brotherhood of Electrical Workers
Intermountain	Intermountain Gas Company, an indirect wholly owned subsidiary of MDU Energy Capital
IPUC	Idaho Public Utilities Commission
IRS	Internal Revenue Service
Knife River	Knife River Corporation, a direct wholly owned subsidiary of Centennial
Knife River - Northwest	Knife River Corporation - Northwest, an indirect wholly owned subsidiary of Knife River
K-Plan	Company's 401(k) Retirement Plan
LIBOR	London Inter-bank Offered Rate
MDU Construction Services	MDU Construction Services Group, Inc., a direct wholly owned subsidiary of Centennial
MDU Energy Capital	MDU Energy Capital, LLC, a direct wholly owned subsidiary of the Company
MEPP	Multiemployer pension plan
MISO	Midcontinent Independent System Operator, Inc., the organization that provides open-access transmission services and monitors the high-voltage transmission system in the Midwest United States and Manitoba, Canada and a southern United States region which includes much of Arkansas, Mississippi and Louisiana
MMBtu	Million Btu
MNPUC	Minnesota Public Utilities Commission
Montana-Dakota	Montana-Dakota Utilities Co. a direct wholly owned subsidiary of MDU Energy Capital
MTDEQ	Montana Department of Environmental Quality
MTPSC	Montana Public Service Commission
MW	Megawatt
NDPSC	North Dakota Public Service Commission
PRP	Potentially Responsible Party
RP	Rehabilitation plan
SDPUC	South Dakota Public Utilities Commission
SEC	United States Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended

SOFR	Secured Overnight Financing Rate
VIE	Variable interest entity
Washington DOE	Washington State Department of Ecology
WBI Energy Transmission	WBI Energy Transmission, Inc., an indirect wholly owned subsidiary of WBI Holdings
WBI Holdings	WBI Holdings, Inc., a direct wholly owned subsidiary of Centennial
WUTC	Washington Utilities and Transportation Commission
Wygen III	100-MW coal-fired electric generating facility near Gillette, Wyoming (25 percent ownership)

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

The following information includes the evaluation of disclosure controls and procedures by the Company's chief executive officer and the chief financial officer, along with any significant changes in internal controls of the Company.

Evaluation of Disclosure Controls and Procedures

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. The Company's disclosure controls and other procedures are designed to provide reasonable assurance that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The Company's disclosure controls and other procedures are designed to provide reasonable assurance that information required to be disclosed is accumulated and communicated to management, including the Company's chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure. The Company's management, with the participation of the Company's chief executive officer and chief financial officer, has evaluated the effectiveness of the Company's disclosure controls and other procedures as of the end of the period covered by this report. Based upon that evaluation, the chief executive officer and the chief financial officer have concluded that, as of the end of the period covered by this report, such controls and procedures were effective at a reasonable assurance level.

Changes in Internal Controls

No change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the three months ended December 31, 2022, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting

The information required by this item is included in this Form 10-K at Item 8 - Management's Report on Internal Control Over Financial Reporting.

Attestation Report of the Registered Public Accounting Firm

The information required by this item is included in this Form 10-K at Item 8 - Report of Independent Registered Public Accounting Firm.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None.

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this item will be included in the Company's Proxy Statement, which is incorporated herein by reference.

Item 11. Executive Compensation

Information required by this item will be included in the Company's Proxy Statement, which is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Equity Compensation Plan Information

The following table includes information as of December 31, 2022, with respect to the Company's equity compensation plans:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights		(b) Weighted average exercise price of outstanding options, warrants and rights		(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))	
Equity compensation plans approved by stockholders (1)	754,044	(2)	$ —	(3)	2,635,636	(4)(5)
Equity compensation plans not approved by stockholders	N/A		N/A		N/A	
Total	754,044		$ —		2,635,636	

(1) Consists of the Non-Employee Director Long-Term Incentive Compensation Plan and the Long-Term Performance-Based Incentive Plan.
(2) Consists of restricted stock awards and performance share awards.
(3) No weighted average exercise price is shown for the restricted stock awards or performance share awards because such awards have no exercise price.
(4) This amount includes 2,493,022 shares available for future issuance under the Long-Term Performance-Based Incentive Plan in connection with grants of restricted stock, performance units, performance shares or other equity-based awards.
(5) This amount includes 142,614 shares available for future issuance under the Non-Employee Director Long-Term Incentive Compensation Plan.

The remaining information required by this item will be included in the Company's Proxy Statement, which is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required by this item will be included in the Company's Proxy Statement, which is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Information required by this item about aggregate fees billed to the Company by its principal accountant, Deloitte & Touche LLP (PCAOB ID No. 34), will be included in the Company's Proxy Statement, which is incorporated herein by reference.

Item 15. Exhibits, Financial Statement Schedules

(a) Financial Statements, Financial Statement Schedules and Exhibits

Index to Financial Statements and Financial Statement Schedules

1. Financial Statements

The following consolidated financial statements required under this item are included under Item 8 - Financial Statements and Supplementary Data.	Page
Consolidated Statements of Income for each of the three years in the period ended December 31, 2022	72
Consolidated Statements of Comprehensive Income for each of the three years in the period ended December 31, 2022	73
Consolidated Balance Sheets at December 31, 2022 and 2021	74
Consolidated Statements of Equity for each of the three years in the period ended December 31, 2022	75
Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2022	76
Notes to Consolidated Financial Statements	77

2. Financial Statement Schedules

The following financial statement schedules are included in Part IV of this report.	Page
Schedule I - Condensed Financial Information of Registrant (Unconsolidated)	
Condensed Statements of Income and Comprehensive Income for each of the three years in the period ended December 31, 2022	125
Condensed Balance Sheets at December 31, 2022 and 2021	126
Condensed Statements of Cash Flows for each of the three years in the period ended December 31, 2022	127
Notes to Condensed Financial Statements	127

All other schedules have been omitted because they are not applicable or the required information is included elsewhere in the financial statements or related notes.

3. Exhibits	128

MDU RESOURCES GROUP, INC.
Schedule I - Condensed Financial Information of Registrant (Unconsolidated)
Condensed Statements of Income and Comprehensive Income

Years ended December 31,	2022	2021	2020
		(In thousands)	
Operating revenues	$ —	$ —	$ —
Operating expenses	14,323	—	—
Operating loss	(14,323)	—	—
Other income	—	—	—
Interest expense	—	—	—
Loss before income taxes	(14,323)	—	—
Income taxes	(1,623)	—	—
Equity in earnings of subsidiaries from continuing operations	379,976	377,731	390,527
Income from continuing operations	367,276	377,731	390,527
Equity in earnings (loss) of subsidiaries from discontinued operations	213	400	(322)
Net income	$ 367,489	$ 378,131	$ 390,205
Comprehensive income	$ 377,910	$ 385,205	$ 384,229

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

MDU RESOURCES GROUP, INC.
Schedule I - Condensed Financial Information of Registrant (Unconsolidated)
Condensed Balance Sheets

December 31,	2022	2021
	(In thousands, except shares and per share amounts)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 19,486**	$ 6,159
Receivables, net	**4,410**	6,120
Accounts receivable from subsidiaries	**53,285**	49,696
Prepayments and other current assets	**3,237**	2,528
Total current assets	**80,418**	64,503
Noncurrent assets		
Investments	**50,206**	55,686
Investment in subsidiaries	**3,581,754**	3,368,537
Deferred income taxes	**12,668**	7,364
Operating lease right-of-use assets	**72**	114
Other	**2,068**	26,558
Total noncurrent assets	**3,646,768**	3,458,259
Total assets	**$ 3,727,186**	$ 3,522,762
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	**$ 2,354**	$ 2,546
Accounts payable to subsidiaries	**4,402**	6,133
Taxes payable	**572**	1,672
Dividends payable	**45,246**	44,229
Accrued compensation	**4,312**	4,098
Operating lease liabilities due within one year	**42**	52
Other accrued liabilities	**17,907**	7,309
Total current liabilities	**74,835**	66,039
Noncurrent liabilities:		
Operating lease liabilities	**30**	62
Other	**65,192**	73,787
Total noncurrent liabilities	**65,222**	73,849
Commitments and contingencies		
Stockholders' equity:		
Common stock Authorized - 500,000,000 shares, $1.00 par value Shares issued - 204,162,814 at December 31, 2022 and 203,889,661 at December 31, 2021	**204,163**	203,889
Other paid-in capital	**1,466,037**	1,461,205
Retained earnings	**1,951,138**	1,762,410
Accumulated other comprehensive loss	**(30,583)**	(41,004)
Treasury stock at cost - 538,921 shares	**(3,626)**	(3,626)
Total stockholders' equity	**3,587,129**	3,382,874
Total liabilities and stockholders' equity	**$ 3,727,186**	$ 3,522,762

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

MDU RESOURCES GROUP, INC.
Schedule I - Condensed Financial Information of Registrant (Unconsolidated)
Condensed Statements of Cash Flows

Years ended December 31,	2022	2021	2020
		(In thousands)	
Net cash provided by operating activities	**$ 242,199**	$ 187,297	$ 226,642
Investing activities:			
Investments in and advances to subsidiaries	**(45,000)**	(102,000)	(67,000)
Investments	**(885)**	(391)	(4)
Net cash used in investing activities	**(45,885)**	(102,391)	(67,004)
Financing activities:			
Proceeds from issuance of common stock	**(149)**	88,767	3,385
Dividends paid	**(176,915)**	(171,354)	(166,405)
Repurchase of common stock	**(3,525)**	(2,992)	—
Tax withholding on stock-based compensation	**(2,398)**	(1,949)	(163)
Net cash used in financing activities	**(182,987)**	(87,528)	(163,183)
Increase (decrease) in cash and cash equivalents	**13,327**	(2,622)	(3,545)
Cash and cash equivalents - beginning of year	**6,159**	8,781	12,326
Cash and cash equivalents - end of year	**$ 19,486**	$ 6,159	$ 8,781

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

Notes to Condensed Financial Statements

Note 1 - Summary of Significant Accounting Policies

Basis of presentation The condensed financial information reported in Schedule I is being presented to comply with Rule 12-04 of Regulation S-X. The information is unconsolidated and is presented for the parent company only, MDU Resources Group, Inc. (the Company) as of and for the years ended December 31, 2022, 2021 and 2020. In Schedule I, investments in subsidiaries are presented under the equity method of accounting where the assets and liabilities of the subsidiaries are not consolidated. The investments in net assets of the subsidiaries are recorded on the Condensed Balance Sheets. The income from subsidiaries is reported as equity in earnings of subsidiaries on the Condensed Statements of Income. The material cash inflows on the Condensed Statements of Cash Flows are primarily from the dividends and other payments received from its subsidiaries and the proceeds raised from the issuance of equity securities. The consolidated financial statements of the Company reflect certain businesses as discontinued operations. These statements should be read in conjunction with the consolidated financial statements and notes thereto of the Company.

Earnings per common share Please refer to the Consolidated Statements of Income of the registrant for earnings per common share. In addition, see Item 8 - Note 2 for information on the computation of earnings per common share.

Note 2 - Debt At December 31, 2022, the Company had no long-term debt maturities. For more information on debt, see Item 8 - Note 9.

Note 3 - Dividends The Company depends on earnings and dividends from its subsidiaries to pay dividends on common stock. Cash dividends paid to the Company by subsidiaries were $242.1 million, $188.1 million and $228.4 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Exhibits

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference: Form	Period Ended	Exhibit	Filing Date	File Number
3(a)	Amended and Restated Certificate of Incorporation of MDU Resources Group, Inc.		8-K		3.2	5/8/19	1-03480
3(b)	Amended and Restated Bylaws of MDU Resources Group, Inc.		8-K		3.1	2/15/19	1-03480
4(a)	Indenture, dated as of December 15, 2003, between MDU Resources Group, Inc. and The Bank of New York, as trustee		S-8		4(f)	1/21/04	333-112035
4(b)	First Supplemental Indenture, dated as of November 17, 2009, between MDU Resources Group, Inc. and the Bank of New York Mellon, as trustee		10-K	12/31/09	4(c)	2/17/10	1-03480
*4(c)	Fifth Amended and Restated Credit Agreement, dated as of December 19, 2019, among Centennial Energy Holdings, Inc., U.S. Bank National Association, as Administrative Agent, and The Several Financial Institutions party thereto		10-K	12/31/19	4(c)	2/21/20	1-03480
*4(d)	Montana-Dakota Utilities Co. Amended and Restated Credit Agreement, dated December 19, 2019, among Montana-Dakota Utilities Co., Various Lenders, and Wells Fargo Bank, National Association, as Administrative Agent		10-K	12/31/19	4(d)	2/21/20	1-03480
4(e)	Centennial Energy Holdings, Inc. Note Purchase Agreement, dated December 20, 2012, among Centennial Energy Holdings, Inc. and various purchasers of the notes		10-Q	6/30/19	4(a)	8/2/19	1-03480
4(f)	Montana-Dakota Utilities Co. Note Purchase Agreement, dated July 24, 2019, among Montana-Dakota Utilities Co. and various purchasers of the notes		10-Q	9/30/19	4(a)	11/1/19	1-03480
4(g)	MDU Resources Group, Inc. Description of Securities Registered Pursuant to Section 12 of the Securities and Exchange Act of 1934		10-K	12/31/19	4(g)	2/21/20	1-03480
*4(h)	WBI Energy Transmission, Inc. Second Amendment and Restatement Note Purchase and Private Shelf Agreement, effective as of December 22, 2022, among Prudential Investment Management, Inc. and certain investors described therein	X					
+10(a)	MDU Resources Group, Inc. Supplemental Income Security Plan, as amended and restated May 10, 2017		10-Q	6/30/17	10(d)	8/4/17	1-03480
+10(b)	MDU Resource Group, Inc. Director Compensation Policy, as amended May 11, 2022		10-Q	6/30/22	10(b)	8/5/22	1-03480
+10(c)	Deferred Compensation Plan for Directors, as amended May 15, 2008		10-Q	6/30/08	10(a)	8/7/08	1-03480
+10(d)	Non-Employee Director Stock Compensation Plan, as amended May 12, 2011		10-Q	6/30/11	10(a)	8/5/11	1-03480
+10(e)	MDU Resources Group, Inc. Non-Employee Director Long-Term Incentive Compensation Plan, as amended May 17, 2012		10-Q	6/30/12	10(a)	8/7/12	1-03480
+10(f)	MDU Resources Group, Inc. Long-Term Performance-Based Incentive Plan, as amended February 11, 2016		10-K	12/31/15	10(f)	2/19/16	1-03480
+10(g)	MDU Resources Group, Inc. Executive Incentive Compensation Plan, as amended November 12, 2020, and Rules and Regulations, as amended November 12, 2020		10-K	12/31/20	10(h)	2/19/21	1-03480
+10(h)	Form of Performance Share Award Agreement under the Long-Term Performance-Based Incentive Plan, as amended February 13, 2020		10-K	12/31/19	10(k)	2/21/20	1-03480
+10(i)	Form of Performance Share Award Agreement under the Long-Term Performance-Based Incentive Plan, as amended February 11, 2021		10-K	12/31/20	10(l)	2/19/21	1-03480
+10(j)	Form of Performance Share Award Agreement under the Long-Term Performance-Based Incentive Plan, as amended February 17, 2022		10-K	12/31/21	10(k)	2/23/22	1-03480

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form	Period Ended	Exhibit	Filing Date	File Number
+10(k)	Restricted Stock Unit Award Agreement under the Long-Term Performance-Based Incentive Plan, as amended February 11, 2021		10-K	12/31/20	10(n)	2/19/21	1-03480
+10(l)	Restricted Stock Unit Award Agreement under the Long-Term Performance-Based Incentive Plan, as amended February 17, 2022		10-K	12/31/21	10(m)	2/23/22	1-03480
+10(m)	Restricted Stock Unit Award Agreement under the Long-Term Performance-Based Incentive Plan, as amended February 16, 2023	X					
+10(n)	Form of MDU Resources Group, Inc. Indemnification Agreement for Section 16 Officers and Directors, dated May 15, 2014		8-K		10.1	5/15/14	1-03480
+10(o)	Form of Amendment No. 1 to Indemnification Agreement, dated May 15, 2014		8-K		10.2	5/15/14	1-03480
+10(p)	MDU Resources Group, Inc. Section 16 Officers and Directors with Indemnification Agreements Chart, as of February 1, 2023	X					
+10(q)	MDU Resources Group, Inc. Nonqualified Defined Contribution Plan, as amended and restated November 12, 2020		10-K	12/31/20	10(r)	2/19/21	1-03480
+10(r)	MDU Resources Group, Inc. Deferred Compensation Plan Adoption Agreement, as amended August 12, 2021		10-Q	9/30/21	10(c)	11/4/21	1-03480
+10(s)	MDU Resources Group, Inc. Deferred Compensation Plan Document, dated November 12, 2020		8-K		10.2	11/12/20	1-03480
+10(t)	MDU Resources Group, Inc. 401(k) Retirement Plan, as restated April 1, 2020		10-Q	3/31/20	10(a)	5/8/20	1-03480
+10(u)	MDU Resources Group, Inc. 401(k) Retirement Plan, as amended January 1, 2022		10-K	12/31/21	10(w)	2/23/22	1-03480
+10(v)	MDU Resources Group, Inc. 401(k) Retirement Plan, as amended August 17, 2022		10-Q	9/30/22	10(a)	11/3/22	1-03480
+10(w)	MDU Resources Group, Inc. 401(k) Retirement Plan, as amended December 28, 2022	X					
+10(x)	Employment Letter for Jeffrey S. Thiede, dated May 16, 2013		10-K	12/31/13	10(ab)	2/21/14	1-03480
+10(y)	Jason L. Vollmer Offer Letter, dated September 20, 2017		8-K		10.1	9/21/17	1-03480
+10(z)	Cooperation Agreement, dated as of January 24, 2023, by and among Keith A. Meister, Corvex Management LP and MDU Resources Group, Inc.		8-K		10.1	1/24/23	1-03480
+10(aa)	Retention Agreement for Jeffrey S. Thiede, dated February 17, 2023	X					
+10(ab)	David C. Barney Offer Letter, dated February 17, 2023	X					
21	Subsidiaries of MDU Resources Group, Inc.	X					
23	Consent of Independent Registered Public Accounting Firm	X					
31(a)	Certification of Chief Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X					
31(b)	Certification of Chief Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X					
32	Certification of Chief Executive Officer and Chief Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X					
95	Mine Safety Disclosures	X					
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document						
101.SCH	XBRL Taxonomy Extension Schema Document						

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form	Period Ended	Exhibit	Filing Date	File Number
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document						
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document						
101.LAB	XBRL Taxonomy Extension Label Linkbase Document						
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document						

* Schedules and exhibits to this agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished as a supplement to the SEC upon request.

