

January 31, 2018

Via Electronic Filing

Mr. Daniel Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101-2147

Re: In the Matter of the Application of Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc. for approval of a Corporate Reorganization under Minn. Stat. § 216B.50.

Docket No. G-004/PA-18-__.

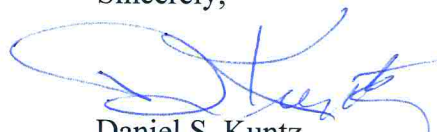
Dear Mr. Wolf:

Pursuant to Minn. Stat. § 216B.50, Great Plains Natural Gas Co. (“Great Plains”), a Division of MDU Resources Group, Inc. (“MDU Resources”), herewith electronically submits its Application requesting Minnesota Public Utilities Commission (“Commission”) approval to implement a plan of reorganization through which Montana-Dakota Utilities Co. (“Montana-Dakota”) and Great Plains Natural Gas Co. (“Great Plains”), currently operating divisions of MDU Resources, will become a wholly-owned subsidiary of a newly formed holding company. A Table of Contents, Summary of Filing, Verification and an Affidavit of Service are also enclosed.

Great Plains respectfully requests that its Application be accepted as being in full compliance with the filing requirements of the Commission and that the Commission approve the transaction as consistent with the public interest on or before September 30, 2018.

If you have any questions regarding this filing, please contact me, at (701) 530-1016, or Brian Meloy, at (612) 335-1451.

Sincerely,



Daniel S. Kuntz
Vice President, General Counsel
and Secretary

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Verification

Certificate of Service

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

Nancy Lange	Chair
Dan Lipschultz	Vice-Chair
Matt Schuerger	Commissioner
John Tuma	Commissioner
Katie Sieben	Commissioner

In the Matter of the Application of)	
Great Plains Natural Gas Co., a)	
Division of MDU Resources Group, Inc.)	Docket No. G-004/PA-18-___.
for approval of a Corporate)	
Reorganization under Minn. Stat.)	
§ 216B.50.)	

SUMMARY OF FILING

Great Plains Natural Gas Co. (“Great Plains”), a Division of MDU Resources Group, Inc. (“MDU Resources”), submitted an Application requesting Minnesota Public Utilities Commission (“Commission”) approval to implement a plan of reorganization through which Montana-Dakota Utilities Co. (“Montana-Dakota”) and Great Plains Natural Gas Co. (“Great Plains”), currently operating divisions of MDU Resources, will become a wholly-owned subsidiary of a newly formed holding company. As part of the transaction, Great Plains will become a division of a stand-alone utility subsidiary, which will be named “Montana-Dakota Utilities Co.”

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

Nancy Lange	Chair
Dan Lipschultz	Vice-Chair
Matt Schuerger	Commissioner
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**In the Matter of the Application of)
Great Plains Natural Gas Co., a)
Division of MDU Resources Group, Inc.) Docket No. G-004/PA-18-____.
for approval of a Corporate)
Reorganization under Minn. Stat.)
§ 216B.50.)**

APPLICATION FOR APPROVAL

I. INTRODUCTION

Pursuant to Minn. Stat. § 216B.50 and Minnesota Rule 7825.1800, Great Plains Natural Gas Co. (“Great Plains”), a Division of MDU Resources Group, Inc. (“MDU Resources” or the “Company”), submits this Application requesting Minnesota Public Utilities Commission (“Commission”) approval to implement a plan of reorganization through which Montana-Dakota Utilities Co. and Great Plains, currently operating divisions of the Company, will become a wholly-owned subsidiary of a newly formed holding company (“Plan” or “Restructuring Plan”).

As discussed below, the Restructuring Plan is consistent with the public interest and is being undertaken for the benefit of further separating and insulating the Company's public utility businesses in the states of North Dakota, South Dakota, Montana, Wyoming, and Minnesota from its other business activities. After the restructuring, utility services in the states of North Dakota, South Dakota, Montana, Wyoming, and Minnesota will be provided exclusively through a stand-alone utility subsidiary, which will be named “Montana-Dakota

Utilities Co.” and is referred to hereinafter as “Montana-Dakota.” Rather than operating as a division of MDU Resources, the operations of Great Plains will be conducted as a division of Montana-Dakota. The new holding company (“Holding Company”), which will assume the name “MDU Resources Group, Inc.,” will engage in business activities through separate subsidiaries.

As discussed below, there will be no change in the manner in which utility service is provided to customers in Minnesota by Great Plains. MDU Resources and Great Plains respectfully request that the Commission issue an Order finding that the proposed Restructuring Plans is compatible and consistent with the public interest and approve the Application as submitted on or before September 30, 2018.

II. INFORMATION REQUIRED PURSUANT TO MINN. R. 7829.1300.

Minn. R. 7829.1300 governs miscellaneous filings with the Commission. Subpart 1 of Minn. R. 7829.1300 requires a separate, one-paragraph summary of this filing. The required summary is included with this Application. Subpart 2 of Minn. R. 7829.1300 provides for certain service requirements. The attached affidavit of service and service list demonstrates compliance with this requirement. Subparts 3 and 4 of Minn. R. 7829.1300 sets forth additional filing requirements, which addressed below:

UTILITY

Great Plains Natural Gas Co.
a Division of MDU Resources Group, Inc.
400 North 4th Street
Bismarck, ND 58501

COMPANY'S ATTORNEYS

Brian M. Meloy
Stinson Leonard Street
50 South 6th Street, Suite 2600
Minneapolis, MN 55402
(612) 335-1451
brian.meloy@stinson.com

Daniel S. Kuntz
Vice President, General Counsel and Secretary
MDU Resources Group, Inc.
P.O. Box 5650
1200 West Century Avenue
Bismarck, ND 58506-5650
dan.kuntz@mduresources.com

DATE OF FILING

January 31, 2018

PROPOSED EFFECTIVE DATE

On or after October 1, 2018 upon receipt of required regulatory approvals.

CONTROLLING STATUTE FOR TIME IN PROCESSING THE FILING

Great Plains is submitting with this filing the information required under Minn. Stat. § 216B.50 and Minn. R. 7825.1800. Neither the statute nor the rule provide for a time period for review.

Great Plains requests approval by September 30, 2018.

UTILITY PERSONNEL AUTHORIZING THE FILING AND TO WHOM COPIES OF CORRESPONDENCE, PLEADINGS, AND NOTICES SHOULD BE SENT

Garret Senger
Executive V.P. Regulatory Affairs, Customer Service & Gas Supply
Montana-Dakota Utilities Co./Great Plains
400 North 4th Street
Bismarck, ND 58501
garret.senger@mdu.com

Tamie Aberle
Director of Regulatory Affairs
Great Plains Natural Gas Co.
400 North 4th Street
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tamie.aberle@mdu.com

Adrienne L. Riehl
Attorney
MDU Resources Group, Inc.
1200 West Century Ave.
Bismarck, ND 58503
(701) 530-1091
adrienne.riehl@mduresources.com

IN ADDITION, CORRESPONDENCE,
PLEADINGS AND NOTICES SHOULD BE
SENT TO THE FOLLOWING PERSONS:

Brian M. Meloy
Stinson Leonard Street
50 South 6th Street, Suite 2600
Minneapolis, MN 55402
(612) 335-1451
brian.meloy@stinson.com

Daniel S. Kuntz
Vice President, General Counsel and Secretary
MDU Resources Group, Inc.
P.O. Box 5650
1200 West Century Avenue
Bismarck, ND 58506-5650
dan.kuntz@mduresources.com

III. DESCRIPTION OF THE COMPANY AND GREAT PLAINS

MDU Resources is publicly held Delaware Corporation, with its shares of common stock listed and traded on the New York Stock Exchange under the ticker symbol “MDU”. MDU Resources provides natural gas and electric utility services through Montana-Dakota Utilities Co. and Great Plains as operating Divisions of the Company. Montana-Dakota provides natural gas utility service to approximately 272,000 gas customers and 143,000 electric customers in North Dakota, South Dakota, Wyoming and Montana. Montana-Dakota does not currently own, operate or conduct any public utility business in Minnesota.

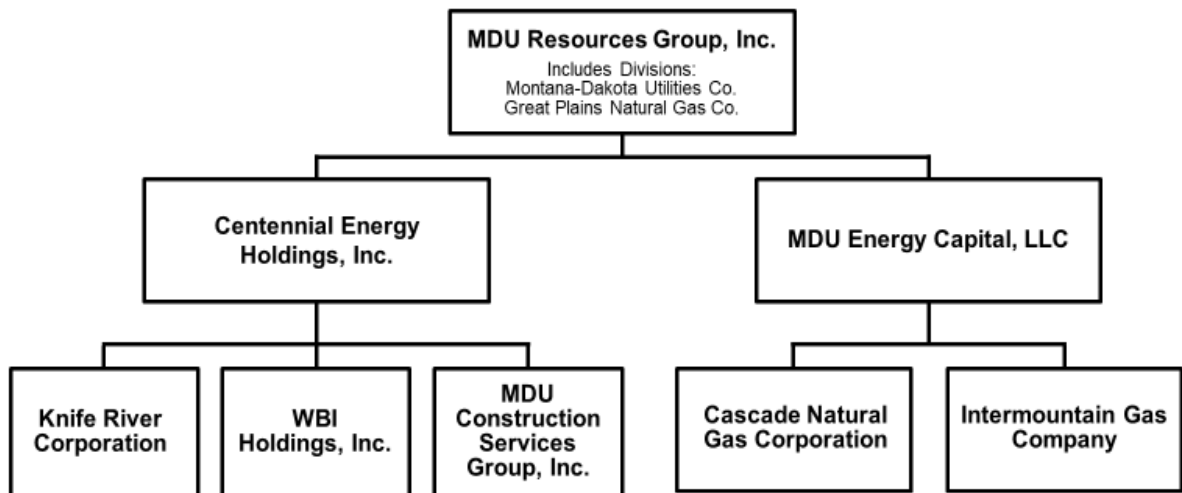
Great Plains is engaged in business as a natural gas local distribution company serving 18 communities in Minnesota and one in North Dakota. Great Plains currently provides natural gas utility service to approximately 22,000 customers in Minnesota and approximately 2,000 customers in North Dakota. Great Plains is a Minnesota public utility as defined in Minn. Stat. § 216B.02, subd. 4.