+ Management contract, compensatory plan or arrangement.

MDU Resources Group, Inc. agrees to furnish to the SEC upon request any instrument with respect to long-term debt that MDU Resources Group, Inc. has not filed as an exhibit pursuant to the exemption provided by Item 601(b)(4)(iii)(A) of Regulation S-K.

Item 16. Form 10-K Summary

None.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MDU Resources Group, Inc.

Date:	February 24, 2023	By:	/s/ David L. Goodin
			David L. Goodin (President and Chief Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the date indicated.

Signature	Title	Date
/s/ David L. Goodin David L. Goodin (President and Chief Executive Officer)	Chief Executive Officer and Director	February 24, 2023
/s/ Jason L. Vollmer Jason L. Vollmer (Vice President and Chief Financial Officer)	Chief Financial Officer	February 24, 2023
/s/ Stephanie A. Barth Stephanie A. Barth (Vice President, Chief Accounting Officer and Controller)	Chief Accounting Officer	February 24, 2023
/s/ Dennis W. Johnson Dennis W. Johnson (Chair of the Board)	Director	February 24, 2023
/s/ German Carmona Alvarez German Carmona Alvarez	Director	February 24, 2023
/s/ Thomas Everist Thomas Everist	Director	February 24, 2023
/s/ Karen B. Fagg Karen B. Fagg	Director	February 24, 2023
/s/ Patricia L. Moss Patricia L. Moss	Director	February 24, 2023
/s/ Dale S. Rosenthal Dale S. Rosenthal	Director	February 24, 2023
/s/ Edward A. Ryan Edward A. Ryan	Director	February 24, 2023
/s/ David M. Sparby David M. Sparby	Director	February 24, 2023
/s/ Chenxi Wang Chenxi Wang	Director	February 24, 2023

WBI ENERGY TRANSMISSION, INC.

$350,000,000 Private Shelf Facility

Including:

$25,000,000 4.61% Senior Notes, Series D, due 2028
$20,000,000 4.48% Senior Notes, Series E, due 2025
$40,000,000 4.91% Senior Notes, Series F, due 2031
$40,000,000 4.18% Senior Notes, Series G, due 2033
$45,000,000 4.17% Senior Notes, Series H, due 2034
$25,000,000 3.26% Senior Notes, Series I, due 2035
$40,000,000 6.67% Senior Notes, Series J, due 2030

NOTE PURCHASE AND PRIVATE SHELF AGREEMENT

Originally Dated as of December 23, 2008,
Amended and Restated as of September 12, 2013

SECOND AMENDMENT AND RESTATEMENT
Effective as of December 22, 2022

Note: This Agreement contains confidentiality obligations: Section 20

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EXHIBIT 1-A Form of 4.61% Senior Notes, Series D, due 2028

EXHIBIT 1-B Form of 4.48% Senior Notes, Series E, due 2025

EXHIBIT 1-C Form of 4.91% Senior Notes, Series F, due 2031

EXHIBIT 1-D Form of 4.18% Senior Notes, Series G, due 2033

EXHIBIT 1-E Form of 4.17% Senior Notes, Series H, due 2034

EXHIBIT 1-F Form of 3.26% Senior Notes, Series I, due 2035

EXHIBIT 1-G Form of 6.67% Senior Notes, Series J, due 2030

EXHIBIT 1-H Form of Shelf Note

EXHIBIT 2.5 Form of Request for Purchase

EXHIBIT 2.7 Form of Confirmation of Acceptance

EXHIBIT 4.4(a) Form of Opinion of Special Counsel to the Company

EXHIBIT 4.4(b) Form of Opinion of General Counsel of the Company

WBI ENERGY TRANSMISSION, INC.
1250 West Century Avenue
Bismarck, North Dakota 58503

As of December 22, 2022

To Each of the Purchasers Listed in
Schedule A Hereto (each an **"Existing Purchaser"**)

To PGIM, Inc. (f.k.a. Prudential Investment Management, Inc.) (**"Prudential"**)

To each other Prudential Affiliate which becomes
bound by this Agreement as hereinafter
provided (together with the Existing Purchasers, each,
a **"Purchaser"** and collectively, the **"Purchasers"**):

Ladies and Gentlemen:

WBI Energy Transmission, Inc. (formerly known as Williston Basin Interstate Pipeline Company), a Delaware corporation (the "**Company**"), agrees with each of you as follows:

1. AMENDMENT AND RESTATEMENT; EXISTING NOTES; AUTHORIZATION OF NOTES.

1.1. Amendment and Restatement of Existing Agreement; Existing Notes.

The Company and Prudential entered into a Note Purchase and Private Shelf Agreement, originally dated as of December 23, 2008, as amended and restated as of September 12, 2013, and as further amended by Amendment No.1 to Note Purchase and Private Shelf Agreement, dated May 17, 2016, and Amendment No.2 to Note Purchase and Private Shelf Agreement, dated July 26, 2019 and effective as of May 16, 2019 (collectively, the "**Existing Agreement**"). Pursuant to the Existing Agreement, the Company issued and sold (a) $25,000,000 aggregate principal amount of its 4.61% Senior Notes, Series D, due 2028 (the "**Series D Notes**"), (b) $20,000,000 aggregate principal amount of its 4.48% Senior Notes, Series E, due 2025 (the "**Series E Notes**"), (c) $40,000,000 aggregate principal amount of its 4.91% Senior Notes, Series F, due 2031 (the "**Series F Notes**"), (d) $40,000,000 aggregate principal amount of its 4.18% Senior Notes, Series G, due 2033 (the "**Series G Notes**"), (e) $45,000,000 aggregate principal amount of its 4.17% Senior Notes, Series H, due 2034 (the "**Series H Notes**") and (f) $25,000,000 aggregate principal amount of its 3.26% Senior Notes, Series I, due 2035 (the "**Series I Notes**" and, together with the Series D Notes, Series E Notes, Series F Notes, Series G Notes and Series H Notes, the "**Existing Notes**"). As of the date hereof, the Existing Notes remain outstanding in an aggregate principal amount of $195,000,000. Such Series D

Notes, Series E Notes, Series F Notes, Series G Notes, Series H Notes and Series I Notes are, or in the case of Series D Notes, Series E Notes, Series F Notes, Series G Notes, Series H Notes and Series I Notes delivered in substitution or exchange for any other Series D Notes, Series E Notes, Series F Notes, Series G Notes, Series H Notes and Series I Notes, shall be in the respective forms set out in Exhibit 1-A, Exhibit 1-B, Exhibit 1-C, Exhibit 1-D, Exhibit 1-E and Exhibit 1-F attached hereto. The Company, Prudential and each holder of Existing Notes desire to, among other things, amend certain provisions of the Existing Agreement including, without limitation, to increase the size of the Facility to $350,000,000 and extend the period during which Notes may be issued. Accordingly, the Company, Prudential and each holder of Existing Notes agree that the Existing Agreement is amended and restated in its entirety to read as provided in this Agreement. *Certain capitalized and other terms used in this Agreement are defined in Schedule B; and references to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement*.

1.2. Authorization of Issue of Series J Notes.

The Company has authorized the issue and sale of $40,000,000 aggregate principal amount of its 6.67% Senior Notes, Series J, due December 22, 2030 (the "**Series J Notes**", such term to include any notes issued in substitution therefor pursuant to Section 13). The Series J Notes shall be substantially in the form set out in Exhibit 1-G.

1.3. Authorization of Issue of Shelf Notes.

The Company has authorized the issue, from time to time, of its additional senior promissory notes (the "**Shelf Notes**", such term to include any notes issued in substitution thereof pursuant to Section 13 of this Agreement) with the aggregate principal amount of Notes outstanding at any time not to exceed $350,000,000, to be dated the date of issue thereof, to mature, in the case of each Shelf Note so issued, no more than 20 years after the date of original issuance thereof, to have an average life, in the case of each Shelf Note so issued, of no more than 20 years after the date of original issuance thereof, to bear interest on the unpaid balance thereof from the date thereof at the rate per annum, and to have such other particular terms, as shall be set forth, in the case of each Shelf Note so issued, in the Confirmation of Acceptance with respect to such Shelf Note delivered pursuant to Section 2.7, and to be substantially in the form of Exhibit 1-H attached hereto. The term "**Notes**" as used herein shall include each Existing Note, each Series J Note and each Shelf Note delivered pursuant to any provision of this Agreement and each Note delivered in substitution or exchange for any such Note pursuant to any such provision. Notes which have (i) the same final maturity dates, (ii) the same principal installment dates, (iii) the same principal installment amounts (as a percentage of the original principal amount of each Note), (iv) the same interest rate, (v) the same interest payment dates and (vi) the same original issue date (which, in the case of a Note issued in exchange for another Note, shall be deemed for these purposes the date on which such Note's ultimate predecessor Note was issued), are herein called a "**Series**" of Notes.

2. SALE AND PURCHASE OF NOTES.

2.1. Sale and Purchase of Series J Notes.

Subject to the terms and conditions of this Agreement, the Company will issue and sell to each Series J Purchaser and each Series J Purchaser will purchase from the Company, at the Series J Closing provided for in Section 3.1, Series J Notes in the principal amount specified opposite such Series J Purchaser's name in Schedule A at the purchase price of 100% of the principal amount thereof. The Purchasers' obligations hereunder are several and not joint obligations and no Purchaser shall have any liability to any Person for the performance or non-performance of any obligation by any other Purchaser hereunder.

2.2. Facility.

(a) *Facility*. Prudential is willing to consider, in its sole discretion and within limits which may be authorized for purchase by Prudential Affiliates from time to time, the purchase of Shelf Notes pursuant to this Agreement. The willingness of Prudential to consider such purchase of Shelf Notes is herein called the "**Facility**". At any time, subject to the limitations in Section 2.2(b), the "**Available Facility Amount**" shall be (i) $350,000,000, minus (ii) the original principal amount of the Existing Notes, minus (iii) the original principal amount of the Series J Notes, minus (iv) the aggregate principal amount of Shelf Notes purchased and sold pursuant to this Agreement prior to such time, minus (v) the aggregate principal amount of Accepted Notes (as hereinafter defined) which have not yet been purchased and sold hereunder prior to such time, plus (vi) the aggregate principal amount of Notes retired prior to such time; provided, that at no time may the aggregate principal amount of Notes outstanding under this Agreement exceed $350,000,000. **NOTWITHSTANDING THE WILLINGNESS OF PRUDENTIAL TO CONSIDER PURCHASES OF SHELF NOTES BY PRUDENTIAL AFFILIATES, THIS AGREEMENT IS ENTERED INTO ON THE EXPRESS UNDERSTANDING THAT NEITHER PRUDENTIAL NOR ANY PRUDENTIAL AFFILIATE SHALL BE OBLIGATED TO MAKE OR ACCEPT OFFERS TO PURCHASE SHELF NOTES, OR TO QUOTE RATES, SPREADS OR OTHER TERMS WITH RESPECT TO SPECIFIC PURCHASES OF SHELF NOTES, AND THE FACILITY SHALL IN NO WAY BE CONSTRUED AS A COMMITMENT BY PRUDENTIAL OR ANY PRUDENTIAL AFFILIATE.**

(b) *Limitation on Facility.* Notwithstanding anything in Section 2.2(a), the Company may not request the issuance of Shelf Notes, and neither Prudential nor any other Prudential Financial Entity shall be required to purchase Shelf Notes, pursuant to the Facility if, after the issuance of such Shelf Notes, the aggregate amount of WBI Exposure would exceed $240,000,000.

2.3. Issuance Period.

Shelf Notes may be issued and sold pursuant to this Agreement until the earlier of (i) December 22, 2025 (or if such date is not a Business Day, the Business Day next preceding such day) and (ii) the thirtieth day after Prudential shall have given to the Company, or the Company shall have given to Prudential, a written notice stating that it elects to terminate the issuance and sale of Shelf Notes pursuant to this Agreement (or if such thirtieth day is not a Business Day, the Business Day next preceding such thirtieth day). The period during which Shelf Notes may be issued and sold pursuant to this Agreement is herein called the "**Issuance Period**".

2.4. Periodic Spread Information.

Provided no Default or Event of Default exists, not later than 9:30 A.M. (New York City local time) on a Business Day during the Issuance Period if there is an Available Facility Amount on such Business Day, the Company may request by telefacsimile, e-mail or telephone, and Prudential will, to the extent reasonably practicable, provide to the Company on such Business Day (or, if such request is received after 9:30 A.M. (New York City local time) on such Business Day, on the following Business Day), information (by e-mail, telefacsimile or telephone) with respect to various spreads at which Prudential Affiliates might be interested in purchasing Shelf Notes of different average lives; provided, however, that the Company may not make such requests more frequently than once in every five Business Days or such other period as shall be mutually agreed to by the Company and Prudential. The amount and content of information so provided shall be in the sole discretion of Prudential but it is the intent of Prudential to provide information which will be of use to the Company in determining whether to initiate procedures for use of the Facility. Information so provided shall not constitute an offer to purchase Shelf Notes, and neither Prudential nor any Prudential Affiliate shall be obligated to purchase Shelf Notes at the spreads specified. Information so provided shall be representative of potential interest only for the period commencing on the day such information is provided and ending on the earlier of the fifth Business Day after such day and the first day after such day on which further spread information is provided. Prudential may suspend or terminate providing information pursuant to this Section 2.4 if, in its sole discretion, it determines that there has been an adverse change in the credit quality of the Company after the date of this Agreement.

2.5. Request for Purchase.

The Company may from time to time during the Issuance Period make requests for purchases of Shelf Notes (each such request being a "**Request for Purchase**"). Each Request for Purchase shall be made to Prudential by e-mail, telefacsimile or overnight delivery service, and shall (i) specify the aggregate principal amount of Shelf Notes covered thereby, which shall not be less than $10,000,000 and not be greater than the Available Facility Amount at the time such Request for Purchase is made, (ii) specify the principal amounts, final maturities, installment payment dates and amounts and interest payment periods (which shall be quarterly in arrears) of the Shelf Notes covered thereby, (iii) specify the use of proceeds of such Shelf Notes, (iv) specify the proposed day for the closing of the purchase and sale of such Shelf Notes, which shall be a Business Day during the Issuance Period not less than 10 days and not more than 42 days after the making of such Request for Purchase, (v) specify the number of the account and the name and address of the depository institution to which the purchase prices of such Shelf Notes are to be transferred on the Closing Day for such purchase and sale, (vi) certify that the representations and warranties contained in Section 5 (as may have been amended by amending information contained in a Schedule or Exhibit pursuant to this Section 2.5) are true on and as of the date of such Request for Purchase except to the extent of changes caused by the transactions herein contemplated and that there exists on the date of such Request for Purchase no Event of Default or Default, and (vii) be substantially in the form of Exhibit 2.5 attached hereto. Each Request for Purchase shall be in writing signed by the Company and shall be deemed made when received by Prudential. **Any previous notification referenced in a Request for Purchase or any Request for Purchase that contains information that purports to amend the information contained in any Schedule or Exhibit hereto, shall not be effective to amend such information unless it is received by Prudential at least five Business Days prior to the Acceptance Day for Shelf Notes to which such Request for Purchase relates. If Prudential provides such interest rate quotes earlier than five Business Days after Prudential receives a Request for Purchase containing information that purports to amend the information contained in any Schedule or Exhibit hereto and Prudential states in writing that it waives the requirement in this Section 2.5 that the information shall not be effective to amend unless it is received by Prudential at least five Business Days prior to the Acceptance Day, the information contained in such Schedule or Exhibit shall be deemed effective to amend such information at the time of the issuance of the quotes.**

2.6. Rate Quotes.

Not later than six Business Days after the Company shall have given Prudential a Request for Purchase pursuant to Section 2.5, Prudential may provide (by telephone promptly thereafter confirmed by e-mail or telefacsimile, in each case no earlier than 9:30 A.M. and no later than 1:30 P.M. New York City local time) interest rate quotes for the several principal amounts, maturities, installment payment schedules, and interest payment periods of Shelf Notes specified in such Request for Purchase. Each quote shall represent the interest rate per annum payable on the outstanding principal balance of such Shelf Notes until such balance shall have become due and payable, at which a Prudential Affiliate would be willing to purchase such Shelf Notes at 100% of the principal amount thereof.