MDU Resources also engages in the natural gas distribution business in the states of Idaho, Washington, and Oregon through its subsidiaries, Intermountain Gas Company

(“Intermountain”) and Cascade Natural Gas Corporation (“Cascade”), in the interstate natural gas transmission business through its subsidiary, WBI Energy Transmission, Inc., and in the construction materials and contracting and construction services businesses through its subsidiaries, Knife River Corporation and MDU Construction Services Group, Inc. Figure 1 below shows the current organizational structure of MDU Resources:¹

FIGURE 1

Existing Structure



IV. RESTRUCTURING PLAN

MDU Resources seeks to implement a plan of corporate reorganization that will result in a holding company structure. The Restructuring Plan is consistent with the corporate structure utilized by other utilities in Minnesota and throughout the United

¹ The organizational charts have been simplified to show the impact of the proposed Reorganization and omits certain intermediary companies that are not implicated by the Reorganization.

States.² Because the Restructuring Plan is essentially a “paper” transaction, it will not impact Great Plains’ capital structure, cost-of-service, day-to-day operations, or the Commission’s regulation of Great Plains.

The Restructuring Plan involves the creation of two new corporations – a publicly traded holding company (“Newco”) and a merger subsidiary (“Newco Sub”), which will be utilized for the sole purpose of effectuating the Restructuring Plan. None of these entities currently exist; however, MDU Resources intends to incorporate them after receiving all necessary regulatory approvals.³

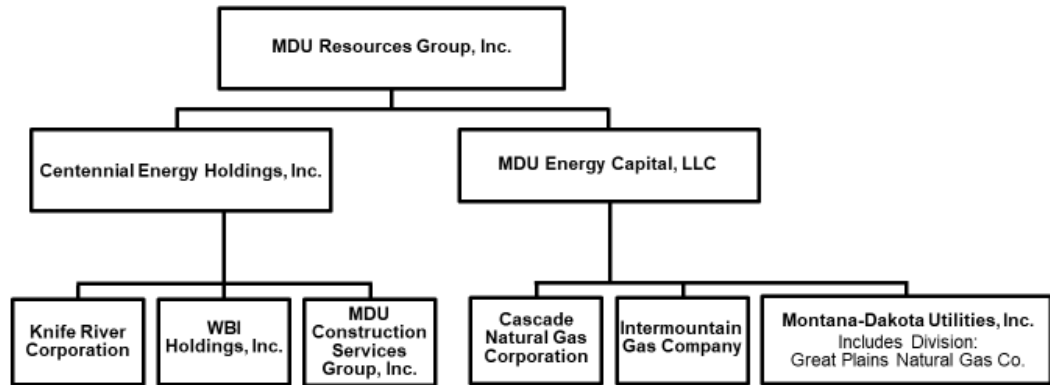
In the restructuring, the newly formed Holding Company will become the public company and ultimate parent, with two principal first-tier subsidiaries: (1) MDU Energy Capital, LLC (“MDU Energy”), which will own and operate all of the distribution utility operating companies, Montana-Dakota (including Great Plains as a Division), Intermountain, and Cascade; and (2) Centennial Energy Holdings, Inc. (“Centennial Energy”), which will continue to hold the business subsidiaries of WBI Holdings, Inc. (“WBI Holdings”), Knife River Corporation (“Knife River”), and MDU Construction Services Group, Inc. (“MDU CSG”). Figure 2 below shows the proposed organizational structure after implementation of the Restructuring Plan:

² See e.g., *In the Matter of the Application of Otter Tail Corporation Under Minnesota Statutes, Section 216B.50 to Form a New Holding Company*, Order Approving Reorganization as Conditioned, Docket No. E-017/PA-08-658 (January 7, 2009).

³ In addition to approval from the Commission, approval is also required from the Federal Energy Regulatory Commission (“FERC”), the South Dakota Public Utilities Commission and the North Dakota, Montana and Wyoming Public Service Commissions.

FIGURE 2

Proposed Structure



The reorganization will be accomplished through a “paper” merger. A general description of the proposed steps in the restructuring, including the formation of new entities and transfers of assets (collectively the “Transactions”) is set forth in Exhibit A. Through the merger, Newco will become the parent holding company. Initially, MDU Resources will own the outstanding shares of Newco and Newco will own the outstanding shares of Newco Sub. Upon receiving all necessary approvals, Merger Sub will merge with MDU Resources, with MDU Resources as the surviving entity.

Simultaneously, by operation of law, MDU Resources’ shareholders will have their shares converted into Newco common stock on a share-for-share basis, and Newco will become the sole owner of all MDU Resources common stock. Newco will then contribute MDU Resources common stock to MDU Energy, which will serve as the holding company for the distribution utilities of Montana-Dakota, Great Plains, Intermountain, and Cascade. As a subsidiary of MDU Energy, MDU Resources will then change its name to Montana-Dakota Utilities Co. and Newco will change its name to MDU Resources Group, Inc. All of

MDU Resources' outstanding debt securities at the time the Plan is implemented, which have been incurred solely for the operations of the Montana-Dakota/Great Plains divisions, will remain at the Montana-Dakota/Great Plains level.

The current subsidiaries of MDU Energy (*i.e.*, Intermountain and Cascade), as well as the subsidiaries and operating companies of Centennial Energy (*i.e.*, WBI Holdings, Knife River, and MDU CSG) will not be affected by the merger transactions. Importantly, the merger transaction contemplated under the Restructuring Plan will not result in MDU Resources transferring any of its utility assets or property to Newco, Newco Sub, or any other affiliate. Instead, holding company assets, if any, as well as holding company contracts, plans, and other obligations will be transferred from MDU Resources to Newco. Newco's securities will be registered with the U.S. Securities and Exchange Commission ("SEC").

The Plan can be accomplished without affecting the rights and preferences of current MDU Resources shareholders. MDU Resources shareholders immediately prior to consummation of the Plan will own the same relative percentages of Newco following consummation of the Plan. The restructuring, therefore, does not require the approval of MDU Resources' current shareholders.⁴ Further, MDU Resources does not anticipate that the Plan will result in a taxable event under the Internal Revenue Code. To the extent necessary, MDU Resources will provide notification of, and obtain approval for, the Restructuring Plan from certain creditors and other contractual counter-parties as required by the terms and conditions of the applicable agreements.

⁴ Attached as Exhibit D is a copy of the Board Resolution authorizing the Restructuring.

Finally, all costs associated with securing the necessary approvals for the Restructuring Plan and implementing the Plan, including any and all costs associated with the formation of Newco and Newco Sub will be borne by MDU Resources. MDU Resources will not seek to recover any portion thereof in utility rates.

V. THE RESTRUCTURING PLAN IS CONSISTENT WITH THE PUBLIC INTEREST.

A. The Legal Standard

Minn. Stat. § 216B.50 governs the Commission's review of this Application. Minn. Stat. § 216B.50, subd. 1 provides, in relevant part, that:

No public utility shall sell, acquire, lease, or rent any plant as an operating unit or system in this state for a total consideration in excess of \$100,000, or merge or consolidate with another public utility or transmission company operating in this state, without first being authorized so to do by the commission. Upon the filing of an application for the approval and consent of the commission, the commission shall investigate, with or without public hearing. The commission shall hold a public hearing, upon such notice as the commission may require. If the commission finds that the proposed action is consistent with the public interest, it shall give its consent and approval by order in writing. In reaching its determination, the commission shall take into consideration the reasonable value of the property, plant, or securities to be acquired or disposed of, or merged and consolidated....

Minn. Stat. § 216B.50 specifies the legal standard for approval of a proposed merger as follows: "the proposed action is consistent with the public interest." The Commission has determined that the public interest standard "does not require an affirmative finding of public benefit, just a finding that the transaction is compatible with the public interest."⁵

⁵ See e.g., *In the Matter of the Proposed Merger of Minnegasco, Inc. with and into Arkla, Inc.*, Order Approving Merger and Adopting Amended Stipulation with Modifications at p. 2, Docket No. G-008/PA-90- 604 (Nov. 27, 1990); *In the Matter of the UtiliCorp United Inc.'s Request for Approval of a Proposed Merger between UtiliCorp and St. Joseph Light & Power Co.*, Order Approving Mergers Subject to Conditions, Docket No. G-007, 011/PA-99-700 at p. 3 (Dec. 7, 1999); *See In the Matter of a Request for Approval of the Acquisition by MDU Resource Group, Inc., and its Division, Great Plains Natural Gas Company, of Cascade Natural Gas Corporation*, Order Approving Acquisition with Conditions, Docket No. G-004/PA-06-1585 at p. 2 (2007).

B. Approval of the Restructuring Plan is Consistent with the Public Interest.

The proposed Restructuring Plan is consistent with the public interest. MDU Resources seeks to implement its Restructuring Plan to further separate its retail public utility functions from its other regulated and non-regulated affiliates, without altering the Commission's ability to effectively regulate the operations of the utilities, including Great Plains. In fact, the only impact the transaction will have on utility customers is a positive one – the Plan will result in enhanced legal and financial protections for the utilities.