2.7. Acceptance.

Within 30 minutes after Prudential shall have provided any interest rate quotes pursuant to Section 2.6 or, in the event that due to conditions in the market place it shall not be feasible to hold such interest rate quotes open for 30 minutes, such shorter period as Prudential may specify to the Company (such period being the "**Acceptance Window**"), the Company may, subject to Section 2.8, elect to accept such interest rate quotes as to not less than $10,000,000 aggregate principal amount of the Shelf Notes specified in the related Request for Purchase. Such election shall be made by a Senior Financial Officer of the Company notifying Prudential by e-mail, telephone or telefacsimile within the Acceptance Window (but not earlier than 9:30 A.M. or later than 1:30 P.M., New York City local time) that the Company elects to accept such interest rate quotes, specifying the Shelf Notes (each such Shelf Note being an "**Accepted Note**") as to which such acceptance (an "**Acceptance**") relates. The day the Company notifies an Acceptance with respect to any Accepted Notes is herein called the "**Acceptance Day**" for such Accepted Notes. Any interest rate quotes as to which Prudential does not receive an Acceptance within the Acceptance Window shall expire, and no purchase or sale of Shelf Notes hereunder shall be made based on such expired interest rate quotes. Subject to Section 2.8 and the other terms and conditions hereof, the Company agrees to sell to a Prudential Affiliate, and Prudential agrees to cause the purchase by a Prudential Affiliate of, the Accepted Notes at 100% of the principal amount of such Notes. As soon as practicable following the Acceptance Day, the Company, Prudential and each Prudential Affiliate which is to purchase any such Accepted Notes will execute a confirmation of such Acceptance substantially in the form of Exhibit 2.7 attached hereto (a "**Confirmation of Acceptance**").

2.8. Market Disruption.

Notwithstanding the provisions of Section 2.7, if Prudential shall have provided interest rate quotes pursuant to Section 2.6 and thereafter prior to the time an Acceptance with respect to such quotes shall have been notified to Prudential in accordance with Section 2.7 there shall occur a general suspension, material limitation, or significant disruption of trading in securities generally on the New York Stock Exchange or in the market for U.S. Treasury securities and other financial instruments, then such interest rate quotes shall expire, and no purchase or sale of Shelf Notes hereunder shall be made based on such expired interest rate quotes. If the Company thereafter notifies Prudential of the Acceptance of any such interest rate quotes, such Acceptance shall be ineffective for all purposes of this Agreement, and Prudential shall promptly notify the Company that the provisions of this Section 2.8 are applicable with respect to such Acceptance.

2.9. Fees.

(a) Facility Fee. The Company will pay (i) to Prudential in immediately available funds a structuring fee at the time of the execution and delivery of this Agreement by the Company and Prudential, in an amount equal to $75,000 and (ii) to each Purchaser of Notes on each Closing Day occurring after June 22, 2023 a fee (the "**Facility Fee**"), in an amount equal to 0.125% of the aggregate principal amount of Shelf Notes purchased by such Purchaser from the Company on such Closing Day.

(b) Delayed Delivery Fee. If the closing of the purchase and sale of any Accepted Note is delayed for any reason (other than in the case where all conditions in

Section 4 (other than Section 4.5 and Section 4.7) have been satisfied and a Purchaser fails to purchase its Accepted Notes) beyond the original Closing Day for such Accepted Note, the Company will pay to each Purchaser of Accepted Notes on the Cancellation Date or actual closing date of such purchase and sale (if such Cancellation Date or closing date occurs on a date later than the date specified in the Confirmation of Acceptance for such Accepted Note), a fee (the "**Delayed Delivery Fee**") calculated as follows:

(BEY - MMY) X DTS/360 X PA

where "**BEY**" means Bond Equivalent Yield, *i.e.*, the bond equivalent yield per annum of such Accepted Note, "**MMY**" means Money Market Yield, *i.e.*, the yield per annum on an alternative investment selected by Prudential on the date Prudential receives notice of the delay in the closing for such Accepted Notes having a maturity date or dates the same as, or closest to, the Rescheduled Closing Day or Rescheduled Closing Days (a new alternative investment being selected by Prudential each time such closing is delayed); "**DTS**" means Days to Settlement, *i.e.*, the number of actual days elapsed from and including the originally scheduled Closing Day with respect to such Accepted Note (in the case of the first such payment with respect to such Accepted Note) or from and including the date of the next preceding payment (in the case of any subsequent delayed delivery fee payment with respect to such Accepted Note) to but excluding the date of such payment; and "**PA**" means Principal Amount, *i.e.*, the principal amount of the Accepted Note for which such calculation is being made. In no case shall the Delayed Delivery Fee be less than zero. Nothing contained herein shall obligate any Purchaser to purchase any Accepted Note on any day other than the Closing Day for such Accepted Note, as the same may be rescheduled from time to time in compliance with Section 3.

(c) Cancellation Fee. If the Company at any time notifies Prudential in writing that the Company is canceling the closing of the purchase and sale of any Accepted Note, or if Prudential notifies the Company in writing under the circumstances set forth in the last sentence of Section 3.3 that the closing of the purchase and sale of such Accepted Note is to be canceled, or if the closing of the purchase and sale of such Accepted Note is not consummated on or prior to the last day of the Issuance Period (the date of any such notification, or the last day of the Issuance Period, as the case may be, being the "**Cancellation Date**"), the Company will pay to each Purchaser of Accepted Notes in immediately available funds an amount (the "**Cancellation Fee**") calculated as follows:

PI X PA

where "**PI**" means Price Increase, *i.e.*, the quotient (expressed in decimals) obtained by dividing (a) the excess of the ask price (as determined by Prudential) of the Hedge Treasury Note(s) on the Cancellation Date over the bid price (as determined by Prudential) of the Hedge Treasury Notes(s) on the Acceptance Day for such Accepted Note by (b) such bid price; and "**PA**" has the meaning specified in Section 2.9(b). The foregoing bid and ask prices shall be as reported by TradeWeb LLC (or, if such data for any reason ceases to be available through TradeWeb LLC, any publicly available source of similar market data). Each price shall be based on a U.S. Treasury security having a par value of $100.00 and shall be rounded to the second decimal place. In no case shall the Cancellation Fee be less than zero.

3. CLOSING.

3.1 Series J Closing.

The sale and purchase of the Series J Notes to be purchased by each Series J Purchaser shall occur at the offices of Bryant Rabbino LLP, 220 East 42nd Street, Suite 3101, New York, New York 10017, at 11:30 A.M. (New York City local time), at a closing (the "**Series J Closing**") on December 22, 2022 or on such other Business Day thereafter on or prior to December 30, 2022 as may be agreed upon by the Company and the Series J Purchasers (the day of the Series J Closing being the "**Series J Closing Day**"). At the Series J Closing the Company will deliver to each Series J Purchaser the Series J Notes to be purchased by such Series J Purchaser in the form of a single Series J Note (or such greater number of Series J Notes in denominations of at least $100,000 as such Series J Purchaser may request) dated the date of the Series J Closing and registered in such Series J Purchaser's name (or in the name of its nominee), against delivery by such Series J Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to account number 1602-33455122 at U.S. Bank Minnesota, Minneapolis, MN, ABA number 091000022. If at the Series J Closing the Company shall fail to tender such Series J Notes to any Series J Purchaser as provided above in this Section 3.1, or any of the conditions specified in Section 4 shall not have been fulfilled to such Series J Purchaser's satisfaction, such Series J Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Series J Purchaser may have by reason of such failure or such nonfulfillment.

3.2 Facility Closings.

Not later than 11:30 A.M. (New York City local time) on the Closing Day for any Accepted Notes, the Company will deliver to each Purchaser listed in the Confirmation of Acceptance relating thereto at the offices of Bryant Rabbino LLP, 220 East 42nd Street, Suite 3101, New York, New York 10017, or at such other place pursuant to the directions of Prudential, the Accepted Notes to be purchased by such Purchaser in the form of one or more Notes in authorized denominations as such Purchaser may request for each Series of Accepted Notes to be purchased on the Closing Day, dated the Closing Day and registered in such Purchaser's name (or in the name of its nominee), against payment of the purchase price thereof by transfer of immediately available funds for credit to the Company's account specified in the Request for Purchase of such Notes.

3.3 Rescheduled Closings.

If the Company fails to tender to any Purchaser the Accepted Notes to be purchased by such Purchaser on the scheduled Closing Day for such Accepted Notes as provided above in Section 3.2, or any of the conditions specified in Section 4 shall not have been fulfilled by the time required on such scheduled Closing Day, the Company shall, prior to 1:00 P.M., New York City local time, on such scheduled Closing Day notify such Purchaser in writing whether (i) such closing is to be rescheduled (such rescheduled date to be a Business Day during the Issuance Period not less than one Business Day and not more than 30 Business Days after such scheduled Closing Day (the "**Rescheduled Closing Day**")) and certify to such Purchaser that the Company reasonably believes that it will be able to comply with the conditions set forth in Section 4 on such Rescheduled Closing Day and that the Company will pay the Delayed Delivery Fee in accordance with Section 2.9(b) or (ii) such closing is to be canceled as provided in Section 2.9(c). In the event that the Company shall fail to give such notice referred to in the preceding sentence, such Purchaser may at its election, at any time after 1:00 P.M., New York City local time, on such scheduled Closing Day, notify the Company in writing that such closing is to be canceled as provided in Section 2.9(c).

4. CONDITIONS TO CLOSING.

The obligation of any Purchaser to purchase and pay for any Accepted Notes is subject to the fulfillment to such Purchaser's satisfaction, prior to or at the Closing Day for such Accepted Notes, of the following conditions:

4.1. Representations and Warranties.

The representations and warranties of the Company in this Agreement shall be correct when made and at such Closing Day.

4.2. Performance; No Default.

The Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at such Closing Day and after giving effect to the issue and sale of such Accepted Notes (and the application of the proceeds thereof as contemplated by the Request for Purchase for such Accepted Notes) no Default or Event of Default shall have occurred and be continuing.

4.3. Compliance Certificates.

(a) Officer's Certificate. The Company shall have delivered to such Purchaser an Officer's Certificate, dated the date of such Closing Day, certifying that the conditions specified in Sections 4.1, 4.2 and 4.8 have been fulfilled.

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

4.4. Opinions of Counsel.

(a) Such Purchaser shall have received opinions in form and substance reasonably satisfactory to such Purchaser, dated the date of such Closing Day from Cohen Tauber Spievack & Wagner P.C., special counsel for the Company, and Karl A. Liepitz, General Counsel of the Company, covering the matters set forth in Exhibits 4.4(a) and 4.4(b), respectively, and covering such other matters incident to the transactions contemplated hereby as such Purchaser or its counsel may reasonably request. The Company hereby directs each such counsel to deliver such opinion and agrees that the issuance and sale of any Accepted Notes will constitute a renewal of such direction. The Company has advised such counsel that each Purchaser receiving such an opinion will rely on such opinion, as of the date of such opinion.

(b) Such Purchaser shall have received an opinion in form and substance reasonably satisfactory to such Purchaser, dated the date of such Closing Day from Bryant Rabbino LLP, special counsel for Prudential and the Purchasers.

4.5. Purchase Permitted By Applicable Law, etc.

On such Closing Day the purchase of Notes by such Purchaser shall (i) be permitted by the laws and regulations of each jurisdiction to which it is subject, without recourse to provisions (such as Section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (ii) not violate any applicable law or regulation (including, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (iii) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as it may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

4.6. Payment of Fees.

The Company shall have paid on or before such Closing Day the fees required by Section 2.9 for such Accepted Notes.

4.7. Private Placement Number.

A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the SVO) shall have been obtained by the Purchasers for such Accepted Notes.

4.8. Changes in Corporate Structure.

The Company shall not be in violation of Section 9.5.

4.9. Certain Documents.

Such Purchaser shall have received the following:

(i) The Accepted Note(s) to be purchased by such Purchaser on such Closing Day.

(ii) Certified copies of the Certificate of Incorporation and By-laws of the Company as of such Closing Day, or a certificate of the Secretary or an Assistant Secretary of the Company certifying that there have been no changes to the Certificate of Incorporation and By-laws of the Company since the same were previously delivered pursuant to this Agreement.

(iii) A good standing certificate for the Company from the Secretary of State of Delaware dated of a recent date prior to such Closing Day and such other evidence of the status of the Company as such Purchaser may reasonably request.

4.10. Proceedings and Documents.

All of the Company's corporate and other proceedings required in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be reasonably satisfactory to Prudential and its counsel, and Prudential and its counsel shall have received all such counterpart originals or certified or other copies of such documents as Prudential or they may reasonably request.

4.11. Sale of Other Notes.

On such Closing Day, the Company shall sell to each other Purchaser and each other Purchaser shall purchase the Notes to be purchased by it at such Closing Day as specified in the applicable Confirmation of Acceptance.

4.12. Funding Instructions.

At least three Business Days prior to the Closing Day, each Purchaser shall have received written instructions signed by a Senior Financial Officer on letterhead of the Company confirming the information specified in Section 2.5(v) including (i) the name and address of the transferee bank, (ii) such transferee bank's ABA number and (iii) the account name and number into which the purchase price for the Notes is to be deposited.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each Purchaser that:

5.1. Organization; Power and Authority.

The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement and the Notes and to perform the provisions hereof and thereof.

5.2. Authorization, Etc.

This Agreement and the Notes have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement constitutes, and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

5.3. Disclosure.

The Company has delivered to Prudential a copy of the Memorandum. The Memorandum fairly describes, in all material respects, the general nature of the business and principal properties of the Company and its Subsidiaries as of the date of this Agreement. This Agreement, the Memorandum (as the same may be updated pursuant to an Officer's Certificate certifying that the information contained therein is an update of information contained in the Memorandum and delivered pursuant to this Section 5.3) and the financial statements referred to in Section 5.5, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Except as expressly described in one of the documents or other writings constituting the Memorandum (as updated as provided in this Section 5.3 or Section 2.5), or in the financial statements referred to in Section 5.5, since December 31, 2021 (with respect to information pertaining to the general nature of the business and principal properties of the Company and its Subsidiaries contained in the Memorandum (as updated) other than financial statements) and, since the end of the most recent fiscal year for which audited financial statements have been furnished (with respect to financial statements), there has been no change in the financial condition, operations, business or properties of the Company or any Subsidiary except changes that individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that would reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Memorandum (as updated or amended from time to time pursuant to Section 2.5) or in the financial statements referred to in Section 5.5.

5.4. Organization and Ownership of Shares of Subsidiaries; Affiliates.

(a) Schedule 5.4, as it may be amended from time to time, contains (except as noted therein) complete and correct lists of (i) the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary, (ii) the Company's Affiliates, other than Subsidiaries, and (iii) the Company's directors and senior officers.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 5.4, as it may be amended from time to time, as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and non-assessable and are owned by the Company or another Subsidiary free and clear of any Lien (except as otherwise disclosed in Schedule 5.4 as amended pursuant to Section 2.5).

(c) Each Subsidiary identified in Schedule 5.4, as it may be amended from time to time, is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Subsidiary is a party to, or otherwise subject to any legal, regulatory, contractual or other restriction (other than the agreements listed on Schedule 5.4, as it may be amended from time to time, and customary limitations imposed by corporate law or similar statutes) restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Subsidiary.

5.5. Financial Statements; Material Liabilities.

The Company has delivered to each Purchaser of Series J Notes and any Accepted Notes copies of the most recent annual statement heretofore required to be delivered pursuant to Section 7.1(b) and all subsequent quarterly statements heretofore required to be delivered pursuant to Section 7.1(a). All of such financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such financial statements and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments). The Company and its Subsidiaries do not have any Material liabilities that are not disclosed on such financial statements or otherwise disclosed in the Memorandum.

5.6. Compliance with Laws, Other Instruments, Etc.

The execution, delivery and performance by the Company of this Agreement and the Notes will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter, regulations or by-laws, shareholder agreements or any other Material agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary.

5.7. Governmental Authorizations, Etc.

No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of this Agreement or the Notes.

5.8. Litigation; Observance of Agreements, Statutes and Orders.

(a) Except as disclosed in Schedule 5.8, as it may be amended from time to time pursuant to Section 2.5, there are no actions, suits, investigations or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary is (i) in default under any agreement or instrument to which it is a party or by which it is bound, (ii) in violation of any order, judgment, decree or ruling of any court, any arbitrator of any kind or any Governmental Authority or (iii) in violation of any applicable law, ordinance, rule or regulation of any Governmental Authority (including Environmental Laws, the USA PATRIOT Act or any of the other laws and regulations that are referred to in Section 5.19), which default or violation could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.9. Taxes.