As discussed below, the proposed restructuring will not change the operations of Great Plains or negatively impact the provision of service to Minnesota customers. In particular, the restructuring will have no impact on (1) on Great Plains' capital structure, cost-of-service, or its currently effective rates and tariffs on file with and approved by the Commission; (2) the Commission's ability to regulate the provision of gas service by Great Plains to Minnesota customers under applicable laws, orders and regulations; or (3) Great Plains' on-going operations and commitment to provide efficient, safe and reliable service to Minnesota customers. Each is discussed in turn.

1. The proposed restructuring will not impact Great Plains' capital structure, cost-of-service or rates.

The currently effective rates for Great Plains will not change as a result of the implementation of the Restructuring Plan. No incremental financing will be required to implement the Restructuring Plan, and the resultant consolidated holding company capital structure will be the same as the Company's existing consolidated capital structure.⁶ The

⁶ As a division of MDU Resources, Great Plains Great Plains has no capital structure of its own and is assigned one for ratemaking purposes. In its most recent rate case, the Commission accepted use of MDU Resources actual capital structure for ratemaking purposes. *See In the Matter of the Petition by Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc., for Authority to Increase Natural Gas Rates in Minnesota*, Findings of Fact, Conclusions, and Order, Docket No. G-004/GR-15-879 at p. 18 (Sept. 6, 2016).

debt of the legacy utility operations will remain with Montana-Dakota and the debt of the other affiliates will remain with those entities.

MDU Resources does not have a formal subsidiary dividend or capitalization policy, nor does it anticipate having one upon the proposed reorganization. MDU Resources anticipates continuing to manage its rate-regulated subsidiaries' capital structures at the applicable commission approved capital structure(s). MDU Resources and its subsidiaries' debt agreements have certain restrictions on subsidiary indebtedness, which the company is in compliance with and anticipates continuing to be in compliance with upon the proposed reorganization.

In this respect, a schedule setting forth Montana-Dakota's and Great Plains actual consolidated capital structure as of September 30, 2017, and the pro forma capital structure that would result from reorganizing as a holding company, is attached hereto as Exhibit B. As shown on Exhibit B, Great Plains' cost of capital and capital structure would remain unchanged post restructuring and is consistent with the structure approved in Great Plains' recent rate case.⁷ Great Plains has also included as Exhibit C, illustrative accounting entries showing how the Restructuring will be treated from an accounting perspective.⁸ Finally, attached as Exhibit E are excerpts from MDU Resources FERC "Form 3-Q: Quarterly Financial Report," which provides the Company's financial statements as of September 30, 2017.⁹

⁷ *Id.* at pp. 18-19.

⁸ MDU Resources is required to maintain its accounts in accordance with the FERC's Uniform System of Accounts. As part of its application to FERC seeking approval of the Restructuring Plan, it is required to include proposed accounting entries sufficient to show the effects of the transaction pursuant to Section 33.5 of FERC's regulations, 18 C.F.R. § 33.5 (2017). Great Plains includes a copy of the proposed accounting entries to assist in the Commission's review of its Application.

⁹ FERC Form 3-Q is a comprehensive quarterly financial and operating report, which supplements FERC Form 1 and is submitted for all electric utilities and natural gas companies. *See* 18 C.F.R. § 141.400 (2017).

Furthermore, implementation of the Plan will not result in any material change in the cost of service for Great Plains or Montana-Dakota/Great Plains' ability to access the capital markets, or the cost to obtain financing. Great Plains' costs will continue to be allocated on a Minnesota-jurisdictional basis per the Commission's requirement. The Company remains committed to maintaining an appropriate capital structure to support an investment grade credit rating for MDU Resources and Montana-Dakota.

Finally, the holding company structure will provide additional financing options that create the potential for Newco to support the Company's capital structure. On a go-forward basis, it is expected that Montana-Dakota and its division Great Plains or MDU Energy Capital will have separate debt agreements. Well-established ring-fencing has been placed around all of the Company's utility operations. As a result, the Company expects no material impact to Montana-Dakota's ability to access the capital markets and obtain funding at reasonable costs to finance its investment in utility plant due to reorganizing into a holding company.

2. The proposed restructuring will not impact the Commission's ability to exercise regulatory oversight over Great Plains.

As discussed above, as part of the restructuring, Great Plains will simply become a division of Montana-Dakota (a public utility serving retail customers) rather than MDU Resources (a diversified resources company). This change will not impact the Commission's regulation of Great Plains in any way. Great Plains will continue to be subject to the Commission's jurisdiction and the Commission's regulatory oversight and authority over Great Plains will remain unchanged. Finally, Great Plains will continue to comply with the Commission's affiliate transaction jurisdiction, including but not limited to those provisions

that require appropriate accounting and cost allocations, and those which allow the Commission access to the books and records of Great Plains.

3. The proposed restructuring will not impact Great Plains' operations or commitment to provide efficient, safe and reliable service to Minnesota customers.

The Restructuring Plan will have no adverse effects to Great Plains' Minnesota customers or the ability of Great Plains to provide efficient, safe and reliable gas service. The following table shows in summary form that the restructuring would not result in any significant operating changes and not have any adverse impacts on the customers Great Plains serves:

ISSUE	EFFECT
A. Headquarters	<p>MDU Resources' headquarters will remain in Bismarck, North Dakota as will Montana-Dakota's operational headquarters.</p> <p>Great Plains' operational headquarters will remain in Minnesota.</p>
B. Corporate Structure	<p>Great Plains will become a division of Montana-Dakota, rather than a Division of MDU Resources. The Plan will result in enhanced legal and financial protections for MDU Resources' regulated utility operations.</p>
C. Employees	<p>Great Plains employees will remain employees of Great Plains. No employment changes are expected at Montana-Dakota or Great Plains.</p>
D. Customer Service	<p>No change. Great Plains and Montana-Dakota customers will continue to be served by Great Plains as a division of Montana-Dakota. No reductions in customer services will occur. Services will be reviewed for opportunities for improved efficiencies and increased customer services.</p>

<p>E. Gas Purchasing</p>	<p>No change. Montana-Dakota's and Great Plains' gas supply and control functions will continue to be performed by Montana-Dakota.</p> <p>Great Plains will maintain its primary source of pipeline supply at interconnections with Viking Gas Transmission and Northern Natural Gas Transmission pipelines.</p>
<p>F. Rates</p>	<p>Great Plains will be allocated costs for services performed by Montana-Dakota and MDU Resources in a manner similar to how Great Plains is allocated costs for these services today from MDU Resources. Cost allocation to Great Plains for services performed will be subject to review during the normal regulatory process.</p>
<p>G. Effect on Cost of Debt and Equity and Capital Structure</p>	<p>As discussed above, the Restructuring Plan will have no effect on the capital structure or the cost of capital for ratemaking purposes for Montana-Dakota or Great Plains. The Restructuring Plan is expected to have a positive effect on, but not change, the existing credit rating for MDU Resources and Montana-Dakota.</p>
<p>H. Regulatory Relations</p>	<p>No change. Regulatory relations with the Commission will not be affected by the Restructuring Plan. The Commission will continue to have access to Great Plains' regulatory personnel and all books and records regarding Great Plains' Minnesota operations as it does today.</p>

VI. COMPLIANCE AND REQUESTED VARIANCE FOR MINN. R. 7825.1700 AND 7825.1800.

Minn. Rule 7825.1800 provides:

A. Petitions for approval of a merger or of a consolidation shall be accompanied by the following: the petition signed by all parties; all information, for each public utility, as required in parts 7825.1400 and 7825.1500; the detailed reasons of the petitions and each party for entering into the proposed transaction, and all facts warranting the same; the full terms and conditions of the proposed merger or consolidation.

The preceding sections of this Application address MDU Resources/Great Plains' reasons for the corporate reorganization and the facts warranting approval of the transaction. The mechanics and specific steps of the Restructuring Plan are set forth in Exhibit A.

Pursuant to Minn. R. 7825.1700, a public utility is required to make a capital structure filing concurrently with a petition to approve a merger/reorganization if the public utility's securities will be used as consideration for the transaction. MDU Resources will not be issuing securities to consummate the Restructuring Plan as part of the "paper transaction." Instead, existing MDU Resources shares will become the new shares in the Holding Company. In addition, no Great Plains securities will be issued or affected by the reorganization. Consequently, the requirements of Minn. R. 7825.1700 are inapplicable to the Restructuring Plan. In addition, all of MDU Resources' outstanding debt securities at the time the Plan is implemented, which have been incurred solely for the operations of the Montana-Dakota/Great Plains divisions, will remain at the Montana-Dakota/Great Plains level.

To the extent that the Commission nevertheless deems Minn. R. 7825.1700 applicable, Great Plains respectfully requests variance of the provisions of the Rule. Requiring Great Plains to provide this information would impose an excessive burden on Great Plains, and granting a variance would not conflict with any statutory provisions or adversely affect the public interest. In lieu of this requirement, a schedule displaying Montana-Dakota's actual consolidated capital structure as of September 30, 2017, and the pro forma capital structure that would result from reorganizing as a holding company, is attached hereto as Exhibit B. This Exhibit shows that MDU Resources/Great Plains' capital structure is not affected by the restructuring.

Similarly, Great Plains respectfully requests that the Commission vary the remaining provisions of Minn. R. 7825.1800, including the requirements to file the information required by Minn. R. 7825.1400 and Minn. R. 7825.1500, as they are not pertinent to the Commission's determination requested on the Restructuring Plan. More specifically, as noted above, Great Plains' capitalization and securities are wholly unaffected by the Planned Restructuring. Furthermore, the merger transaction contemplated under the Restructuring Plan will not result in MDU Resources transferring any of its utility assets or property to any other company or any other affiliate.

Consequently, complying with the remaining provisions of Minn. R. 7825.1800 would be overly burdensome on Great Plains while not furthering the public interest. The Commission has granted variances of these requirements in the past in similar situations where the regulated Minnesota utility (*i.e.*, Great Plains) was not issuing securities.¹⁰

VII. REQUESTED COMMISSION ACTION

Based on all of the information provided in this Application, MDU Resources and Great Plains respectfully request that the Commission issue an Order finding that the proposed Restructuring Plan is compatible and consistent with the public interest and approve the Application as submitted on or before September 30, 2018.

¹⁰ See *In the Matter of a Request for Approval of the Merger Agreement between Integrys Energy Group, Inc. and Wisconsin Energy Corporation*, Order Finding Jurisdiction, Granting Variance, and Establishing Procedures, Docket No. G-011/PA-14-664 (February 24, 2015).

Respectfully submitted,

MDU Resources Group, Inc. and
Great Plains Natural Gas Co.,
a Division of MDU Resources Group, Inc.

By: /s/ Daniel Kuntz

Daniel S. Kuntz
Vice President, General Counsel and Secretary
MDU Resources Group, Inc.
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LIST OF EXHIBITS

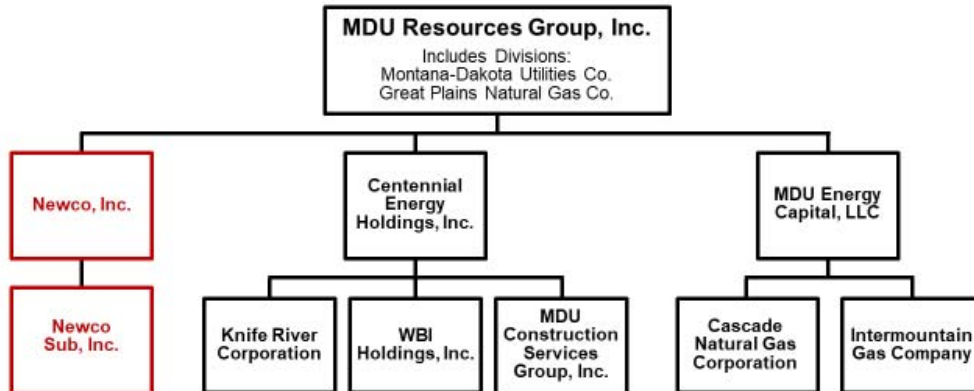
- Exhibit A – Description of Restructuring Steps
- Exhibit B – Capital Structure (Existing and Proposed)
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- Exhibit E – Excerpts from MDU Resources FERC Form No.1/3-Q

EXHIBIT A

DESCRIPTION OF RESTRUCTURING STEPS

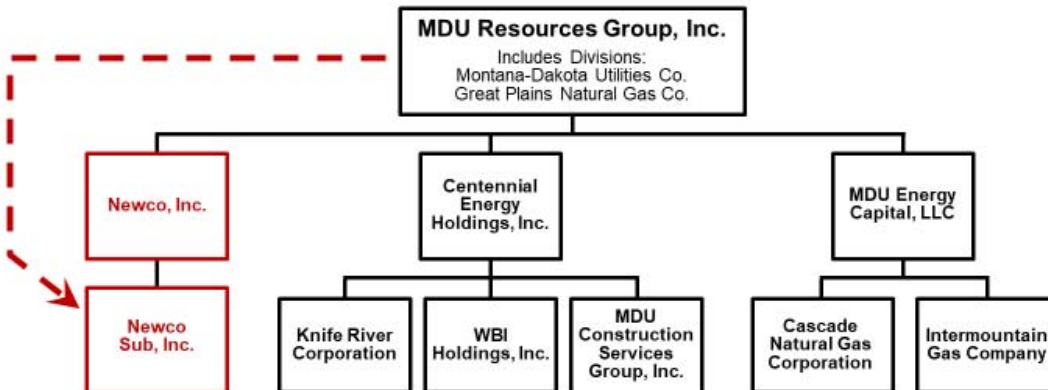
Step 1 – Formation of Two New Subsidiaries

- Newco, Inc. is formed as a wholly owned subsidiary of MDU Resources Group, Inc. ("MDUR")
- Newco Sub, Inc. is formed as a wholly owned subsidiary of Newco, Inc.



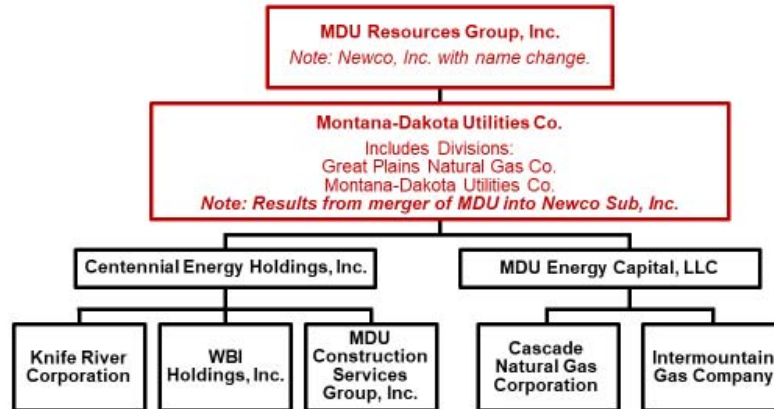
Step 2 – Merger of MDUR into Newco Sub to Create New Holding Company

- MDUR merges into Newco Sub, with MDUR as the surviving corporation
- MDUR changes its name (i.e. Montana-Dakota Utilities Co.)
- Newco, Inc. changes its name to MDU Resources Group, Inc. and takes the place as the public company.



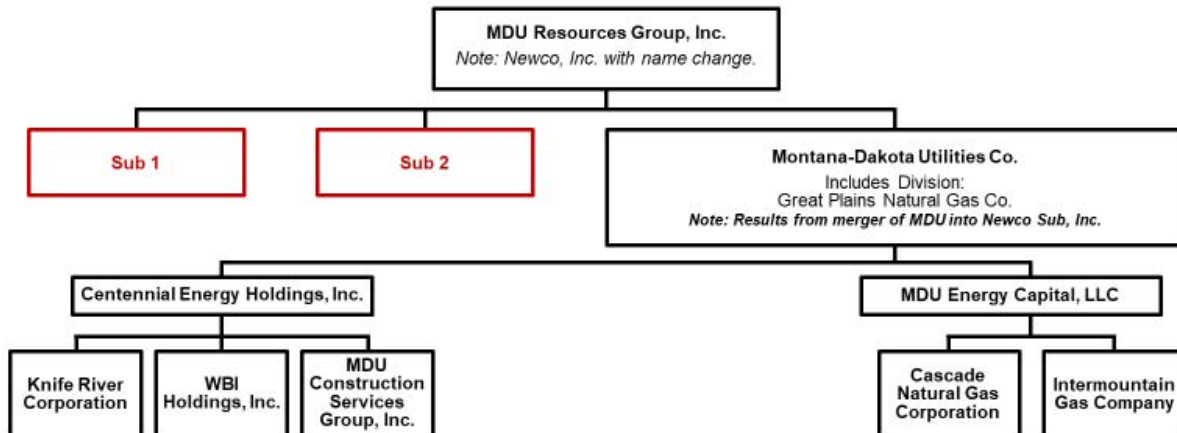
Step 2 – Merger of MDUR into Newco Sub to Create New Holding Company (cont.)

- MDUR merges into Newco Sub, with MDUR as the surviving corporation
- MDUR changes its name to Montana-Dakota Utilities Co.
- Newco, Inc. changes its name to MDU Resources Group, Inc. and takes the place as the public company.



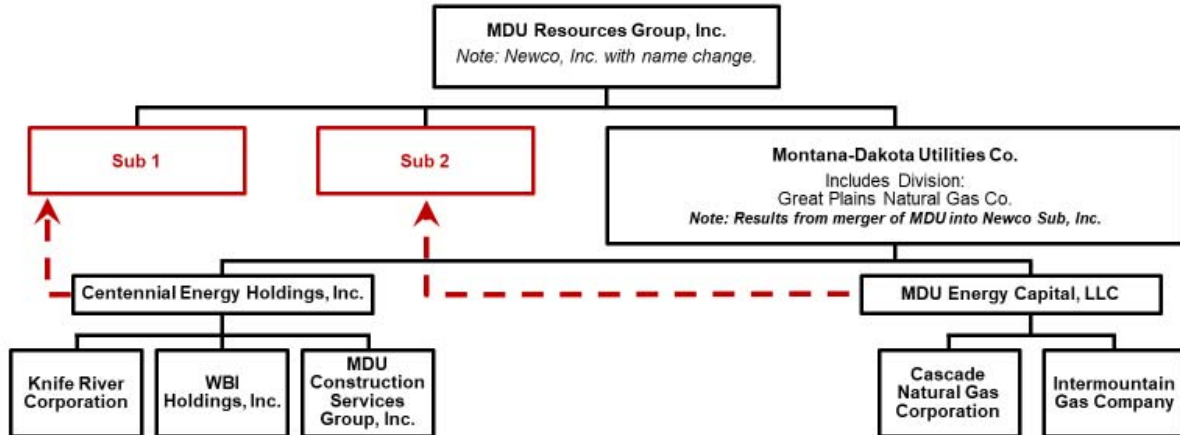
Step 3 – Create New Sister Subsidiaries for Subsidiary Reorganization

- MDU Resources creates two new wholly owned subsidiaries (Sub 1 and Sub 2) to effect the subsidiary reorganization.