The Company and its Subsidiaries have filed all income tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which, individually or in the aggregate, is not Material, (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP or (iii) that is beyond the applicable limitations period for audit by the applicable Governmental Authority. As of the date of this Agreement, (x) the Company knows of no basis for any other tax or assessment that could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; (y) the charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of U.S. federal, state or other taxes for all fiscal periods are adequate; and (z) the U.S. federal income tax liabilities of the Company and its Subsidiaries have been finally determined (whether by reason of completed audits or statute of limitations having run) for all fiscal years up to and including the fiscal year ended December 31, 2018.

5.10. Title to Property; Leases.

The Company and its Subsidiaries have good and sufficient title to their respective properties that individually or in the aggregate are Material, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Subsidiary after such date (except as sold or otherwise disposed of in the ordinary course of business or listed on Schedule 5.10, as it may be amended from time to time pursuant to Section 2.5), in each case free and clear of Liens prohibited by this Agreement. All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

5.11. Licenses, Permits, Etc.

(a) The Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, proprietary software, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are Material, without known conflict with the rights of others, except for those conflicts that, individually or in the aggregate, would not have a Material Adverse Effect.

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

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

5.12. Compliance with ERISA.

(a) Each of the Company and its ERISA Affiliates is in compliance with the applicable provisions of ERISA, the Code, other applicable federal and state law and published interpretations thereunder, except for any such failure that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect.

(b) The execution and delivery of this Agreement and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of section 406 of ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code. The representation by the Company to the Purchasers in the first sentence of this Section 5.12(b) is made in reliance upon and subject to the accuracy of the representation of each Purchaser in Section 6.2 as to the sources of the funds to be used to pay the purchase price of the Notes to be purchased by such Purchaser.

5.13. Private Offering by the Company.

Neither the Company nor anyone acting on its behalf has offered the Notes or any similar Securities for sale to, or solicited any offer to buy the Notes or any similar Securities from, or otherwise approached or negotiated in respect thereof with, any Person other than the Purchasers and other Institutional Investors, each of which has been offered the Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of section 5 of the Securities Act or to the registration requirements of any Securities or blue sky laws of any applicable jurisdiction.

5.14. Use of Proceeds; Margin Regulations.

The Company has applied, with respect to the Existing Notes, and will apply, with respect to the Series J Notes and the Shelf Notes, the proceeds from the sale of such Notes as set forth in the applicable Request for Purchase. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any Securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 2% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 5% of the value of such assets. As used in this Section, the terms "**margin stock**" and "**purpose of buying or carrying**" shall have the meanings assigned to them in said Regulation U.

5.15. Existing Indebtedness; Future Liens.

(a) Schedule 5.15 sets forth a complete and correct list of all outstanding Indebtedness of the Company and its Subsidiaries as of December 22, 2022, except that (i) the Commercial Paper and unamortized debt issuance costs is as of November 30, 2022, and (ii) the Indebtedness owed to Prudential set forth on Schedule 5.15 shall increase by the principal amount of the Series J Notes issued on December 22, 2022. Neither the Company nor any Subsidiary has any outstanding Indebtedness except as permitted by Sections 10.3 and 10.4. Neither the Company nor any Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Company or such Subsidiary and no event or condition exists with respect to any Indebtedness of the Company or any Subsidiary that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(b) As of the date of this Agreement, neither the Company nor any Subsidiary has agreed or consented to cause or permit any of its property, whether now owned or hereafter acquired, to be subject to a Lien that secures Indebtedness or to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien that secures Indebtedness, in violation of Section 10.2.

(c) Neither the Company nor any Subsidiary is a party to, or otherwise subject to any provision contained in, any instrument evidencing Indebtedness of the Company or such Subsidiary, any agreement relating thereto or any other agreement (including its charter or any other organizational document) which limits the amount of, or otherwise imposes restrictions on the incurring of, Indebtedness of the Company, except as disclosed in Schedule 5.15.

5.16. Status under Certain Statutes.

Neither the Company nor any Subsidiary or Affiliate is subject to regulation under the Investment Company Act of 1940, as amended. The Company is not subject to regulation under the Public Utility Holding Company Act of 2005, as amended, the ICC Termination Act of 1995, as amended, the Federal Power Act, as amended, any state public utilities code or statute, or any other federal or state statute or regulation limiting its ability to incur indebtedness.

5.17. Environmental Matters.

Except as described in Schedule 5.17, as it may be amended from time to time pursuant to Section 2.5, the Company and its Subsidiaries and all of their respective properties and facilities have complied at all times and in all respects with all federal, state, local and regional statutes, laws, ordinances and judicial or administrative orders, judgments, rulings and regulations relating to protection of the environment except, in any such case, where failure to comply would not result in a Material Adverse Effect.

5.18. Hostile Tender Offers.

None of the proceeds of the sale of any Notes will be used to finance a Hostile Tender Offer.

5.19. Foreign Assets Control Regulations, Etc.

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

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

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

(i) constitutes or will constitute funds obtained on behalf of any Blocked Person or will otherwise be used by the Company or any Controlled Entity, directly or indirectly, (A) in connection with any investment in, or any transactions or dealings with, any Blocked Person, (B) for any purpose that would cause any Purchaser to be in violation of any U.S. Economic Sanctions Laws or (C) otherwise in violation of any U.S. Economic Sanctions Laws;

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

(iii) will be used, directly or indirectly, for the purpose of making any improper payments, including bribes, to any Governmental Official or commercial counterparty in order to obtain, retain or direct business or obtain any improper advantage, in each case which would be in violation of, or cause any Purchaser to be in violation of, any applicable Anti-Corruption Laws.

(d) The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in compliance with all applicable U.S. Economic Sanctions Laws, Anti-Money Laundering Laws and Anti-Corruption Laws.

6. REPRESENTATIONS OF THE PURCHASER.

6.1. Purchase for Investment.

Each Purchaser severally represents that it is purchasing the Notes for its own account or for one or more separate accounts maintained by it or for the account of one or more pension or trust funds and not with a view to the distribution thereof, provided that the disposition of its or their property shall at all times be within its or their control. Each Purchaser understands that the Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Notes.

6.2. Source of Funds.

Each Purchaser severally represents that at least one of the following statements is an accurate representation as to each source of funds (a "**Source**") to be used by such Purchaser to pay the purchase price of the Notes to be purchased by such Purchaser hereunder:

(a) the Source is an "insurance company general account" (as the term is defined in the United States Department of Labor's Prohibited Transaction Exemption ("**PTE**") 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the NAIC (the "**NAIC Annual Statement**")) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Purchaser's state of domicile; or

(b) the Source is a separate account that is maintained solely in connection with such Purchaser's fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(c) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 and, except as disclosed by such Purchaser to the Company in writing pursuant to this clause (c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(d) the Source constitutes assets of an "investment fund" (within the meaning of Part VI of PTE 84-14 (the **"QPAM Exemption"**)) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part VI of the QPAM Exemption), no employee benefit plan's assets that are managed by the QPAM in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, represent more than 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM maintains an ownership interest in the Company that would cause the QPAM and the Company to be "related" within the meaning of Part VI(h) of the QPAM Exemption and (i) the identity of such QPAM and (ii) the names of any employee benefit plans whose assets in the investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization, represent 10% or more of the assets of such investment fund, have been disclosed to the Company in writing pursuant to this clause (d); or

(e) the Source constitutes assets of a "plan(s)" (within the meaning of Part IV(h) of PTE 96-23 (the "**INHAM Exemption**")) managed by an "in-house asset manager" or "INHAM" (within the meaning of Part IV(a) of the INHAM Exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a person controlling or controlled by the INHAM (applying the definition of "control" in Part IV(d)(3) of the INHAM Exemption) owns a 10% or more interest in the Company and (i) the identity of such INHAM and (ii) the name(s) of the employee benefit plan(s) whose assets constitute the Source have been disclosed to the Company in writing pursuant to this clause (e); or

(f) the Source is a governmental plan; or

(g) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this clause (g); or

(h) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 6.2, the terms "**employee benefit plan**," "**governmental plan**," and "**separate account**" shall have the respective meanings assigned to such terms in section 3 of ERISA.

7. INFORMATION AS TO COMPANY.

7.1. Financial and Business Information.

The Company shall deliver to each holder of a Note that is an Institutional Investor:

(a) Quarterly Statements -- as soon as practicable and in any event within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of,

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

(ii) unaudited consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments;

(b) Annual Statements -- as soon as practicable and in any event within 120 days after the end of each fiscal year of the Company, duplicate copies of,

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

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an opinion thereon (without a "going concern" or similar qualification or exception and without any qualification or exception as to the scope of the audit on which such opinion is based) of independent certified public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances;

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

(d) Notice of Default or Event of Default -- promptly, and in any event within 5 days after a Senior Financial Officer becoming aware of the existence of any Default or Event of Default or that any Person has given any notice or taken any action with respect to a claimed default hereunder or that any Person has given any notice or taken any action with respect to a claimed default of the type referred to in Section 11(f), a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) Employee Benefits Matters -- promptly, and in any event within 5 days after a Senior Financial Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(c) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof;

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect;

(f) Notices from Governmental Authority -- promptly, and in any event within 30 days of receipt thereof, copies of any notice to the Company or any Subsidiary from any Governmental Authority relating to any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect;

(g) Requested Information -- with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under the Notes as from time to time may be reasonably requested by any such holder of a Note; and

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

7.2. Officer's Certificate.

Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1(a) or Section 7.1(b) shall be accompanied by a certificate of a Senior Financial Officer:

(a) Covenant Compliance – setting forth the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of Section 10.2 through Section 10.7 hereof, inclusive, during the quarterly or annual period covered by the financial statements then being furnished (including with respect to each such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence) and a description, in reasonable detail, of Excluded Indebtedness (and of Excluded Assets securing such Excluded Indebtedness) outstanding during the quarterly or annual period covered by the statements then being furnished; and

(b) Event of Default – a statement that such officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

7.3. Visitation.

The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) No Default **--** if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) Default **--** if a Default or Event of Default then exists, at the expense of the Company to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries, so long as a representative of the Company is offered, on at least two Business Days' notice, the opportunity to be present), all at such times and as often as may be requested.

7.4. Electronic Delivery.

Financial statements, opinions of independent certified public accountants, other information and Officer’s Certificates that are required to be delivered by the

Company pursuant to Sections 7.1(a), (b) or (c) and Section 7.2 shall be deemed to have been delivered if the Company satisfies any of the following requirements with respect thereto:

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

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

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

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

provided however, that in no case shall access to such financial statements, other information and Officer's Certificates be conditioned upon any waiver or other agreement or consent (other than confidentiality provisions consistent with Section 20 of this Agreement); provided further, that in the case of any of clauses (b), (c) or (d), the Company shall have given each holder of a Note prior written notice, which may be by e-mail or in accordance with Section 18, of such posting or filing in connection with each delivery, provided further, that upon request of any holder to receive paper copies of such forms, financial statements, other information and Officer's Certificates or to receive them by e-mail, the Company will promptly e-mail them or deliver such paper copies, as the case may be, to such holder.

8. PAYMENT AND PREPAYMENT OF THE NOTES.

8.1. Required Prepayments.

(a) Series J Notes. As provided therein, the entire unpaid principal balance of the Series J Notes shall be due and payable on the stated maturity date thereof.

(b) Shelf Notes. Each Series of Shelf Notes shall be subject to required prepayments, if any, set forth in the Notes of such Series, provided that upon any partial prepayment of the Shelf Notes of any Series pursuant to Section 8.3, the principal amount of each required prepayment of the Shelf Notes of such Series becoming due under this Section 8.1 on and after the date of such prepayment shall be reduced in the same proportion as the aggregate unpaid principal amount of the Shelf Notes of such Series is reduced as a result of such prepayment.

8.2. Mandatory Offer to Make Prepayments without Make-Whole Amount in the Event of Certain Partial Takings.

If there is a bona fide Taking by a Governmental Authority (i) of less than a substantial portion of the Pipeline, or (ii) which does not result in substantial impairment of the value or use of the Pipeline, the Company will make an offer to the holders of the Notes of each Series to apply an amount equal to the net proceeds received by it and its Subsidiaries in connection with such Taking to the prepayment of the Notes of each Series at par and without payment of the Make-Whole Amount or any premium not later than 10 Business Days after receipt of such proceeds. If any holder of the Notes accepts such offer of prepayment, the Company will give each holder of Notes written notice of each prepayment to each accepting holder under this Section 8.2 not less than three Business Days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify such date, the aggregate principal amount of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid, if any (determined by allocating among all of the Notes outstanding for which the holders thereof have accepted the offer of prepayment in proportion, as nearly as practicable, to the respective outstanding principal amounts), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid. Any partial prepayment of Notes pursuant to this Section 8.2 shall be applied in satisfaction of required payments of principal of such Notes in inverse order of their scheduled due dates.

8.3. Optional Prepayments with Make-Whole Amount.

The Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Notes of each Series, in an amount not less than $1,000,000 of the aggregate principal amount of the Notes of such Series then outstanding in the case of a partial prepayment, at 100% of the principal amount so prepaid, and the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Company will give each holder of Notes of each Series written notice of each optional prepayment under this Section 8.3 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment unless the Company and the Required Holders agree to another time period pursuant to Section 17. Each such notice shall specify such date (which shall be a Business Day), the aggregate principal amount of the Notes of each Series to be prepaid on such date, the principal amount of each Note of such Series held by such holder to be prepaid (determined in accordance with Section 8.4), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Notes a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date. Any partial prepayment of a Series of Notes pursuant to this Section 8.3 shall be applied in satisfaction of required payments of principal of the Notes in such Series in inverse order of their scheduled due dates.

8.4. Allocation of Partial Prepayments.

In the case of each partial prepayment of the Notes of any Series pursuant to Section 8.2 or 8.3, the principal amount of the Notes to be prepaid shall be allocated among all of the Notes of such Series at the time outstanding in proportion, as nearly as practicable, to the respective unpaid outstanding principal amounts thereof.

8.5. Maturity; Surrender, Etc.

In the case of each prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

8.6. Purchase of Notes.

The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes of any Series except upon the payment or prepayment of the Notes of such Series in accordance with this Agreement and the Notes of such Series. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

8.7. Make-Whole Amount.

The term "**Make-Whole Amount**" means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal, provided that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"**Called Principal**" means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 8.3 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

"**Discounted Value**" means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"'**Reinvestment Yield**' means, with respect to the Called Principal of any Note, the sum of (a) 0.50% plus (b) the yield to maturity implied by the "Ask Yield(s)" reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page PX1" (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on-the-run U.S. Treasury securities **("Reported")** having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there are no such U.S. Treasury securities Reported having a maturity equal to such Remaining Average Life, then such implied yield to maturity will be determined by (i) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (ii) interpolating linearly between the "Ask Yields" Reported for the applicable most recently issued actively traded on-the-run U.S. Treasury securities with the maturities (1) closest to and greater than such Remaining Average Life and (2) closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Note.

If such yields are not Reported or the yields Reported as of such time are not ascertainable (including by way of interpolation), then **"Reinvestment Yield"** means, with respect to the Called Principal of any Note, the sum of (x) 0.50% plus (y) the yield to maturity implied by the U.S. Treasury constant maturity yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for the U.S. Treasury constant maturity having a term equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there is no such U.S. Treasury constant maturity having a term equal to such Remaining Average Life, such implied yield to maturity will be determined by interpolating linearly between (1) the U.S. Treasury constant maturity so reported with the term closest to and greater than such Remaining Average Life and (2) the

U.S. Treasury constant maturity so reported with the term closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Note.

"**Remaining Average Life**" means, with respect to any Called Principal, the number of years obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years, computed on the basis of a 360-day year comprised of twelve 30-day months and calculated to two decimal places, that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"**Remaining Scheduled Payments**" means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, provided that if such Settlement Date is not a date on which interest payments are due to be made under the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.3 or 12.1.

"**Settlement Date**" means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.3 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

8.8. Payments Due on Non-Business Days.

Anything in this Agreement or the Notes to the contrary notwithstanding, (x) except as set forth in clause (y), any payment of interest on any Note that is due on a date that is not a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; and (y) any payment of principal of or Make-Whole Amount on any Note (including principal due on the Maturity Date of such Note) that is due on a date that is not a Business Day shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

9. AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

9.1. Compliance with Law.

Without limiting Section 10.8, the Company will, and will cause each of its Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject (including ERISA, Environmental Laws, the USA PATRIOT Act and the other laws and regulations that are referred to in Section 5.19) and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.2. Insurance.

The Company will and will cause each of its Subsidiaries to maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

9.3. Maintenance of Properties.

The Company will and will cause each of its Subsidiaries to maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear) so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section 9.3 shall not prevent the Company or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.4. Payment of Taxes and Claims.

The Company will, and will cause each of its Subsidiaries to, file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent the same have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Company or any Subsidiary, provided that neither the Company nor any Subsidiary need pay any such tax, assessment, charge, levy or claim if (i) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (ii) the nonpayment of all such taxes, assessments, charges, levies and claims could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.5. Corporate Existence, Etc.

Subject to Section 10.7, the Company will at all times preserve and keep its corporate existence in full force and effect. Subject to Section 10.7, the Company will at all times preserve and keep in full force and effect the corporate existence of each of its Subsidiaries (unless merged into the Company or a Wholly-Owned Subsidiary) and all rights and franchises of the Company and its Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

9.6. Information Required by Rule 144A.

The Company will, upon the request of the holder of any Note, provide such holder, and any qualified institutional buyer designated by such holder, such financial and other information as such holder and the Company may reasonably determine to be necessary in order to permit compliance with the information requirements of Rule 144A under the Securities Act in connection with the resale of Notes, except at such times as the Company is subject to the reporting requirements of section 13 or 15(d) of the Exchange Act. For the purpose of this Section, the term "qualified institutional buyer" shall have the meaning specified in Rule 144A under the Securities Act.

9.7. Covenant to Secure Notes Equally.

If the Company or any Subsidiary shall create or assume any Lien upon any of its property or assets, whether now owned or hereafter acquired, other than Liens permitted by Section 10.2 (unless prior written consent to the creation or assumption thereof shall have been obtained pursuant to this Agreement), the Company will make or cause to be made effective provisions whereby the Notes will be secured by such Lien equally and ratably with any and all other Indebtedness so long as such Indebtedness shall be so secured.

9.8. Notice of Taking.

The Company shall promptly, and in any event within 10 days after receipt thereof, provide to each holder of Notes a copy of each notice the Company or any of its Subsidiaries receives in connection with any proposed Taking.

9.9. Books and Records.

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

10. NEGATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

10.1. Transactions with Affiliates.

The Company will not, and will not permit any Subsidiary to, enter into directly or indirectly any Material transaction or agreement or Material group of related transactions or agreements (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service or any agreement with respect thereto) with any Affiliate other than another subsidiary of the Company that is a Wholly-Owned Subsidiary, except

(a) in the ordinary course and pursuant to the reasonable requirements of the Company's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Subsidiary than would be obtainable in a comparable arm's-length transaction or agreement with a Person not an Affiliate or

(b) payments authorized or required by any regulatory rule or order of a Governmental Authority.

10.2. Limitation on Liens.

The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly create, incur, assume or permit to exist any Lien on or with respect to any property or asset of the Company or any such Subsidiary, whether now owned or hereafter acquired, or any income or profits therefrom, or assign or otherwise convey any right to receive income or profits, except:

(a) Permitted Liens;

(b) Liens in respect of property (including, without limitation, Excluded Pipeline Additions) acquired by the Company or any Subsidiary in the ordinary course of business and created at the time of acquisition or within 180 days thereafter to secure Indebtedness incurred to finance all or part of the purchase price of such property or existing at the time of acquisition thereof (and not incurred in anticipation thereof), or created at the time of the making of physical improvements to or alterations (including, as improvements or alterations, Excluded Pipeline Additions) of property of the Company or any Subsidiary or within 180 days after the completion of such improvements or alterations to secure Indebtedness incurred to finance such improvements or alterations, provided that

(i) no such Lien shall extend to or cover any of the Pipeline or any Service Agreement related to the Pipeline,

(ii) no such Lien shall extend to or cover any other property of the Company or any of its Subsidiaries other than the property being acquired or improved or altered, as the case may be, and any Service Agreement solely in respect of such property (other than Service Agreements referred to in clause (i) above),

(iii) the aggregate principal amount of Indebtedness secured by all such Liens in respect of any such property shall not exceed the purchase price or cost of such improvement or alteration, as the case may be, of such property, and

(iv) immediately after giving effect thereto, (x) the aggregate principal amount of Indebtedness secured by all such Liens in respect of all such property (and any renewals or extensions permitted by clause (c)) minus Excluded Indebtedness shall not exceed (y) 35% of Adjusted Net Worth, provided, however, that the foregoing limitation may be exceeded if, at least 91 days (or at least 367 days, in the event that the Lien described in clause (b)(iv)(A) below is granted to or for the benefit of a Person who may be an "insider" (as determined by special counsel for the holders of the Notes), as such term is defined in Section 101 of the United States Bankruptcy Code (11 U.S.C. § 101 et seq.)) prior to the creation of such Lien which results in such limitation being exceeded, (A) the Company, at its sole expense (including the expense of special counsel for the holders of the Notes and of special counsel for the collateral trustee), grants to a collateral trustee selected by the Required Holders of the Notes of each Series a first priority Lien, for the benefit of the holders of the Notes and as security for the principal of, interest and Make-Whole Amount in respect of the Notes, pursuant to documentation containing commercially reasonable market terms, in the reasonable good faith judgment of the Company and the Required Holders (which documentation shall also include a provision to the effect that the Required Holders will instruct the collateral trustee to release such Lien at such time as (1) the limitation provided above is no longer exceeded and no Default or Event of Default exists, both immediately prior to and immediately after giving effect to such release, and (2) the Company delivers to the holders of the Notes an Officer's Certificate to both such effects) and involving collateral acceptable to the Required Holders, (B) the Company demonstrates to the reasonable satisfaction of the Required Holders that (x) the Company is solvent, as determined under applicable state and Federal law, both immediately prior to and after giving effect to the creation of such Lien in favor of the collateral trustee, and (y) the provisions of 11 U.S.C. § 548(a)(2)(B)(ii) and (iii) (and similar provisions of applicable state law) do not apply to the Company at each such time, (C) special counsel for the holders of the Notes delivers to the holders of the Notes an opinion reasonably acceptable to the Required Holders addressing such matters as the Required Holders may reasonably request, including, without limitation, the validity and enforceability of the documents creating the Lien in the favor of the collateral trustee, the priority of such Lien, and that the creation of such Lien does not constitute a preference, a fraudulent transfer or fraudulent conveyance or another arrangement that is avoidable under the United States Bankruptcy Code or applicable state law, and (D) the holders of the Notes receive such other documents and instruments (including, without limitation, environmental reports) as the Required Holders reasonably request, and all corporate and other proceedings in connection with the granting of such Lien are reasonably satisfactory to the Required Holders; provided further that, notwithstanding the foregoing provisions of this clause (b), such Lien in favor of the collateral trustee may be granted at the same time as the limitation above is exceeded if (xx) the demonstrations required by subclause (B) above can be made, both immediately prior to and after giving effect to the Lien in favor of the collateral trustee and the Lien which causes such limitation to be exceeded, and (yy) the provisions of subclauses (A), (C) and (D) above are complied with;

(c) extensions or renewals of any Lien permitted by clause (b) above, provided that the outstanding principal amount of the Indebtedness secured thereby at the time of renewal is not increased and such Lien as so extended or renewed does not extend to or cover any property other than the property covered thereby immediately prior to such extension or renewal and immediately after giving effect to any such renewal or extension the aggregate principal amount of Indebtedness secured by all such renewals and extensions together with the aggregate principal amount of Indebtedness secured by Liens permitted by clause (b) minus Excluded Indebtedness shall not (except as permitted by clause (b)(iv)) exceed 35% of Adjusted Net Worth; and

(d) other Liens not otherwise permitted by clause (a), (b) or (c) above securing Indebtedness of the Company or any Subsidiary, provided that

(i) such other Liens shall not extend to or cover any of the Pipeline or any Service Agreement related to the Pipeline, and

(ii) the aggregate outstanding principal amount of Priority Debt minus Excluded Indebtedness shall not at any time exceed 10% of Adjusted Net Worth.

If the Company shall, or shall permit any of its Subsidiaries to, directly or indirectly create, incur, assume or permit to exist any Lien under any Material Credit Facility pursuant to paragraph (d) of this Section 10.2, it will make or cause to be made effective provision whereby the Notes will be secured equally and ratably with any and all other obligations thereby secured, such security to be pursuant to documentation reasonably acceptable to the Required Holders in substance and in form, including an intercreditor agreement and opinions of counsel to the Company and/or any such Subsidiary, as the case may be, from counsel that is reasonably acceptable to the Required Holders, and, in any such case, the Notes shall immediately have the benefit, to the fullest extent that, and with such priority as, the holders of the Notes may be entitled under applicable law, of an equitable Lien on such property; provided, that in no event shall Liens under a Material Credit Facility related to a security interest granted to any agent, any issuer of a letter of credit thereunder or any swing line lender thereunder, which Lien is solely secured by cash collateral established for the purpose of securing obligations in respect of a letter of credit and/or swing line loan thereunder pursuant to a customary "defaulting lender" provision or a customary exchange rate fluctuation provision (in each case a "**Bank Cash Account Lien**") make or cause the Notes to be secured equally and ratably with any such Bank Cash Account Lien.

10.3. Limitation on Consolidated Indebtedness.

The Company will not at any time permit (i) Consolidated Indebtedness minus Excluded Indebtedness to exceed 55% of (ii) Consolidated Total Capitalization minus Excluded Assets.

10.4. Limitation on Priority Debt.

The Company will not at any time permit the aggregate outstanding principal amount of Priority Debt minus Excluded Indebtedness to exceed 10% of Adjusted Net Worth.

10.5. Limitation on Investments.

The Company will not, and will not permit any Subsidiary to, retain or make any Investments other than:

(a) Permitted Investments;

(b) Investments made in property or assets to be used in the ordinary course of business of the Company or any Subsidiary;

(c) Investments in a Subsidiary or in a Person which, concurrently with such Investment, becomes a Subsidiary; and

(d) other Investments, provided that the Aggregate Amount of outstanding Investments permitted by this clause (d) shall not at any time exceed 12.5% of Consolidated Tangible Net Worth.

10.6. Limitation on Sale of Assets.

The Company will not, and will not permit any Subsidiary to, make any Asset Sale; provided, that so long as no Default or Event of Default exists both immediately prior to and after giving effect to any Asset Sale, the Company or any Subsidiary may make any Asset Sale if (a) the Gross Proceeds Amount from such Asset Sale plus the Gross Proceeds Amounts from all other Asset Sales during the then current fiscal year do not exceed 10% of Consolidated Total Assets as at the end of the prior fiscal year and (b) the operating income attributable to such property or assets plus the operating income attributable to all other properties and assets subject to Asset Sales during the then current fiscal year does not exceed 10% of Consolidated Operating Income in any of the three preceding fiscal years; provided, further, that Asset Sales in excess of the foregoing limits may be made if the Excess Proceeds Amount (i) is applied to a Property Reinvestment Application within six months (or twelve months if the Excess Proceeds Amount is invested, not later than the end of the sixth month, in United States Governmental Securities maturing within 365 days after the closing date of any such Asset Sale) after any such Asset Sale and (ii) is held, free from any Liens, prior to such Property Reinvestment Application in a segregated bank account with a bank that is not a creditor of the Company or any Subsidiary or, in the case of United States Governmental Securities, in a segregated account with an Acceptable Broker-Dealer which is not a creditor of the Company or any Subsidiary; provided, further, that in no event may the Company or any Subsidiary convey, transfer, lease or otherwise dispose of all or any portion of the Pipeline or any Service Agreement related thereto (except for (1) damaged, worn-out, obsolete or unnecessary equipment that, in the Company's reasonable judgment, is either no longer used or useful in the business of the Company or its Subsidiaries and (x) in the case of worn-out or damaged equipment, is replaced, or (y) in the case of obsolete or unnecessary equipment, the disposition thereof, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, a Material deterioration in the consolidated cash flow of the Company and its Subsidiaries attributable to the Pipeline or a deterioration in the overall quality or condition of the Pipeline, (2) any Service Agreement related to any such obsolete or unnecessary equipment, but only to the extent so related) and (3) equipment (including portions of the Pipeline and related property) which, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect, a Material deterioration in the consolidated cash flow of the Company and its Subsidiaries attributable to the Pipeline or a deterioration in the overall quality or condition of the Pipeline.

10.7. Merger, Consolidation, Etc.

The Company will not, and will not permit any of its Subsidiaries to, consolidate with or merge with any other corporation or convey, transfer or lease substantially all of its assets in a single transaction or series of transactions to any Person (except that a Subsidiary of the Company may (x) consolidate with or merge with, or convey, transfer or lease substantially all of its assets in a single transaction or series of transactions to, another Subsidiary of the Company or the Company and (y) convey, transfer or lease all of its assets in compliance with the provisions of Section 10.6), provided that the foregoing restriction shall not apply to the consolidation or merger of the Company with, or the conveyance, transfer or lease of substantially all of the assets of the Company in a single transaction or series of transactions to, any Person so long as:

(a) in the case of any such transaction involving the Company, the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer or lease all or substantially all of the assets of the Company as an entirety, as the case may be (the "**Successor Corporation**"), shall be a solvent corporation or limited liability company organized and existing under the laws of the United States or any state thereof (including the District of Columbia);

(b) if the Company is not the Successor Corporation, such corporation or limited liability company shall have (i) executed and delivered to each holder of any Notes its assumption of the due and punctual performance and observance of each covenant and condition of this Agreement and the Notes and (ii) caused to be delivered to each holder of any Notes an opinion of nationally recognized independent counsel, or other independent counsel reasonably satisfactory to the Required Holders, to the effect that all agreements or instruments effecting such assumption are enforceable in accordance with their terms and comply with the terms hereof; and

(c) immediately before and immediately after giving effect to such transaction or each transaction in any such series of transactions, no Default or Event of Default shall have occurred and be continuing.

No such conveyance, transfer or lease of substantially all of the assets of the Company shall have the effect of releasing the Company or any Successor Corporation from its liability under this Agreement or the Notes.

10.8. Terrorism Sanctions Regulations.

The Company will not and will not permit any Controlled Entity (a) to become (including by virtue of being owned or controlled by a Blocked Person), own or control a Blocked Person or any Person that is the target of sanctions imposed by the United Nations or by the European Union, or (b) directly or indirectly to have any investment in or engage in any dealing or transaction (including, without limitation, any investment, dealing or transaction involving the proceeds of the Notes) with any Person if such investment, dealing or transaction (i) would cause any holder to be in violation of any law or regulation applicable to such holder, or (ii) is prohibited by or subject to sanctions under any U.S. Economic Sanctions Laws, or (c) to engage, nor shall any Affiliate of either engage, in any activity that could subject such Person or any holder to sanctions under the Comprehensive Iran Sanctions, Accountability and Divestment Act or any similar law or regulation with respect to Iran or any other country that is subject to U.S. Economic Sanctions Laws.

11. EVENTS OF DEFAULT.

An "Event of Default" shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal, Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for more than ten days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained in the first sentence of Section 9.5 and Sections 10.1 through 10.8, inclusive; or

(d) the Company defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this Section 11) and such default is not remedied within 30 days after the earlier of (i) a Senior Financial Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a "notice of default" and to refer specifically to this paragraph (d) of Section 11); or

(e) any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company in this Agreement or any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) the Company or any Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness that is outstanding in an aggregate principal amount of at least $15,000,000 beyond any period of grace provided with respect thereto, or (ii) the Company or any Subsidiary is in default in the performance of or compliance with any term of any evidence of any Indebtedness in an aggregate outstanding principal amount of at least $5,000,000 or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Indebtedness has become, or has been declared, due and payable before its stated maturity or before its regularly scheduled dates of payment; or

(g) the Company or any Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or other Governmental Authority of competent jurisdiction enters an order appointing, without consent by the Company or any of its Subsidiaries, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any of its Subsidiaries, or any such petition shall be filed against the Company or any of its Subsidiaries and such petition shall not be dismissed within 60 days; or

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

(j) one or more final judgments or orders for the payment of money aggregating in excess of $15,000,000, including any such final order enforcing a binding arbitration decision, are rendered against one or more of the Company and its Subsidiaries and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; or

(k) (i) an ERISA Event with respect to a Pension Plan or Multiemployer Plan, or an ERISA Termination Event with respect to a Pension Plan, shall occur which has resulted or would reasonably be expected to result in liability of the Company under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of 10% of Consolidated Net Worth; (ii) the commencement or increase of contributions to, or the adoption of or the amendment of, a Pension Plan by the Company or an ERISA Affiliate which has resulted or could reasonably be expected to result in an increase in Unfunded Pension Liability among all Pension Plans in an aggregate amount in excess of 10% of Consolidated Net Worth; or (iii) the Company or an ERISA Affiliate shall fail to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan which has resulted or could reasonably be expected to result in a Material Adverse Effect.

12. REMEDIES ON DEFAULT, ETC.

12.1. Acceleration.

(a) If an Event of Default with respect to the Company described in Section 11(g), (h) or (i) (other than an Event of Default described in clause (i) of Section 11(g) or described in clause (vi) of Section 11(g) by virtue of the fact that such clause encompasses clause (i) of Section 11(g)) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, the Required Holders may at any time at its or their option, by notice or notices to the Company, declare all the Notes of such Series then outstanding to be immediately due and payable.

(c) If any Event of Default described in Section 11(a) or (b) has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (x) all accrued and unpaid interest thereon (including interest accrued thereon at the Default Rate) and (y) the Make-Whole Amount determined in respect of such principal amount, shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for) and that the provision for payment of a Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

12.2. Other Remedies.

If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

12.3. Rescission.

At any time after any Notes have been declared due and payable pursuant to Section 12.1(b) or (c), the Required Holders, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the Default Rate, (b) neither the Company nor any other Person shall have paid any amounts which have become due solely by reason of such declaration, (c) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 17, and (d) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

12.4. No Waivers or Election of Remedies, Expenses, Etc.

No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 15, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including, reasonable attorneys' fees, expenses and disbursements.