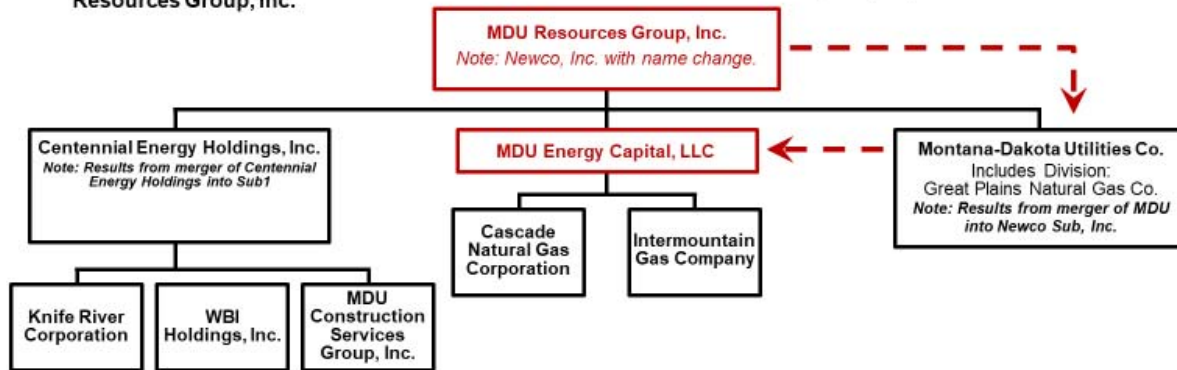
Step 4 – Mergers of Subsidiaries into Sister Subs

- Centennial Energy Holdings merges into Sister Sub 1, with Centennial Energy Holdings as the surviving entity
- MDU Energy Capital, merges into Sister Sub 2, with MDU Energy Capital, as the surviving entity



Step 5 – Contribution of Stock of Montana-Dakota Utilities Co.

- MDU Resources Group, Inc. contributes 100% of its stock in Montana-Dakota Utilities Co. to its subsidiary MDU Energy Capital, LLC
- Montana-Dakota Utilities Co. continues as a wholly owned subsidiary of MDU Energy Capital, LLC
- Montana-Dakota Utilities Co. transfers contracts, licenses and other holding company assets to MDU Resources Group, Inc.



Step 6 - Proposed Structure

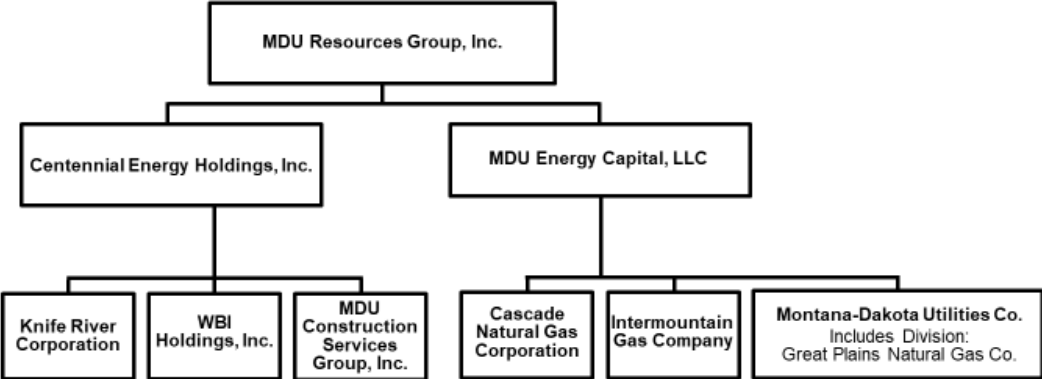
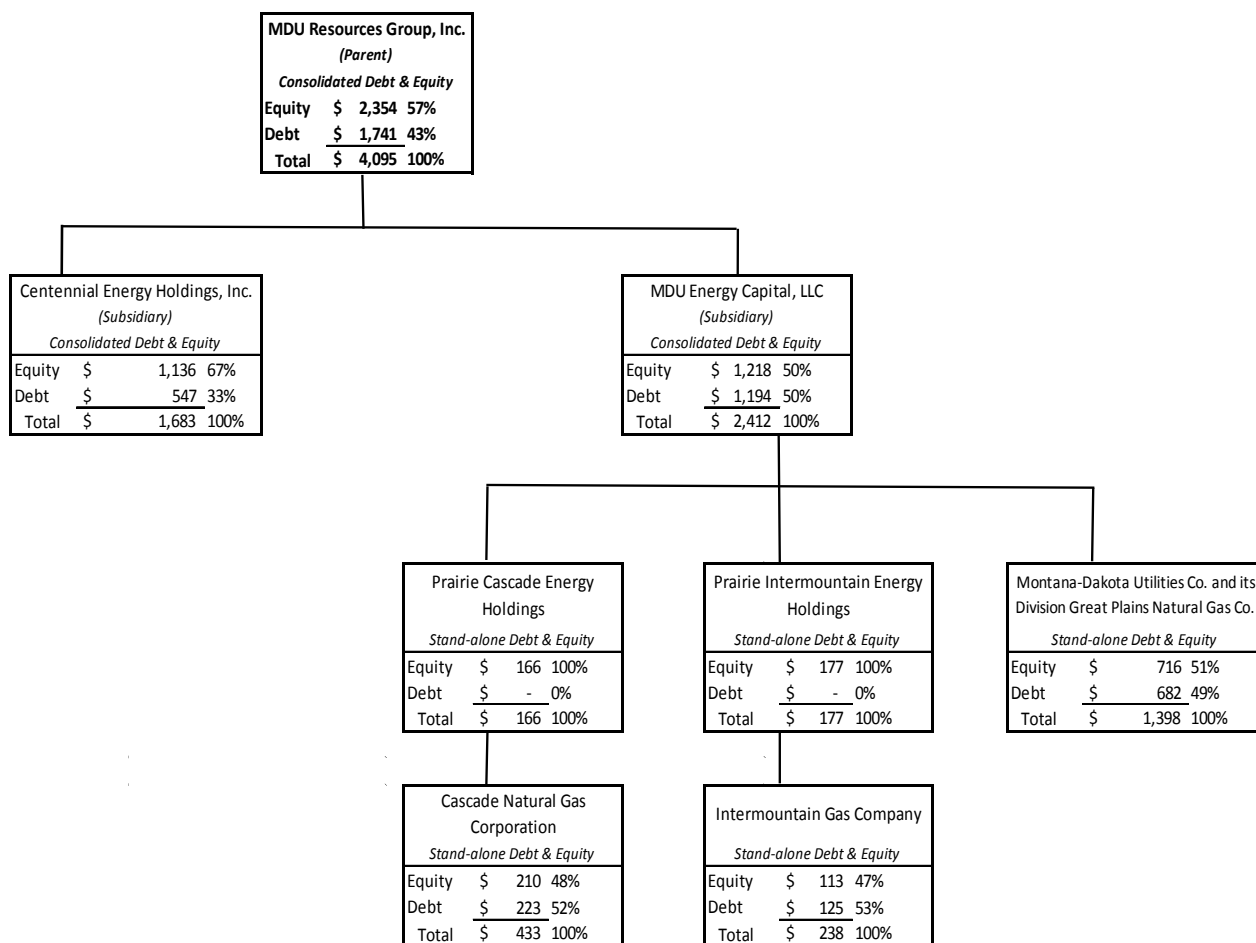


EXHIBIT B

CAPITAL STRUCTURE (EXISTING AND PROPOSED)

EXISTING CAPITAL STRUCTURE																																							
As of September 30, 2017																																							
(in millions)																																							
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="3" style="text-align: center;">MDU Resources Group, Inc.</td> </tr> <tr> <td colspan="3" style="text-align: center;"><i>(Parent)</i></td> </tr> <tr> <td colspan="3" style="text-align: center;"><i>Consolidated Debt & Equity</i></td> </tr> <tr> <td>Equity</td> <td style="text-align: right;">\$ 2,354</td> <td style="text-align: right;">57%</td> </tr> <tr> <td>Debt</td> <td style="text-align: right;">\$ 1,741</td> <td style="text-align: right;">43%</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">\$ 4,095</td> <td style="text-align: right;">100%</td> </tr> </table>	MDU Resources Group, Inc.			<i>(Parent)</i>			<i>Consolidated Debt & Equity</i>			Equity	\$ 2,354	57%	Debt	\$ 1,741	43%	Total	\$ 4,095	100%	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="3" style="text-align: center;">Montana-Dakota Utilities Co. and Great Plains Natural Gas Co.</td> </tr> <tr> <td colspan="3" style="text-align: center;"><i>(Divisions)</i></td> </tr> <tr> <td colspan="3" style="text-align: center;"><i>Stand-alone Debt & Equity</i></td> </tr> <tr> <td>Equity</td> <td style="text-align: right;">\$ 716</td> <td style="text-align: right;">51%</td> </tr> <tr> <td>Debt</td> <td style="text-align: right;">\$ 682</td> <td style="text-align: right;">49%</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">\$ 1,398</td> <td style="text-align: right;">100%</td> </tr> </table>	Montana-Dakota Utilities Co. and Great Plains Natural Gas Co.			<i>(Divisions)</i>			<i>Stand-alone Debt & Equity</i>			Equity	\$ 716	51%	Debt	\$ 682	49%	Total	\$ 1,398	100%		
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Prairie Cascade Energy Holdings																																							
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Cascade Natural Gas Corporation																																							
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Eliminations/MDU Energy Capital Acquisition Debt Financing	\$ (164)	\$ 164	\$ -																																				
<i>Consolidated MDU Energy Capital, LLC</i>	\$ 502	\$ 512	\$ 1,014																																				
Consolidated MDU Resources Group, Inc. Capital Structure	\$ 2,354	\$ 1,741	\$ 4,095																																				