13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

13.1. Registration of Notes.

The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. If any holder of one or more Notes is a nominee, then (a) the name and address of the beneficial owner of such Note or Notes shall also be registered in such register as an owner and holder thereof and (b) at any such beneficial owner's option, either such beneficial owner or its nominee may execute any amendment, waiver or consent pursuant to this Agreement. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

13.2. Transfer and Exchange of Notes.

Upon surrender of any Note to the Company at the address and to the attention of the designated officer (all as specified in Section 18(iii)), for registration of transfer or exchange (and in the case of a surrender for registration of transfer accompanied by a written instrument of transfer duly executed by the registered holder of such Note or such holder's attorney duly authorized in writing and accompanied by the relevant name, address and other information for notices of each transferee of such Note or part thereof), within 10 Business Days thereafter, the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of Exhibit 1-A, Exhibit 1-B, Exhibit 1-C, Exhibit 1-D, Exhibit 1-E, Exhibit 1-F or Exhibit 1-G, as applicable, in the case of a Series D Note, Series E Note, Series F Note, Series G Note, Series H Note, Series I Note and Series J Note, or in the form of Exhibit 1-H in the case of a Shelf Note. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than $1,000,000, provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than $1,000,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representation set forth in Section 6.2.

13.3. Replacement of Notes.

Upon receipt by the Company at the address and to the attention of the designated officer (all as specified in Section 18(iii)) of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is a Prudential Affiliate, or a nominee of a Prudential Affiliate, or another holder of a Note with a minimum net worth of at least $50,000,000, a Prudential Affiliate's or such other holder's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof, within 10 Business Days thereafter, the Company at its own expense shall execute and deliver, in lieu thereof, a new Note, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

14. PAYMENTS ON NOTES.

14.1. Place of Payment.

Subject to Section 14.2, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in New York, New York, at the principal office of U.S. Bank National Association in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

14.2. Home Office Payment.

So long as any Purchaser shall be the holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, and interest by the method and at the address specified for such purpose below such Purchaser’s name in Schedule A (in the case of Existing Notes and Series J Notes) or as specified in such Purchaser's Confirmation of Acceptance (in the case of a Shelf Note), or by such other method or at such other address as a holder of Notes shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, such Purchaser shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. Prior to any sale or other disposition of any Note held by a Purchaser, such Purchaser will, at its election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes pursuant to Section 13.2. The Company will afford the benefits of this Section 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by any Purchaser under this Agreement and that has made the same agreement relating to such Note as the Purchasers have made in this Section 14.2.

14.3. FATCA Information.

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

15. EXPENSES, ETC.

15.1. Transaction Expenses.

Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required by the Required Holders, local or other counsel) incurred by a Purchaser or each other holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement or the Notes (whether or not such amendment, waiver or consent becomes effective), including: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the Notes, or by reason of being a holder of any Note, and (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes. The Company will pay, and will save any Purchaser and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses if any, of brokers and finders (other than those retained by such Purchaser).

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

15.2. Survival.

The obligations of the Company under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement or the Notes, and the termination of this Agreement.

15.3. Certain Taxes.

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

16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by any Purchaser of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of any Purchaser or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement and the Notes embody the entire agreement and understanding between the Purchasers and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

17. AMENDMENT AND WAIVER.

17.1. Requirements.

This Agreement and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (a) with the written consent of the holders of all Notes of a particular Series, and if an Event of Default shall have occurred and be continuing, of the holders of all Notes of all Series, at the time outstanding (and not without such written consents), the Notes of such Series may be amended, or the provisions thereof waived, to change the maturity thereof, to change or affect the principal thereof, or to change or affect the rate or time of payment of interest on or any Make-Whole Amount payable with respect to the Notes of such Series, (b) without the written consent of the holder or holders of all Notes at the time outstanding, no amendment to, or waiver of, the provisions of this Agreement shall change or affect the provisions of Sections 8, 11(a), 11(b), 12, 17, or 20 insofar as such provisions relate to proportions of the principal amount of the Notes of any Series, or the rights of any individual holder of Notes, required with respect to any declaration of Notes to be due and payable or with respect to any consent, amendment, waiver or declaration, (c) with the written consent of Prudential (and not without the written consent of Prudential) the provisions of Section 2 may be amended or waived (except insofar as any such amendment or waiver would affect any rights or obligations with respect to the purchase and sale of Notes which shall have become Accepted Notes prior to such amendment or waiver), and (d) with the written consent of all of the Purchasers which shall have become obligated to purchase Accepted Notes of any Series (and not without the written consent of all such Purchasers), any of the provisions of Sections 2, 3 and 4 may be amended or waived insofar as such amendment or waiver would affect only rights or obligations with respect to the purchase and sale of the Accepted Notes of such Series or the terms and provisions of such Accepted Notes.

17.2. Solicitation of Holders of Notes.

(a) Solicitation. The Company will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to this Section 17.2 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) Payment. The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security or provide other credit support, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes or any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted or other credit support concurrently provided, on the same terms, ratably to each holder of Notes then outstanding even if such holder did not consent to such waiver or amendment.

(c) Consent in Contemplation of Transfer. Any consent given pursuant to this Section 17 by a holder of a Note that has transferred or has agreed to transfer its Note to (i) the Company, (ii) any Subsidiary or any other Affiliate or (iii) any other Person in connection with, or in anticipation of, such other Person acquiring, making a tender offer for or merging with the Company and/or any of its Affiliates (either pursuant to a waiver under Section 17.1(c) or subsequent to Section 8.5 having been amended pursuant to Section 17.1(c)), in each case in connection with such consent, shall be void and of no force or effect except solely as to such holder, and any amendments effected or waivers granted or to be effected or granted that would not have been or would not be so effected or granted but for such consent (and the consents of all other holders of Notes that were acquired under the same or similar conditions) shall be void and of no force or effect except solely as to such holder.

17.3. Binding Effect, Etc.

Any amendment or waiver consented to as provided in this Section 17 applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note.

17.4. Notes Held by Company, Etc.

Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

18. NOTICES.

Except to the extent otherwise provided in Section 7.4, all notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by an internationally recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by an internationally recognized overnight delivery service (charges prepaid), or (d) by e-mail to any Purchaser for whom an e-mail address is included in Schedule A or in its Confirmation of Acceptance, as applicable, specifically for such purpose. Any such notice must be sent:

(i) if to a Purchaser or its nominee, to it at the address or e-mail address, as applicable, specified for such communications in Schedule A (in the case of the Existing Notes or the Series J Notes) or as specified by such Purchaser in its Confirmation of Acceptance (in the case of Shelf Notes), or at such other address or e-mail address as such Purchaser or it shall have specified to the Company in writing,

(ii) if to any other holder of any Note, to such holder at such address or e-mail address, as applicable, as such other holder shall have specified to the Company in writing, or

(iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of Treasurer, or to the telecopy number indicated in Schedule A, or to TreasuryServices@MDUResources.com, or at such other address, telecopy number or e-mail address as the Company shall have specified to the holder of each Note in writing.

Notices under this Section 18 will be deemed given only when actually received.

19. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by a Purchaser on any Closing Day (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to any Purchaser, may be reproduced by such Purchaser by any photographic, photostatic, electronic, digital, or other similar process and such Purchaser may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by a Purchaser in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

20. CONFIDENTIAL INFORMATION.

For the purposes of this Section 20, “Confidential Information” means information delivered to any Purchaser by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by Prudential or any holder of Notes as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to Prudential or any holder of Notes prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by Prudential or any holder of Notes or any person acting on its behalf, (c) otherwise becomes known to Prudential or any holder of Notes other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to Prudential or any holder of Notes under Section 7.1 that are otherwise publicly available. Prudential or any holder of Notes will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by Prudential or such holder of Notes, respectively, in good faith to protect confidential information of third parties delivered to Prudential or such holder of Notes, provided that Prudential or such holder of Notes may deliver or disclose Confidential Information to (i) its directors, officers, employees, agents, attorneys, trustees and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by its Notes), (ii) its auditors, financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with this Section 20, (iii) any other holder of any Note, (iv) any Institutional Investor to which it sells or offers to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by this Section 20), (v) any Person from which it offers to purchase any Security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by this Section 20), (vi) any federal or state regulatory authority having jurisdiction over it, (vii) the NAIC or the SVO or, in each case, any similar organization, or any nationally recognized rating agency that requires access to information about its investment portfolio, or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to it, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which it is a party or (z) if an Event of Default has occurred and is continuing, to the extent it may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under its Notes and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 20 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying this Section 20.

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

21. SUBSTITUTION OF PURCHASER.

Each Purchaser shall have the right to substitute any one of its Affiliates or another Purchaser or any one of such other Purchaser's Affiliates (a "**Substitute Purchaser**") as the purchaser of the Notes that such Purchaser has agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both such Purchaser and such Substitute Purchaser, shall contain such Substitute Purchaser's agreement to be bound by this Agreement and shall contain a confirmation by such Substitute Purchaser of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, any reference to such Purchaser in this Agreement (other than in this Section 21), shall be deemed to refer to such Substitute Purchaser in lieu of such original Purchaser. In the event that such Substitute Purchaser is so substituted as a Purchaser hereunder and such Substitute Purchaser thereafter transfers to such original Purchaser all of the Notes then held by such Substitute Purchaser, upon receipt by the Company of notice of such transfer, any reference to such Substitute Purchaser as a "Purchaser" in this Agreement (other than in this Section 21), shall no longer be deemed to refer to such Substitute Purchaser, but shall refer to such original Purchaser, and such original Purchaser shall again have all the rights of an original holder of the Notes under this Agreement.

22. MISCELLANEOUS.

22.1. Successors and Assigns.

All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, any subsequent holder of a Note) whether so expressed or not, except that, subject to Section 10.7, the Company may not assign or otherwise transfer any of its rights or obligations hereunder or under the Notes without the prior written consent of each holder. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto and their respective successors and assigns permitted hereby) any legal or equitable right, remedy or claim under or by reason of this Agreement.

22.2. Accounting Terms.

All accounting terms used herein which are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP. Except as otherwise specifically provided herein, (i) all computations made pursuant to this Agreement shall be made in accordance with GAAP, and (ii) all financial statements shall be prepared in accordance with GAAP. For purposes of determining compliance with this Agreement (including Section 9, Section 10 and the definition of "Indebtedness"), any election by the Company to measure any financial liability using fair value (as permitted by Financial Accounting Standards Board Accounting Standards Codification Topic No. 825-10-25 – *Fair Value Option*, International Accounting Standard 39 – *Financial*

Instruments: Recognition and Measurement or any similar accounting standard) shall be disregarded and such determination shall be made as if such election had not been made.

22.3. Severability.

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

22.4. Construction, Etc.

Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

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

22.5. Counterparts; Electronic Contracting.

This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by either, but together signed by all, of the parties hereto. The parties agree to electronic contracting and signatures with respect to this Agreement and the other related documents (other than the Notes). Delivery of an electronic signature to, or a signed copy of, this Agreement and such other related documents (other than the Notes) by facsimile, e-mail or other electronic transmission shall be fully binding on the parties to the same extent as the delivery of the signed originals and shall be admissible into evidence for all purposes.

22.6. Governing Law.

This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding, choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

22.7. **Transaction References.**

The Company agrees that Prudential may (i) refer to its role in establishing the Facility, as well as the identity of the Company and the maximum aggregate principal amount of the Shelf Notes and the date on which the Facility was established, on its internet site or in marketing materials, press releases, published “tombstone” announcements or any other print or electronic medium and (ii) display the Company's corporate logo in conjunction with any such reference.

22.8. Jurisdiction and Process; Waiver of Jury Trial.

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

(b) The Company agrees, to the fullest extent permitted by applicable law, that a final judgment in any suit, action or proceeding of the nature referred to in Section 22.8(a) brought in any such court shall be conclusive and binding upon it subject to rights of appeal, as the case may be, and may be enforced in the courts of the United States of America or the State of New York (or any other courts to the jurisdiction of which it or any of its assets is or may be subject) by a suit upon such judgment.

(c) The Company consents to process being served by or on behalf of any holder of Notes in any suit, action or proceeding of the nature referred to in Section 22.8(a) by mailing a copy thereof by registered, certified, priority or express mail (or any substantially similar form of mail), postage prepaid, return receipt or delivery confirmation requested, to it at its address specified in Section 18 or at such other address of which such holder shall then have been notified pursuant to said Section. The Company agrees that such service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by applicable law, be taken and held to be valid personal service upon and personal delivery to it. Notices hereunder shall be conclusively presumed received as evidenced by a delivery receipt furnished by the United States Postal Service or any reputable commercial delivery service.

(d) Nothing in this Section 22.8 shall affect the right of any holder of a Note to serve process in any manner permitted by law, or limit any right that the holders of any of the Notes may have to bring proceedings against the Company in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

(e) The parties hereto hereby waive trial by jury in any action brought on or with respect to this Agreement, the Notes or any other document executed in connection herewith or therewith.

* * * * *

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

Very truly yours,

WBI ENERGY TRANSMISSION, INC.

By: /s/ Dustin J. Senger
Dustin J. Senger
Treasurer

The foregoing is hereby
agreed to as of the
date thereof.

PGIM, INC.

By: /s/ Callie Hamilton
Vice President

PRUDENTIAL ARIZONA REINSURANCE UNIVERSAL COMPANY

By: PGIM, Inc., as investment manager

By: /s/ Callie Hamilton
Vice President

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: PGIM, Inc., as investment manager

By: /s/ Callie Hamilton
Vice President

PRUDENTIAL ANNUITIES LIFE ASSURANCE CORPORATION

By: Pruco Life Insurance Company (as Grantor)

By: PGIM, Inc. (as Investment Manager)

By: /s/ Callie Hamilton
Vice President

THE PRUDENTIAL LIFE INSURANCE COMPANY, LTD.

By: PGIM Japan Co., Ltd., as Investment Manager

By: PGIM, Inc., as Sub-Adviser

By: /s/ Callie Hamilton
Vice President

FARMERS NEW WORLD LIFE INSURANCE COMPANY

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

By: PGIM Private Placement Investors, Inc. (as its General Partner)

By: /s/ Callie Hamilton
Vice President

THE GIBRALTAR LIFE INSURANCE CO., LTD.

By: PGIM Japan Co., Ltd., as Investment Manager

By: PGIM, Inc., as Sub-Adviser

By: /s/ Callie Hamilton
Vice President

PICA HARTFORD LIFE INSURANCE COMFORT TRUST

By: The Prudential Insurance Company of America, as grantor

By: PGIM, Inc., as investment manager

By: /s/ Callie Hamilton
Vice President

ZURICH AMERICAN INSURANCE COMPANY

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

By: PGIM Private Placement Investors, Inc. (as its General Partner)

By: /s/ Callie Hamilton
Vice President

ZURICH AMERICAN LIFE INSURANCE COMPANY

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

By: PGIM Private Placement Investors, Inc. (as its General Partner)

By: /s/ Callie Hamilton
Vice President

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY

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

By: PGIM Private Placement Investors, Inc. (as its General Partner)

By: /s/ Callie Hamilton
Vice President

PRIVATE PLACEMENT TRUST INVESTORS, LLC

By: PGIM Private Placement Investors,
L.P., as Managing Member

By: PGIM Private Placement Investors, Inc.,
as its General Partner

By: /s/ Callie Hamilton
Vice President

PAR U HARTFORD LIFE & ANNUITY COMFORT TRUST

By: Prudential Arizona Reinsurance Universal Company, as grantor

By: PGIM, Inc., as investment manager

By: /s/ Callie Hamilton
Vice President

MDU RESOURCES GROUP, INC.
RESTRICTED STOCK UNIT AWARD NOTICE

This Award Notice evidences the award of restricted stock units (each, an “***RSU***” or collectively, the “***RSUs***”) that have been granted to, (_), by MDU Resources Group, Inc., a Delaware corporation (the “***Company***”), subject to your acceptance of the terms of this Award Notice, the Restricted Stock Unit Award Agreement, which is attached hereto (the “***Agreement***”) and the MDU Resources Group, Inc. Long-Term Performance-Based Incentive Plan (the “***Plan***”). When vested, each RSU entitles you to receive one share of common stock of the Company (the “***Shares***”). The RSUs are granted pursuant to the terms of the Plan.

This Award Notice constitutes part of, and is subject to the terms and provisions of, the Agreement and the Plan, which are incorporated by reference herein. Capitalized terms used but not defined in this Award Notice shall have the meanings set forth in the Agreement or in the Plan.

Grant Date:	February 16, 2023
Number of RSUs:	xxxxxx, subject to adjustment as provided under Section 4.2 of the Plan.
Vesting Schedule:	Subject to the provisions of the Agreement and the Plan and provided that you remain continuously employed by the Company and/or an Affiliate through the respective vesting dates set forth below, the RSUs shall vest on December 31, 2025. The Vesting Schedule is the 36 month period beginning January 1, 2023 and ending December 31, 2025. Except for termination of employment due to retirement after the Participant has reached age 55 and completed 10 Years of Service, death or disability or a Change of Control as defined in the Plan, any unvested portion of the Award will be forfeited and/or cancelled on the date you cease to be an employee of the Company or an Affiliate.
Settlement Date:	Each vested RSU will be settled in Shares as soon as practicable following vesting but in no event later than 60 days after such RSUs vest.
Acceleration on Retirement, Death or Disability:	In the case of death or disability, a portion of the unvested RSUs will vest based on the ratio of the number of full months of employment completed during the Vesting Schedule to the date of your death or disability divided by the total number of months in the Vesting Schedule. In the case of retirement where the Participant has reached age 55 and completed 10 Years of Service (i) during the first year of the Vesting Schedule, all RSUs (and related Dividend Equivalents) shall be forfeited; (ii) during the second year of the Vesting Schedule, determination of the vesting RSUs will be made by the Committee at the end of the Vesting Schedule, and Shares (and related Dividend Equivalents) earned, if any, will be paid based on a proration for the number of months employed during the 36 month Vesting Schedule, including the month in which the

termination of employment occurs; and (iii) during the third year of the Vesting Schedule, determination of the vesting RSUs will be made by the Committee at the end of the Vesting Schedule, and Shares (and related Dividend Equivalents) earned, if any, will be paid without prorating. For purposes of the Award Agreement, the term Years of Service shall mean the full 12 month years a Participant is employed by the Company and/or a Subsidiary.

Dividend Equivalents:	Yes

THESE RESTRICTED STOCK UNITS ARE SUBJECT TO FORFEITURE AS PROVIDED HEREIN. THIS AWARD AND AMOUNTS RECEIVED IN CONNECTION WITH THIS AWARD ARE SUBJECT TO FORFEITURE, RECAPTURE OR OTHER ACTION IN THE EVENT OF AN ACCOUNTING RESTATEMENT, AS PROVIDED IN THE PLAN.

Further terms and conditions of the Award are set forth in Annex A hereto, which is an integral part of the Agreement.

You must accept this Award Notice by logging onto your account with Fidelity Investments and accepting this Award Notice and the Agreement. If you fail to do so, the RSUs will be null and void. By accepting the RSUs granted to you in this Award, you agree to be bound by all of the provisions set forth in this Award Notice, the Agreement, and the Plan.

Attachments:
Annex A: Restricted Stock Unit Award Agreement

Annex A
RESTRICTED STOCK UNIT AWARD AGREEMENT UNDER THE MDU RESOURCES GROUP, INC.
LONG-TERM PERFORMANCE-BASED INCENTIVE PLAN

MDU Resources Group, Inc. (the "***Company***") has granted to you an Award consisting of restricted stock units, subject to the terms and conditions set forth herein and in the Restricted Stock Unit Award Notice (the "***Award Notice***"). The Award has been granted to you pursuant to the MDU Resources Group, Inc. Long-Term Performance-Based Incentive Plan (the "***Plan***"). Subject to the terms of the Plan, decisions and interpretations of the Compensation Committee of the Company's Board of Directors (the "**Committee**") are binding, conclusive and final upon any questions arising under the Award Notice, this Restricted Stock Unit Award Agreement (the "***Agreement***") or the Plan. Unless otherwise defined herein or in the Award Notice, capitalized terms shall have the meanings assigned to such terms in the Plan.

1. **Grant of RSUs**. On the Grant Date, you were awarded the number of RSUs set forth in the Award Notice.

2. **Vesting of RSUs.** The RSUs shall become vested and nonforfeitable in accordance with the Vesting Schedule set forth in the Award Notice. Vesting may be accelerated only as described in the Award Notice.

3. **Termination of employment**. Except for termination of employment due to death, disability, retirement upon reaching age 55 with 10 Years of Service, or a Change of Control as defined in the Plan, any unvested portion of the Award will be forfeited and/or cancelled on the date you cease to be an employee of the Company or an Affiliate.

4. **Settlement of RSU**. Each RSU, at the discretion of the Committee, will be settled in Shares as soon as practicable after the Vesting Date but in no event later than 60 days after unvested RSUs become vested RSUs. You shall retain 50% of the net after-tax Shares that are earned under this Award until the earlier of (i) the end of the two-year period commencing on the date any Shares earned under this Award are issued and (ii) your termination of employment. Executives are required to own Shares at designated multiples of their base salary. If you have not achieved an applicable stock ownership requirement, the Company may require you to hold additional net after-tax Shares received under this Award until the requirement is met.

5. **Voting Rights**. Since RSUs do not represent actual Shares, no voting rights or other rights as a stockholder of the Company arise with respect to the RSUs until Shares have been delivered to you upon settlement of the RSUs.

6. **Dividend Equivalents.** Dividend Equivalents will be earned with respect to any Shares issued pursuant to the Award. The amount of Dividend Equivalents earned shall be equal to the total dividends declared on a Share for stockholders of record between the Grant Date of this Award and the vesting date of the RSUs, multiplied by the number of Shares issued pursuant to the vesting of the RSUs awarded in the Award Agreement. Any Dividend Equivalents earned shall be paid in cash when the Shares to which they relate are issued or as soon thereafter as practicable, but no later than 60 days after the Shares are issued. No Dividend Equivalents will be issued for unvested or forfeited RSUs.

7. **Tax Withholding**. Pursuant to Article 14 of the Plan, the Committee has the power and the right to deduct or withhold, or require the Participant to remit to the Company, an amount sufficient to satisfy any federal, state and local taxes (including the Participant's FICA obligations) required by law to be withheld with respect to the Award and Dividend Equivalents. The Committee may condition the delivery of vested Shares upon the Participant's

satisfaction of such withholding obligations. The withholding requirement for Shares will be satisfied by the Company withholding Shares having a Fair Market Value equal to federal income tax withholding obligations using an IRS accepted methodology plus additional amounts for state and local tax purposes, as applicable, including payroll taxes, that are applicable to such supplemental taxable income but with rates not to exceed the maximum effective statutory rates, unless the Participant elects, in a manner satisfactory to the Committee, to remit an amount to satisfy the withholding requirement subject to such restrictions or limitations that the Committee, in its sole discretion, deems appropriate. Such election must be made before, and is irrevocable after, December 15 of the last year in the Vesting Schedule, and cannot be made or revoked while the Participant possesses information that will be material nonpublic information at the time the Shares are issued such that the Participant would be prohibited from trading on the Company's stock under its Insider Trading Policy.

8. **Non-Guarantee of Employment Relationship or Future Awards**. Nothing in the Plan, the Award Notice or this Agreement will alter your at-will or other employment status with the Company or an Affiliate, nor be construed as a contract of employment between you and the Company or an Affiliate, or as a contractual right for you to continue in the employ of the Company or an Affiliate for any period of time, or as a limitation of the right of the Company or an Affiliate to discharge you at any time with or without cause or notice and whether or not such discharge results in the forfeiture of any of your RSUs, or as a right to any future Awards.

9. **Non-transferability of RSUs**. No RSUs granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution.

10. **Personal Information**. You agree the Company and its suppliers or vendors may collect, use and disclose your personal information for the purposes of the implementation, management, administration and termination of the Plan.

11. **Amendment**. The Committee may amend, alter, modify, suspend or terminate the Award Notice or this Agreement at any time and from time to time, in whole or in part; provided, however, no amendment, alteration, modification, suspension or termination of the Award Notice or Agreement shall adversely affect in any material way the Award Notice or this Agreement, without your written consent, except to the extent such amendment, alteration, modification, suspension or termination is reasonably determined by the Committee in its sole discretion to be necessary to comply with applicable laws, rules, regulations, or is necessary for such approvals by any governmental agencies or national securities exchanges as may be required.

12. **Binding Effect**. This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon you and your heirs, beneficiaries, executors, legal representatives, successors and assigns.

13. **Integrated Agreement**. The Award Notice, this Agreement and the Plan constitute the entire understanding and agreement between you and the Company with respect to the subject matter contained herein or therein and supersedes any prior agreements, understandings, restrictions, representations, or warranties between you and the Company with respect to such subject matter other than those as set forth or provided for herein or therein.

14. **Ratification of Actions**. By accepting the Award or other benefit under the Plan, you and each person claiming under or through you shall be conclusively deemed to have indicated your acceptance and ratification of, and consent to, any action taken under the Plan or the Award by the Company, its Board of Directors, or the Committee.

15. **Notices**. Any notice hereunder to the Company shall be addressed to its office, 1200 West Century Avenue, Bismarck, North Dakota 58503; Attention: Corporate Secretary, and any notice hereunder to you shall be addressed to you at the address specified on the Award Agreement, subject to the right of either party to designate at any time hereafter in writing some other address.

16. **Governing Law**. To the extent not preempted by Federal law, the Award Notice and this Agreement shall be governed and construed in accordance with the laws of the State of Delaware, without regard to conflicts of law provisions. In the event any provision of the Award Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Award Agreement, and the Award Agreement shall be construed and enforced as if the illegal or invalid provision had not been included.

17. **Construction**. Captions and titles contained in this Agreement are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

18. **Conformity**. This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan. Any conflict between the terms of the Award Notice, this Agreement and the Plan shall be resolved in accordance with the terms of the Plan. In the event of any ambiguity in the Award Notice or this Agreement or any matters as to which the Award Notice and this Agreement are silent, the Plan shall govern. Any conflict between the terms of the Award Notice and the Agreement shall be resolved in accordance with the terms of the Agreement.

MDU Resources Group, Inc. Section 16 Officers and Directors
with Indemnification Agreements Chart
As of February 1, 2023

Section 16 Officers

Name	Title	Date of Agreement
David L. Goodin	President and Chief Executive Officer, MDU Resources Group, Inc.	August 12, 2010, as amended May 15, 2014
David C. Barney	Chief Executive Officer, Knife River Corporation	May 16, 2013, as amended May 15, 2014
Stephanie A. Barth	Vice President, Chief Accounting Officer and Controller, MDU Resources Group, Inc.	September 21, 2017
Trevor J. Hastings	President and Chief Executive Officer, WBI Holdings, Inc.	October 10, 2017
Anne M. Jones	Vice President and Chief Human Resources Officer, MDU Resources Group, Inc.	January 1, 2016
Nicole A. Kivisto	President and Chief Executive Officer, Montana-Dakota Utilities Co.	August 12, 2010, as amended May 15, 2014
Karl A. Liepitz	Vice President, General Counsel and Secretary, MDU Resources Group, Inc.	November 12, 2020
Margaret (Peggy) A. Link	Vice President and Chief Information Officer, MDU Resources Group, Inc.	January 1, 2017
Jeffrey S. Thiede	President and Chief Executive Officer, MDU Construction Services Group, Inc.	May 16, 2013, as amended May 15, 2014
Jason L. Vollmer	Vice President and Chief Financial Officer, MDU Resources Group, Inc.	November 29, 2014

Directors

Name	Title	Date of Agreement
Dennis W. Johnson	Director and Chair of the Board	August 12, 2010
German Carmona Alvarez	Director	November 17, 2022
Thomas Everist	Director	August 12, 2010
Karen B. Fagg	Director	August 12, 2010
David L. Goodin	Director	August 12, 2010
Patricia L. Moss	Director	August 12, 2010
Dale S. Rosenthal	Director	May 11, 2021
Edward A. Ryan	Director	November 15, 2018
David M. Sparby	Director	August 16, 2018
Chenxi Wang	Director	May 7, 2019

FIFTH AMENDMENT
TO
MDU RESOURCES GROUP, INC.
401(k) RETIREMENT PLAN

The MDU Resources Group, Inc. 401(k) Retirement Plan (the “Plan”), as most recently amended and restated effective April 1, 2020, is hereby amended by this Fifth Amendment effective as of August 18, 2014. All terms defined in the Plan shall have the same meanings when used herein.

1. Section A-12 shall be amended to read as follows:

A-12 USI Industrial Services, Inc. The Employer shall not make matching contributions on behalf of its maintenance group Employees, other than such Employees included in payroll group 976, effective August 18, 2014. (The Employer’s payroll group 976 Employees are eligible for the standard matching contributions.)

* * *

The Plan is amended effective as of the date specifically set forth above and executed by a duly authorized individual on the date set forth below.

MDU RESOURCES GROUP, INC.
EMPLOYEE BENEFITS COMMITTEE

Date: 12-28-22

By: /s/ Jason L. Vollmer
Jason L. Vollmer
Chair

<u>RETENTION AGREEMENT</u>

This Retention Agreement ("**Agreement**") is made and entered into effective as of this 17th day of February, 2023 (the "**Effective Date**"), by and between Jeffrey S. Thiede ("**Employee**") and MDU Construction Services Group, Inc., on behalf of itself, its successors, and assigns (collectively "**CSG**"), and MDU Resources Group, Inc. ("MDU Resources") (the Employee, CSG, and MDU Resources are collectively referred to as the "**Parties**").

RECITALS

WHEREAS, MDU Resources has announced that its board of directors has determined that the future structure for MDU Resources most likely to maximize the long-term value for stockholders is to create two pure-play publicly traded companies, one focused on regulated energy delivery and the other on construction materials, and to achieve this future structure, options are being evaluated to optimize the value of CSG. This strategic review could result in the sale, spin, merger, or similer transaction involving all or substantially all of the business of CSG (the "Transaction");

WHEREAS, in the event of a Transaction, CSG has agreed to provide Employee with certain payments and benefits to which Employee would not otherwise be entitled absent signing this Agreement;

WHEREAS, CSG wishes to provide additional incentive for Employee to continue employment at least through the date of closing the Transaction;

NOW THERFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

AGREEMENT

1. **<u>Agreement Term</u>**. This Agreement shall remain in effect during the period commencing on the date hereof and ending on December 31, 2023 (the "Term").

2. **<u>Services.</u>** Until the earlier of the closing of the Transaction and the expiration date of the Term, Employee shall continue to provide services to CSG, including assisting CSG and MDU Resources as requested in achieving its desired business objectives in connection with the Transaction.

3. **<u>Base Salary.</u>** Until the earlier of the closing of the Transaction and the expiration date of the Term, Employee's base bi-weekly salary for the continuation of employment will not be reduced from Employee's base bi-weekly salary as of the Effective Date.

4. **<u>Incentive.</u>** Subject to closing of the Transaction and Employee fulfilling the eligibility requirements set forth in Paragraph 8, Employee will receive a lump-sum cash payment

equal to the amount Employee would have received under MDU Resources Group, Inc. Executive Incentive Compensation Plan (hereinafter referred to as the "Incentive"). Incentive calculations will be calculated in the same manner as they have been historically calculated and accrued. For partial year calculations, CSG will use actual financial results plus remaining plan months, based on the most recent quarterly plan update (i.e. 3+9, 6+6, 9+3) as submitted to, and approved by, MDU Resources, to equal the full year calculation. The result of that calculation will then be prorated using the number of days during calendar year 2023 Employee worked for CSG prior to the closing of the Transaction. The Incentive calculation and all related performance determinations will be made by MDU Resources prior to the closing of the Transaction, and the prorated payment will, except as otherwise provided in Paragraph 8, be paid within fifteen (15) days following the closing of the Transaction, and will be subject to required payroll deductions for federal, state, and/or local tax withholdings.

5. **Deferred Compensation Plan.** Subject to the closing of the Transaction and Employee fulfilling the eligibility requirements set forth in Paragraph 8, Employee's unvested employer credit amount in the MDU Resources Deferred Compensation Plan (the "Deferred Compensation Plan") will be fully vested on the date of a Transaction. Payment timing for Employee's vested balance will be determined under the terms of the Deferred Compensation Plan and in accordance with applicable tax rules.

6. **Retention Bonus.** Subject to the closing of the Transaction and Employee fulfilling the eligibility requirements set forth in Paragraph 8 below, Employee is eligible to earn a cash retention bonus in the amount of One Million One Hundred Thousand Dollars ($1,100,000) (the "Retention Bonus"). The Retention Bonus will, except as otherwise provided in Paragraph 8, be paid within fifteen (15) days after the closing of the Transaction, and will be subject to required payroll deductions for federal, state, and/or local tax withholdings.

7. **Outstanding Equity Awards.** Subject to Employee fulfilling the eligibility requirements set forth in Paragraph 8 below, at the closing of the Transaction, the unvested MDU Resources equity awards held by Employee immediately prior to the closing of the Transaction will be treated as set forth in Exhibit A (the "Equity Award Treatment").

8. **Eligibility.** In order to be eligible for the payments and benefits referenced in Paragraphs 4 through 7 (collectively, the "Transaction Benefits"):

   A. Employee must remain in CSG's employ as long as CSG desires Employee's services and until Employee receives written notice from the President and CEO of MDU Resources, or any designee thereof, specifying Employee has met Employee's eligibility obligation. Employee will forfeit all right to the payments and benefits described in Paragraphs 4 through 7 if Employee fails to provide the services as described in Paragraphs 2 and 9 of this Agreement until the closing of the Transaction or until Employee's employment is otherwise terminated as provided herein.

B. If Employee's employment is terminated for "good cause," then Employee is not eligible for the Transaction Benefits. For purposes of this Agreement, CSG shall be deemed to have "good cause" to terminate Employee's employment based upon negligence or misconduct, failure to perform job duties, failure to follow company policies, dishonesty, insubordination, commission of a felony or act of moral turpitude which prevents Employee from effectively performing Employee's duties; any unexcused absence by Employee from Employee's duties for a period of five (5) consecutive days; or if Employee refuses to obey a lawful directive of Employee's supervisor and fails to correct such refusal within a reasonable time after receipt of written notice from CSG. If Employee is terminated "for good cause," the only payment due to Employee is the balance of Employee's remaining base compensation and employee benefits through the termination date.