PROPOSED CAPITAL STRUCTURE
As of September 30, 2017
(in millions)



Capital Structure Reconciliation

	Equity	Debt	Total
Centennial Energy Holdings Inc.	\$ 1,136	\$ 547	\$ 1,683
MDU Energy Capital, LLC			
Prairie Cascade Energy Holdings	\$ 166	\$ -	\$ 166
Prairie Intermountain Energy Holdings	\$ 177	\$ -	\$ 177
Cascade Natural Gas Corporation	\$ 210	\$ 223	\$ 433
Intermountain Gas Company	\$ 113	\$ 125	\$ 238
Montana-Dakota Utilities and Great Plains Natural Gas	\$ 716	\$ 682	\$ 1,398
Eliminations/MDU Energy Capital Acquisition Debt Financing	\$ (164)	\$ 164	\$ -
Consolidated MDU Energy Capital, LLC	\$ 1,218	\$ 1,194	\$ 2,412
Consolidated MDU Resources Group, Inc. Capital Structure	\$ 2,354	\$ 1,741	\$ 4,095

EXHIBIT C

DRAFT ACCOUNTING ENTRIES

MDU Resources Group, Inc. (MDU Resources) keeps accounts for its operating divisions Montana-Dakota Utilities (Montana-Dakota) and Great Plains Natural Gas (Great Plains) similar to what would apply if Montana-Dakota or Great Plains were separate legal entities. Because the existing legal entity and general ledger will become that of Montana-Dakota, the accounting entries required will be to reclassify any MDU Resources related assets and liabilities, along with its current equity ownership in subsidiaries to the new entity created to become the parent corporation. All long-term debt that exists at MDU Resources was taken out for the benefit of Montana-Dakota and Great Plains. MDU Resources subsidiaries' debt is taken out at the subsidiary level(s). As such, there are no entries necessary related to reclassify long-term debt. The primary assets and liabilities of MDU Resources relates to accrued benefits (pension, post-retirement, etc.). Sample journal entries for each company related to those items are as follows:

Entries Related to Subsidiary Stock Ownership Changes (\$ in millions) – balances to be updated as of 12/31/18

Entry to reclassify equity ownership in subsidiaries to the new entity created that will become the parent. **MDU Resources Group, Inc. (formerly Newco, Inc.)**

DR.	Investment in Subsidiary – Centennial Energy Holdings, Inc. \$1,136
DR.	Investment in Subsidiary – MDU Energy Capital, LLC \$502
DR.	Investment in Subsidiary – Montana-Dakota Utilities Co. \$716
CR.	Various Equity Accounts \$2,354

Entry to reclassify equity ownership in subsidiaries from the new subsidiary created. **Montana-Dakota Utilities Co. (formerly MDU Resources Group Inc., then Newco Sub, Inc. and finally Montana-Dakota Utilities Co.)**

DR.	Various Equity Accounts \$1,638
CR.	Investment in Subsidiary – Centennial Energy Holdings, Inc. \$1,136
CR.	Investment in Subsidiary – MDU Energy Capital, LLC \$502

Entry to reclassify equity ownership of new subsidiary created. **MDU Energy Capital, LLC**

DR. Investment in Subsidiary – Montana-Dakota Utilities Co. \$716
CR. Various Equity Accounts \$716

Entry to reclassify equity ownership in subsidiaries at the new entity created that will become the parent. **MDU Resources Group, Inc. (formerly Newco, Inc.)**

DR. Investment in Subsidiary – MDU Energy Capital, LLC \$716
CR. Investment in Subsidiary – Montana-Dakota Utilities Co. \$716

Reclassify MDU Resources Assets/Liabilities

Entry to transfer parent company assets and liabilities from subsidiary's general ledger. **Montana-Dakota Utilities Co. (formerly MDU Resources Group Inc., then Newco Sub, Inc. and finally Montana-Dakota Utilities Co.)**

DR. Accrued Benefit Liabilities Related to MDUR (final \$ amounts pending)
CR. Accrued Benefit Assets Related to MDUR (final \$ amounts pending)
DR./CR. Deferred Tax Related to Accrued Benefit Assets/Liabilities Related to MDU
(final \$ amounts pending)
DR. Net Benefit Funding from Business Units Liability (final \$ amounts pending)
DR./CR. Cash (as necessary) (final \$ amounts pending)

Entry to transfer parent company assets and liabilities to parent's general ledger. **MDU Resources Group, Inc. (formerly Newco, Inc.)**

DR. Accrued Benefit Assets Related to MDUR (final \$ amounts pending)
CR. Accrued Benefit Liabilities Related to MDUR (final \$ amounts pending)
DR./CR. Deferred Tax Related to Accrued Benefit Assets/Liabilities Related to MDUR
(final \$ amounts pending)
CR. Net Benefit Funding from Business Units Liability (final \$ amounts pending)
DR./CR. Cash (as necessary) (final \$ amounts pending)

EXHIBIT D

BOARD RESOLUTION AUTHORIZING RESTRUCTURING

CERTIFICATE

I, DANIEL S. KUNTZ, hereby certify that I am the duly elected and qualified Secretary of MDU Resources Group, Inc., a Delaware corporation; that the following is a true and correct copy of resolutions adopted at a Regular Meeting of the Board of Directors thereof held on November 16, 2017; and that said resolutions have not been modified or amended and are presently in full force and effect:

WHEREAS, the Company conducts regulated electric and natural gas distribution utility businesses through its divisions Montana-Dakota Utilities Co. and Great Plains Natural Gas Co. (the “Utility Divisions”);

WHEREAS, the Company’s other business operations, including natural gas transmission and natural gas distribution utility businesses, are conducted through direct or indirect subsidiaries of the Company;

WHEREAS, the Company’s existing corporate structure was organized, among other reasons, to avoid registration and regulation as a public utility holding company under the Public Utility Holding Company Act of 1935 (“PUCHA”);

WHEREAS, the Energy Policy Act of 2005 repealed PUCHA;

WHEREAS, a holding company reorganization would better isolate the business and the customers of the Utility Divisions from the risks associated with the Company’s other businesses;

WHEREAS, a holding company reorganization would better isolate the Company’s other businesses from the risks of the Utility Divisions;

WHEREAS, a holding company reorganization would limit the effect of state and federal utility laws, which may regulate the capital structure of utilities or require pre-approval of security issuances, to the Company’s affected utility businesses;

WHEREAS, a holding company reorganization would improve the transparency of the Company’s business model; and

WHEREAS, a holding company reorganization would provide the Company with greater financing flexibility and provide financing costs at the Utility Divisions reflective of their financing risks;

NOW, THEREFORE, BE IT RESOLVED, that, subject to final approval of the holding company reorganization by the Board, the Company's executive management is authorized to take actions necessary to evaluate and pursue a holding company reorganization, engage advisors, and make such expenditures as are necessary for such process, including the filing of all applications necessary for approval of the holding company reorganization from governmental regulatory authorities.

IN WITNESS WHEREOF, I have hereunto set my hand on January 22, 2018.



Daniel S. Kuntz, Secretary

EXHIBIT E

EXCERPTS FROM MDU RESOURCES FERC FORM NO.1/3-Q

THIS FILING IS

Item 1: An Initial (Original) Submission OR Resubmission No. ____

Form 1 Approved
OMB No.1902-0021
(Expires 12/31/2019)
Form 1-F Approved
OMB No.1902-0029
(Expires 12/31/2019)
Form 3-Q Approved
OMB No.1902-0205
(Expires 12/31/2019)



FERC FINANCIAL REPORT

FERC FORM No. 1: Annual Report of Major Electric Utilities, Licensees and Others and Supplemental Form 3-Q: Quarterly Financial Report

These reports are mandatory under the Federal Power Act, Sections 3, 4(a), 304 and 309, and 18 CFR 141.1 and 141.400. Failure to report may result in criminal fines, civil penalties and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of confidential nature

Exact Legal Name of Respondent (Company)

MDU Resources Group, Inc.

Year/Period of Report

End of 2017/Q3

**FERC FORM NO. 1/3-Q:
REPORT OF MAJOR ELECTRIC UTILITIES, LICENSEES AND OTHER
IDENTIFICATION**

01 Exact Legal Name of Respondent MDU Resources Group, Inc.		02 Year/Period of Report End of <u>2017/Q3</u>
03 Previous Name and Date of Change (if name changed during year) //		
04 Address of Principal Office at End of Period (Street, City, State, Zip Code) 400 North Fourth Street, Bismarck, ND 58501		
05 Name of Contact Person Stephanie Barth		06 Title of Contact Person VP, CAO, and Controller
07 Address of Contact Person (Street, City, State, Zip Code) 1200 West Century Ave, Bismarck, ND, 58506-5650		
08 Telephone of Contact Person, Including Area Code (701) 530-1531	09 This Report Is (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	10 Date of Report (Mo, Da, Yr) 09/30/2017

QUARTERLY CORPORATE OFFICER CERTIFICATION

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

01 Name Stephanie Barth	03 Signature  Stephanie Barth	04 Date Signed (Mo, Da, Yr) //
02 Title VP, CAO, and Treasurer		

Title 18, U.S.C. 1001 makes it a crime for any person to knowingly and willingly to make to any Agency or Department of the United States any false, fictitious or fraudulent statements as to any matter within its jurisdiction.

Name of Respondent MDU Resources Group, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 09/30/2017	Year/Period of Report End of 2017/Q3
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COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	UTILITY PLANT			
2	Utility Plant (101-106, 114)	200-201	2,441,017,137	2,418,364,465
3	Construction Work in Progress (107)	200-201	119,330,743	67,808,467
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		2,560,347,880	2,486,172,932
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	200-201	914,258,168	878,703,820
6	Net Utility Plant (Enter Total of line 4 less 5)		1,646,089,712	1,607,469,112
7	Nuclear Fuel in Process of Ref., Conv., Enrich., and Fab. (120.1)	202-203	0	0
8	Nuclear Fuel Materials and Assemblies-Stock Account (120.2)		0	0
9	Nuclear Fuel Assemblies in Reactor (120.3)		0	0
10	Spent Nuclear Fuel (120.4)		0	0
11	Nuclear Fuel Under Capital Leases (120.6)		0	0
12	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	202-203	0	0
13	Net Nuclear Fuel (Enter Total of lines 7-11 less 12)		0	0
14	Net Utility Plant (Enter Total of lines 6 and 13)		1,646,089,712	1,607,469,112
15	Utility Plant Adjustments (116)		0	0
16	Gas Stored Underground - Noncurrent (117)		2,692,161	2,692,161
17	OTHER PROPERTY AND INVESTMENTS			
18	Nonutility Property (121)		16,427,988	16,090,676
19	(Less) Accum. Prov. for Depr. and Amort. (122)		5,161,070	4,352,234
20	Investments in Associated Companies (123)		0	0
21	Investment in Subsidiary Companies (123.1)	224-225	1,637,496,665	1,603,873,802
22	(For Cost of Account 123.1, See Footnote Page 224, line 42)			
23	Noncurrent Portion of Allowances	228-229	0	0
24	Other Investments (124)		75,134,517	70,369,897
25	Sinking Funds (125)		0	0
26	Depreciation Fund (126)		0	0
27	Amortization Fund - Federal (127)		0	0
28	Other Special Funds (128)		0	0
29	Special Funds (Non Major Only) (129)		0	0
30	Long-Term Portion of Derivative Assets (175)		0	0
31	Long-Term Portion of Derivative Assets - Hedges (176)		0	0
32	TOTAL Other Property and Investments (Lines 18-21 and 23-31)		1,723,898,100	1,685,982,141
33	CURRENT AND ACCRUED ASSETS			
34	Cash and Working Funds (Non-major Only) (130)		0	0
35	Cash (131)		1,913,188	3,946,952
36	Special Deposits (132-134)		2,596,766	2,279,900
37	Working Fund (135)		150,750	212,131
38	Temporary Cash Investments (136)		0	0
39	Notes Receivable (141)		0	0
40	Customer Accounts Receivable (142)		17,335,686	24,806,476
41	Other Accounts Receivable (143)		2,979,562	3,663,520
42	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		454,960	481,777
43	Notes Receivable from Associated Companies (145)		0	0
44	Accounts Receivable from Assoc. Companies (146)		31,541,243	34,423,691
45	Fuel Stock (151)	227	4,484,066	4,528,869
46	Fuel Stock Expenses Undistributed (152)	227	0	0
47	Residuals (Elec) and Extracted Products (153)	227	0	0
48	Plant Materials and Operating Supplies (154)	227	18,110,366	17,336,690
49	Merchandise (155)	227	0	0
50	Other Materials and Supplies (156)	227	0	0
51	Nuclear Materials Held for Sale (157)	202-203/227	0	0
52	Allowances (158.1 and 158.2)	228-229	0	0

Name of Respondent MDU Resources Group, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 09/30/2017	Year/Period of Report End of 2017/Q3
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COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS) (Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
53	(Less) Noncurrent Portion of Allowances		0	0
54	Stores Expense Undistributed (163)	227	56,540	0
55	Gas Stored Underground - Current (164.1)		19,745,929	12,822,648
56	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		0	0
57	Prepayments (165)		11,632,962	5,936,055
58	Advances for Gas (166-167)		0	0
59	Interest and Dividends Receivable (171)		0	0
60	Rents Receivable (172)		0	0
61	Accrued Utility Revenues (173)		22,202,546	47,631,992
62	Miscellaneous Current and Accrued Assets (174)		0	0
63	Derivative Instrument Assets (175)		0	0
64	(Less) Long-Term Portion of Derivative Instrument Assets (175)		0	0
65	Derivative Instrument Assets - Hedges (176)		0	0
66	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176)		0	0
67	Total Current and Accrued Assets (Lines 34 through 66)		132,294,644	157,107,147
68	DEFERRED DEBITS			
69	Unamortized Debt Expenses (181)		2,439,686	2,276,700
70	Extraordinary Property Losses (182.1)	230a	0	0
71	Unrecovered Plant and Regulatory Study Costs (182.2)	230b	3,071,824	3,406,606
72	Other Regulatory Assets (182.3)	232	220,634,736	217,540,263
73	Prelim. Survey and Investigation Charges (Electric) (183)		1,502,228	948,016
74	Preliminary Natural Gas Survey and Investigation Charges 183.1)		3,000	12,888
75	Other Preliminary Survey and Investigation Charges (183.2)		10,954	0
76	Clearing Accounts (184)		137,269	-35,372
77	Temporary Facilities (185)		0	0
78	Miscellaneous Deferred Debits (186)	233	27,206,728	26,117,491
79	Def. Losses from Disposition of Utility Plt. (187)		0	0
80	Research, Devel. and Demonstration Expend. (188)	352-353	0	0
81	Unamortized Loss on Reaquired Debt (189)		4,869,028	5,297,814
82	Accumulated Deferred Income Taxes (190)	234	85,462,429	87,892,895
83	Unrecovered Purchased Gas Costs (191)		-716,295	1,874,756
84	Total Deferred Debits (lines 69 through 83)		344,621,587	345,332,057
85	TOTAL ASSETS (lines 14-16, 32, 67, and 84)		3,849,596,204	3,798,582,618

Name of Respondent MDU Resources Group, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (mo, da, yr) 09/30/2017	Year/Period of Report end of 2017/Q3
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COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	195,843,297	195,843,297
3	Preferred Stock Issued (204)	250-251	0	15,000,000
4	Capital Stock Subscribed (202, 205)		0	0
5	Stock Liability for Conversion (203, 206)		0	0
6	Premium on Capital Stock (207)		1,239,335,711	1,239,047,477
7	Other Paid-In Capital (208-211)	253	0	0
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254b	6,569,697	6,569,697
11	Retained Earnings (215, 215.1, 216)	118-119	613,116,914	595,204,310
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	351,158,161	317,077,496
13	(Less) Reaquired Capital Stock (217)	250-251	3,625,813	3,625,813
14	Noncorporate Proprietorship (Non-major only) (218)		0	0
15	Accumulated Other Comprehensive Income (219)	122(a)(b)	-35,341,182	-35,732,744
16	Total Proprietary Capital (lines 2 through 15)		2,353,917,391	2,316,244,326
17	LONG-TERM DEBT			
18	Bonds (221)	256-257	0	0
19	(Less) Reaquired Bonds (222)	256-257	0	0
20	Advances from Associated Companies (223)	256-257	0	0
21	Other Long-Term Debt (224)	256-257	684,338,857	681,754,986
22	Unamortized Premium on Long-Term Debt (225)		0	0
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		0	0
24	Total Long-Term Debt (lines 18 through 23)		684,338,857	681,754,986
25	OTHER NONCURRENT LIABILITIES			
26	Obligations Under Capital Leases - Noncurrent (227)		0	0
27	Accumulated Provision for Property Insurance (228.1)		0	0
28	Accumulated Provision for Injuries and Damages (228.2)		208,897	122,938
29	Accumulated Provision for Pensions and Benefits (228.3)		44,750,627	46,541,513
30	Accumulated Miscellaneous Operating Provisions (228.4)		0	0
31	Accumulated Provision for Rate Refunds (229)		1,414,296	1,343,280
32	Long-Term Portion of Derivative Instrument Liabilities		0	0
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
34	Asset Retirement Obligations (230)		124,171,949	119,521,302
35	Total Other Noncurrent Liabilities (lines 26 through 34)		170,545,769	167,529,033
36	CURRENT AND ACCRUED LIABILITIES			
37	Notes Payable (231)		0	0
38	Accounts Payable (232)		29,002,661	36,758,884
39	Notes Payable to Associated Companies (233)		0	0
40	Accounts Payable to Associated Companies (234)		6,191,674	5,591,989
41	Customer Deposits (235)		1,280,682	1,425,667
42	Taxes Accrued (236)	262-263	19,171,515	14,992,270
43	Interest Accrued (237)		6,425,540	7,531,734
44	Dividends Declared (238)		37,596,092	37,767,342
45	Matured Long-Term Debt (239)		0	0

Name of Respondent MDU Resources Group, Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (mo, da, yr) 09/30/2017	Year/Period of Report end of 2017/Q3
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COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS) (continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
46	Matured Interest (240)		0	0
47	Tax Collections Payable (241)		1,466,769	937,989
48	Miscellaneous Current and Accrued Liabilities (242)		28,596,102	30,518,735
49	Obligations Under Capital Leases-Current (243)		0	0
50	Derivative Instrument Liabilities (244)		0	0
51	(Less) Long-Term Portion of Derivative Instrument Liabilities		0	0
52	Derivative Instrument Liabilities - Hedges (245)		0	0
53	(Less) Long-Term Portion of Derivative Instrument Liabilities-Hedges		0	0
54	Total Current and Accrued Liabilities (lines 37 through 53)		129,731,035	135,524,610
55	DEFERRED CREDITS			
56	Customer Advances for Construction (252)		23,132,361	23,481,419
57	Accumulated Deferred Investment Tax Credits (255)	266-267	1,876,112	1,640,385
58	Deferred Gains from Disposition of Utility Plant (256)		0	0
59	Other Deferred Credits (253)	269	93,873,415	91,493,076
60	Other Regulatory Liabilities (254)	278	20,992,305	22,896,238
61	Unamortized Gain on Reacquired Debt (257)		0	0
62	Accum. Deferred Income Taxes-Accel. Amort.(281)	272-277	898,148	499,023
63	Accum. Deferred Income Taxes-Other Property (282)		310,057,932	297,349,295
64	Accum. Deferred Income Taxes-Other (283)		60,232,879	60,170,227
65	Total Deferred Credits (lines 56 through 64)		511,063,152	497,529,663
66	TOTAL LIABILITIES AND STOCKHOLDER EQUITY (lines 16, 24, 35, 54 and 65)		3,849,596,204	3,798,582,618