C. If Employee's employment is involuntarily terminated by CSG during the Term and prior to the closing of a Transaction, and such termination is not "for good cause" and is not due to Employee's death or permanent disability (a "Qualifying Termination"), Employee will receive (1) the Incentive, which shall be calculated in accordance with Paragraph 4 (prorated based on the date of Employee's termination of employment) and paid within fifteen (15) days following the date of Employee's termination of employment, (2) the vested employer credit amount under the Deferred Compensation Plan, effective as of the date of Employee's termination of employment, with timing of payment to be made under the terms of the Deferred Compensation Plan and in accordance with applicable tax rules, and (3) the Retention Bonus, paid within fifteen (15) days after Employee's termination of employment. Upon a Qualifying Termination, Employee's MDU Resources equity awards would be treated in accordance with their existing terms and conditions.

D. The Transaction must be completed and closed during the Term. If the Transaction is not completed and closed during the Term, CSG has the right to extend the term of this Agreement. Any such extension will be provided to Employee in writing as an amendment to this Agreement.

E. If Employee is offered and accepts a position with MDU Resources or one of its divisions or subsidiaries which are not part of CSG prior to the closing date of the Transaction, Employee may receive a reduced or pro-rata Retention Bonus and Incentive in the discretion of the President and CEO of MDU Resources, or any designee thereof.

9. **<u>At-Will Employment.</u>** Employee acknowledges and agrees that Employee is an employee-at-will and that either Employee or CSG may terminate Employee's employment at any time for any lawful reason, or no reason, subject to the consequences of such termination as set forth in this Agreement. Nothing in this Agreement nor the payment of the Retention Bonus shall be construed as, imply, or constitute a promise of continued employment or employment for a specified term, or otherwise alter the at-will employment of Employee by CSG.

10. **Assignment.** This Agreement is binding upon and will inure to the benefit of the Company and their successors and assigns.

11. **Notices.** All notices, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given if hand-delivered, e-mailed, or if mailed by registered or certified mail, postage prepaid, addressed to Employee at Employee's address as it appears in CSG's records or addressed to MDU Resources at 1200 W. Century Ave., Bismarck, ND 58503, Attention: President and CEO. Either party may change the address at which notice shall be give by written notice in the above manner.

12. **Governing Law.** This agreement shall be governed by, and construed in accordance with, the laws of the State of North Dakota without regard to principles of conflict of laws.

13. **Miscellaneous.** This Agreement constitutes the entire agreement of the Parties and supersedes and replaces any other written or oral agreement or understanding with respect to this subject matter. In the event of any inconsistency between the terms of this Agreement and such other agreements or understandings, the terms of this Agreement shall control. This Agreement may be modified, amended, or waived only by a writing executed by both Parties. Should any valid federal or state law be found to affect any provision of this Agreement, the provision or provisions so affected shall be automatically conformed to the law and otherwise this Agreement shall continue in full force and effect.

14. **Section 409A.** This Agreement is intended to comply with, or be exempt from, Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A") and shall be construed and administered in accordance with Section 409A.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the day and year first above written.

Dated: 2-17-2023 /s/ Jeffrey S. Thiede
Jeffrey S. Thiede

MDU Construction Services Group, Inc.

Dated: 2-17-2023 /s/ David L. Goodin
By: David L. Goodin
Chair of the Board

MDU Resources Group, Inc.

Dated: 2-17-2023 /s/ David L. Goodin
By: David L. Goodin
President and Chief Executive Officer

<u>EXHIBIT A: EQUITY AWARDS TREATMENT</u>

	Category	Treatment upon the Closing*	Payment Timing
1.	**2021 Performance-Based Restricted Stock Units (“PRSUs”)**	Full vesting. If any performance goals continue to apply, performance will be determined by MDU Resources Compensation Committee.	Based on the original payment schedule (i.e., February 2024)
2.	**2022 PRSUs**	Pro rata vesting based on the number of full months lapsed from and including the month in which the performance period began to and including the month in which the closing of the Transaction occurs. If any performance goals continue to apply, performance will be determined by MDU Resources Compensation Committee.	Based on the original payment schedule (i.e., February 2025)
3.	**2021 Restricted Stock Units (“RSUs”)**	Full vesting	Based on the original payment schedule (i.e., February 2024)
4.	**2022 RSUs**	Pro rata vesting based on the number of full months lapsed from and including the month in which the performance period began to and including the month in which the closing of the Transaction occurs.	Based on the original payment schedule (i.e., February 2025)
5.	**2023 RSUs**	Pro rata vesting based on the number of full months lapsed from and including the month in which the performance period began to and including the month in which the closing of the Transaction occurs.	Based on the original payment schedule (i.e., February 2026)

*In accordance with applicable tax laws, MDU Resources will withhold from Employee’s final paycheck from MDU Resources the applicable payroll taxes due upon vesting of the awards in accordance with this column.

February 17, 2023

Dave C. Barney

Re: Senior Advisor Role

I am pleased to offer you the non-executive position of Senior Advisor at Knife River Corporation (“KRC") effective March 1, 2023. In this position, you will support an orderly transition of your duties and responsibilities to your successor as President and CEO of KRC. You will be called upon to provide such assistance and services as are reasonably requested by the President and CEO of KRC from time to time. It is expected that your service in this position will continue through your retirement on January 3, 2024. The period from March 1, 2023 through January 3, 2024 is referred to in this letter as the “Position Term”.

Annual Base Salary: Your annual base salary will remain at $551,000 during the Position Term.

Stock Ownership Guidelines: Your stock ownership requirements will remain at 3x base salary during the Position Term.

Annual Incentive/Executive Incentive Compensation Plan (EICP): You will remain in the EICP for fiscal year 2023 at your current target incentive amount.

Long-Term Performance-Based Incentive Plan (LTIP): You will be included in the MDU Resources Group, Inc. LTIP grant for 2023 along with other executives. Treatment of your outstanding LTIP awards upon your retirement at the end of the Position Term will be governed by the applicable plan document and award agreements.

Non-Officer Position: Effective as of the commencement of the Position Term, you will no longer be a member of the Management Policy Committee and will no longer be an executive officer.

Non-Qualified Defined Contribution Plan: The Board approved your previous contribution to this plan for 2023. No additional employer contributions will be made.

The above information is for overview purposes, and the specific terms and conditions of each program is outlined in the appropriate plan documents and/or award letters. This letter is not a contract of employment for any specified period of time. The employment relationship is “at will” and can be terminated by you or the company at any time, for any reason, with or without notice. This letter may be assigned to KRC in connection with the separation of KRC from MDU Resources Group, Inc.

Dave, thank you for 36 years of service to KRC. I look forward to working with you in this new role.

[Signature Page Follows.]

Sincerely,

/s/ David L. Goodin

David L. Goodin
President and Chief Executive Officer MDU Resources Group, Inc.

Agreed to and accepted:

/s/ David C. Barney

David C. Barney Date 2-17-2023

cc: Human Resources – MDUR/KRC

MDU RESOURCES GROUP, INC.
List of Subsidiaries
(effective December 31, 2022)

Subsidiaries	**Jurisdiction of Formation**
Alaska Basic Industries, Inc.	Alaska
Ames Sand & Gravel, Inc.	North Dakota
Anchorage Sand and Gravel Company, Inc.	Alaska
ARC Fabricators, L.L.C.	South Dakota
Baldwin Contracting Company, Inc.	California
Bell Electrical Contractors, Inc.	Missouri
Bombard Electric, LLC	Nevada
Bombard Mechanical, LLC	Nevada
Capital Electric Construction Company, Inc.	Kansas
Capital Electric Line Builders, Inc.	Kansas
Cascade Natural Gas Corporation	Washington
Centennial Energy Holdings, Inc.	Delaware
Centennial Holdings Capital LLC	Delaware
Central Oregon Redi-Mix, LLC	Oregon
Concrete, Inc.	California
Connolly-Pacific Co.	California
D S S Company	California
Desert Fire Holdings, Inc.	Nevada
Desert Fire Protection, a Nevada Limited Partnership	Nevada
Desert Fire Protection, Inc.	Nevada
Desert Fire Protection, LLC	Nevada
Duro Electric Company	Colorado
E & ER Company	South Dakota
Ellis & Eastern Company	South Dakota
E.S.I., Inc.	Ohio
Fairbanks Materials, Inc.	Alaska
Fidelity Exploration & Production Company	Delaware
Frebco, Inc.	Ohio
FutureSource Capital Corp.	Delaware
Granite City Ready Mix, Inc.	Minnesota
Hawaiian Cement	Hawaii
Intermountain Gas Company	Idaho
International Line Builders, Inc.	Delaware
InterSource Insurance Company	Vermont
Jebro Incorporated	Iowa
JTL Group, Inc. (Montana corporation)	Montana
JTL Group, Inc. (Wyoming corporation)	Wyoming

Kent’s Oil Service	California
Knife River Corporation	Delaware
Knife River Corporation - Mountain West	Delaware
Knife River Corporation – North Central	Minnesota
Knife River Corporation – Northwest	Oregon
Knife River Corporation – South	Texas
Knife River Dakota, Inc.	Delaware
Knife River Hawaii, Inc.	Delaware
Knife River Holding Company	Delaware
Knife River Marine, Inc.	Delaware
Knife River Midwest, LLC	Delaware
KRC Holdings, Inc.	Delaware
Lone Mountain Excavation & Utilities, LLC	Nevada
Loy Clark Pipeline Co.	Oregon
LTM, Incorporated	Oregon
MDU Construction Services Group, Inc.	Delaware
MDU Energy Capital, LLC	Delaware
MDU Industrial Services, Inc.	Delaware
MDU United Construction Solutions, Inc.	Delaware
Montana-Dakota Utilities Co.	Delaware
Northstar Materials, Inc.	Minnesota
OEG, Inc.	Oregon
PerLectric, Inc.	Virginia
Prairie Cascade Energy Holdings, LLC	Delaware
Prairie Intermountain Energy Holdings, LLC	Delaware
Rail to Road, Inc.	South Dakota
Rocky Mountain Contractors, Inc.	Montana
Sweetman Const. Co.	South Dakota
USI Industrial Services, Inc.	Delaware
Wagner Group, Inc., The	Delaware
Wagner-Smith Company, The	Ohio
Wagner-Smith Equipment Co.	Delaware
WBI Canadian Pipeline, Ltd.	Canada
WBI Energy Midstream, LLC	Colorado
WBI Energy Transmission, Inc.	Delaware
WBI Energy, Inc.	Delaware
WBI Holdings, Inc.	Delaware
WHC, Ltd.	Hawaii

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-246323 on Form S-3 and Registration Statement Nos. 333-27877, 333-114488, and 333-234760 on Form S-8 of our reports dated February 24, 2023, relating to the financial statements of MDU Resources Group, Inc., and the effectiveness of MDU Resources Group, Inc.'s internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2022.

/s/ Deloitte & Touche LLP

Minneapolis, Minnesota
February 24, 2023

CERTIFICATION

I, David L. Goodin, certify that:

1. I have reviewed this annual report on Form 10-K of MDU Resources Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2023

/s/ David L. Goodin
David L. Goodin
President and Chief Executive Officer

CERTIFICATION

I, Jason L. Vollmer, certify that:

1. I have reviewed this annual report on Form 10-K of MDU Resources Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2023

/s/ Jason L. Vollmer
Jason L. Vollmer
Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

Each of the undersigned, David L. Goodin, the President and Chief Executive Officer, and Jason L. Vollmer the Vice President and Chief Financial Officer of MDU Resources Group, Inc. (the "Company"), DOES HEREBY CERTIFY that:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 2022 (the "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, each of the undersigned has executed this statement this 24th day of February, 2023.

/s/ David L. Goodin
David L. Goodin
President and Chief Executive Officer

/s/ Jason L. Vollmer
Jason L. Vollmer
Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to MDU Resources Group, Inc. and will be retained by MDU Resources Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

MDU RESOURCES GROUP, INC.
MINE SAFETY INFORMATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) requires issuers to include in periodic reports filed with the SEC certain information relating to citations or orders for violations of standards under the Federal Mine Safety and Health Act of 1977 (Mine Act), as amended by the Mine Improvement and New Emergency Response Act of 2006 (Mine Safety Act). The Dodd-Frank Act requires reporting of the following types of citations or orders:

1. Citations issued under Section 104 of the Mine Safety Act for violations that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard.
2. Orders issued under Section 104(b) of the Mine Safety Act. Orders are issued under this section when citations issued under Section 104 have not been totally abated within the time period allowed by the citation or subsequent extensions.
3. Citations or orders issued under Section 104(d) of the Mine Safety Act. Citations or orders are issued under this section when it has been determined that the violation is caused by an unwarrantable failure of the mine operator to comply with the standards. An unwarrantable failure occurs when the mine operator is deemed to have engaged in aggravated conduct constituting more than ordinary negligence.
4. Citations issued under Section 110(b)(2) of the Mine Safety Act for flagrant violations. Violations are considered flagrant for repeat or reckless failures to make reasonable efforts to eliminate a known violation of a mandatory health and safety standard that substantially and proximately caused, or reasonably could have been expected to cause, death or serious bodily injury.
5. Imminent danger orders issued under Section 107(a) of the Mine Safety Act. An imminent danger is defined as the existence of any condition or practice in a coal or other mine which could reasonably be expected to cause death or serious physical harm before such condition or practice can be abated.
6. Notice received under Section 104(e) of the Mine Safety Act of a pattern of violations or the potential to have such a pattern of violations that could significantly and substantially contribute to the cause and effect of mine health and safety standards.

During the twelve months ended December 31, 2022, none of the Company's operating subsidiaries received citations or orders under the following sections of the Mine Safety Act: 104(b), 104(d), 110(b)(2) or 104(e). The Company had no mining-related fatalities during this period.

MSHA Identification Number/Contractor ID	Section 104 S&S Citations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed ($)	Legal Actions Pending as of Last Day of Period (#)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
04-00081	1	—	$ 454	—	—	—
04-01698	—	—	133	—	—	—
04-05140	—	—	876	—	—	—
10-02088	—	—	133	—	—	—
21-02614	—	—	133	—	—	—
21-03642	—	—	133	—	—	—
21-03645	1	—	155	—	—	—
21-03732	—	—	133	—	—	—
21-03812	—	—	133	—	—	—
21-03872	—	—	133	—	—	—
24-00462	—	—	2,396	—	—	—
24-02095	—	—	133	—	—	—
24-02414	—	—	133	—	—	—
32-00774	4	—	2,518	—	—	—
32-00950	—	—	133	—	—	—
35-00426	—	—	399	—	—	—
35-00480	—	—	266	—	—	—
35-00512	—	—	532	—	—	1
35-00634	5	1	7,419	—	—	—
35-02382	1	—	4,913	—	—	1
35-02968	—	—	266	—	1	3
35-03022	1	—	1,194	—	2	2
35-03131	—	—	133	—	—	—
35-03321	—	—	266	—	—	—
35-03527	1	—	863	—	—	—
35-03558	1	—	266	—	—	—
35-03581	1	—	532	—	1	1
35-03590	—	—	133	—	—	—
35-03594	—	—	133	—	—	—
35-03605	—	—	421	—	—	—
35-03642	—	—	133	—	—	—
35-03771	—	—	991	—	—	—
39-00008	—	—	1,485	—	—	—
39-01478	—	—	133	—	—	—
41-02639	—	—	516	—	—	—
41-03931	—	—	133	—	—	—
41-05492	—	—	516	—	—	—
41-05498	—	—	133	—	—	—
48-00715	—	—	133	—	—	—
48-01383	—	—	3,687	—	—	4
48-01518	4	—	—	—	—	—
48-01598	3	—	—	—	—	—
50-00883	—	—	266	—	—	—
50-01196	2	—	396	—	—	—

MSHA Identification Number/Contractor ID	Section 104 S&S Citations (#)	Section 107(a) Orders (#)	Total Dollar Value of MSHA Assessments Proposed ($)	Legal Actions Pending as of Last Day of Period (#)	Legal Actions Initiated During Period (#)	Legal Actions Resolved During Period (#)
51-00036	—	—	949	—	—	—
	25	1	$ 34,936	—	4	12

Legal actions pending before the Federal Mine Safety and Health Review Commission (the Commission) may involve, among other questions, challenges by operators to citations, orders and penalties they have received from the Federal Mine Safety and Health Administration (MSHA) or complaints of discrimination by miners under section 105 of the Mine Act. The following is a brief description of the types of legal actions that may be brought before the Commission.

- Contests of Citations and Orders - A contest proceeding may be filed with the Commission by operators, miners or miners' representatives to challenge the issuance of a citation or order issued by MSHA.
- Contests of Proposed Penalties (Petitions for Assessment of Penalties) - A contest of a proposed penalty is an administrative proceeding before the Commission challenging a civil penalty that MSHA has proposed for the alleged violation contained in a citation or order.
- Complaints for Compensation - A complaint for compensation may be filed with the Commission by miners entitled to compensation when a mine is closed by certain withdrawal orders issued by MSHA. The purpose of the proceeding is to determine the amount of compensation, if any, due miners idled by the orders.
- Complaints of Discharge, Discrimination or Interference - A discrimination proceeding is a case that involves a miner's allegation that he or she has suffered a wrong by the operator because he or she engaged in some type of activity protected under the Mine Act, such as making a safety complaint.
- Applications for Temporary Relief - Applications for temporary relief from any modification or termination of any order or from any order issued under section 104 of the Mine Act.
- Appeals of Judges' Decisions or Orders to the Commission - A filing with the Commission for discretionary review of a judge's decision or order by a person who has been adversely affected or aggrieved by such decision or order.

There were no legal actions pending before the Commission as of December 31, 2022.