Name of Respondent MDU Resources Group, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 09/30/2017	Year/Period of Report End of <u>2017/Q3</u>
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STATEMENT OF INCOME

Quarterly

- Report in column (c) the current year to date balance. Column (c) equals the total of adding the data in column (g) plus the data in column (i) plus the data in column (k). Report in column (d) similar data for the previous year. This information is reported in the annual filing only.
- Enter in column (e) the balance for the reporting quarter and in column (f) the balance for the same three month period for the prior year.
- Report in column (g) the quarter to date amounts for electric utility function; in column (i) the quarter to date amounts for gas utility, and in column (k) the quarter to date amounts for other utility function for the current year quarter.
- Report in column (h) the quarter to date amounts for electric utility function; in column (j) the quarter to date amounts for gas utility, and in column (l) the quarter to date amounts for other utility function for the prior year quarter.
- If additional columns are needed, place them in a footnote.

Annual or Quarterly if applicable

- Do not report fourth quarter data in columns (e) and (f)
- Report amounts for accounts 412 and 413, Revenues and Expenses from Utility Plant Leased to Others, in another utility column in a similar manner to a utility department. Spread the amount(s) over lines 2 thru 26 as appropriate. Include these amounts in columns (c) and (d) totals.
- Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.

Line No.	Title of Account (a)	(Ref.) Page No. (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
1	UTILITY OPERATING INCOME					
2	Operating Revenues (400)	300-301	436,326,247	387,291,906	121,014,368	109,689,058
3	Operating Expenses					
4	Operation Expenses (401)	320-323	274,997,103	237,775,646	67,269,100	62,185,703
5	Maintenance Expenses (402)	320-323	21,475,997	20,564,777	7,691,794	6,436,375
6	Depreciation Expense (403)	336-337	48,381,811	49,438,518	16,299,394	16,535,263
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-337				
8	Amort. & Depl. of Utility Plant (404-405)	336-337	3,158,414	3,103,137	1,073,081	993,460
9	Amort. of Utility Plant Acq. Adj. (406)	336-337	2,115	2,115	705	705
10	Amort. Property Losses, Unrecov Plant and Regulatory Study Costs (407)		-1,219,528	-340,294	-196,071	-211,728
11	Amort. of Conversion Expenses (407)					
12	Regulatory Debits (407.3)					
13	(Less) Regulatory Credits (407.4)					
14	Taxes Other Than Income Taxes (408.1)	262-263	18,408,540	17,211,349	6,177,034	6,050,186
15	Income Taxes - Federal (409.1)	262-263	-6,132,258	-8,792,696	-3,118,322	-4,830,565
16	- Other (409.1)	262-263	317,191	-1,376,983	-117,796	-689,733
17	Provision for Deferred Income Taxes (410.1)	234, 272-277	34,261,901	40,272,122	10,146,131	13,203,843
18	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234, 272-277	19,846,552	26,768,613	4,178,480	7,668,216
19	Investment Tax Credit Adj. - Net (411.4)	266				
20	(Less) Gains from Disp. of Utility Plant (411.6)					
21	Losses from Disp. of Utility Plant (411.7)					
22	(Less) Gains from Disposition of Allowances (411.8)					
23	Losses from Disposition of Allowances (411.9)					
24	Accretion Expense (411.10)					
25	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)		373,804,734	331,089,078	101,046,570	92,005,293
26	Net Util Oper Inc (Enter Tot line 2 less 25) Carry to Pg117,line 27		62,521,513	56,202,828	19,967,798	17,683,765

Name of Respondent MDU Resources Group, Inc.		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		Date of Report (Mo, Da, Yr) 09/30/2017		Year/Period of Report End of 2017/Q3	
STATEMENT OF INCOME FOR THE YEAR (continued)							
Line No.	Title of Account (a)	(Ref.) Page No. (b)	TOTAL		Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)	
			Current Year (c)	Previous Year (d)			
27	Net Utility Operating Income (Carried forward from page 114)		62,521,513	56,202,828	19,967,798	17,683,765	
28	Other Income and Deductions						
29	Other Income						
30	Nonutility Operating Income						
31	Revenues From Merchandising, Jobbing and Contract Work (415)		72,935	75,105	24,928	24,610	
32	(Less) Costs and Exp. of Merchandising, Job. & Contract Work (416)		44,501	43,922	12,789	10,158	
33	Revenues From Nonutility Operations (417)		5,302,725	4,590,522	1,895,182	1,414,372	
34	(Less) Expenses of Nonutility Operations (417.1)		2,574,236	2,361,962	854,859	819,408	
35	Nonoperating Rental Income (418)						
36	Equity in Earnings of Subsidiary Companies (418.1)	119	120,138,630	-40,214,537	73,392,891	71,755,357	
37	Interest and Dividend Income (419)		1,234,250	1,598,922	210,233	404,270	
38	Allowance for Other Funds Used During Construction (419.1)		247,443	212,165	112,132	151,148	
39	Miscellaneous Nonoperating Income (421)		375,723	11,954	354,270	2,011	
40	Gain on Disposition of Property (421.1)		187,704				
41	TOTAL Other Income (Enter Total of lines 31 thru 40)		124,940,673	-36,131,753	75,121,988	72,922,202	
42	Other Income Deductions						
43	Loss on Disposition of Property (421.2)		30,925	99,892			
44	Miscellaneous Amortization (425)						
45	Donations (426.1)		343,983	139,329	94,012	89,660	
46	Life Insurance (426.2)		-2,267,956	-1,936,958	-508,708	-323,610	
47	Penalties (426.3)			2,209			
48	Exp. for Certain Civic, Political & Related Activities (426.4)		153,267	94,224	24,748	22,485	
49	Other Deductions (426.5)			1,352			
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)		-1,739,781	-1,599,952	-389,948	-211,465	
51	Taxes Applic. to Other Income and Deductions						
52	Taxes Other Than Income Taxes (408.2)	262-263	94,696	246,520	31,500	105,000	
53	Income Taxes-Federal (409.2)	262-263	-1,212,417	-1,145,706	-94,363	-278,645	
54	Income Taxes-Other (409.2)	262-263	-506,387	-852,794	-33,002	-131,764	
55	Provision for Deferred Inc. Taxes (410.2)	234, 272-277	1,215,617	1,256,957	223,441	162,309	
56	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234, 272-277	313,001	329,041	71,329	22,343	
57	Investment Tax Credit Adj.-Net (411.5)						
58	(Less) Investment Tax Credits (420)		-235,728	86,043	3,721	27,726	
59	TOTAL Taxes on Other Income and Deductions (Total of lines 52-58)		-485,764	-910,107	52,526	-193,169	
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		127,166,218	-33,621,694	75,459,410	73,326,836	
61	Interest Charges						
62	Interest on Long-Term Debt (427)		23,234,849	23,269,402	7,913,632	7,797,877	
63	Amort. of Debt Disc. and Expense (428)		256,752	256,244	86,572	84,668	
64	Amortization of Loss on Required Debt (428.1)		455,072	527,317	142,929	167,562	
65	(Less) Amort. of Premium on Debt-Credit (429)						
66	(Less) Amortization of Gain on Required Debt-Credit (429.1)						
67	Interest on Debt to Assoc. Companies (430)						
68	Other Interest Expense (431)		199,509	223,943	78,259	65,391	
69	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)		349,504	398,802	145,578	91,394	
70	Net Interest Charges (Total of lines 62 thru 69)		23,796,678	23,878,104	8,075,814	8,024,104	
71	Income Before Extraordinary Items (Total of lines 27, 60 and 70)		165,891,053	-1,296,970	87,351,394	82,986,497	
72	Extraordinary Items						
73	Extraordinary Income (434)						
74	(Less) Extraordinary Deductions (435)						
75	Net Extraordinary Items (Total of line 73 less line 74)						
76	Income Taxes-Federal and Other (409.3)	262-263					
77	Extraordinary Items After Taxes (line 75 less line 76)						
78	Net Income (Total of line 71 and 77)		165,891,053	-1,296,970	87,351,394	82,986,497	

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STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
	UNAPPROPRIATED RETAINED EARNINGS (Account 216)			
1	Balance-Beginning of Period		608,187,549	608,421,717
2	Changes			
3	Adjustments to Retained Earnings (Account 439)			
4	Loss on Redemption of Preferred Stock	131		(600,000)
5				
6				
7				
8				
9	TOTAL Credits to Retained Earnings (Acct. 439)			(600,000)
10	Dividend Equivalents on Stock Based Compensation	253	-69,041	(85,074)
11	Deferred Taxes on FAS 159 Adoption			
12				
13				
14				
15	TOTAL Debits to Retained Earnings (Acct. 439)		-69,041	(85,074)
16	Balance Transferred from Income (Account 433 less Account 418.1)		13,958,502	9,360,082
17	Appropriations of Retained Earnings (Acct. 436)			
18				
19				
20				
21				
22	TOTAL Appropriations of Retained Earnings (Acct. 436)			
23	Dividends Declared-Preferred Stock (Account 437)			
24				
25				
26				
27				
28				
29	TOTAL Dividends Declared-Preferred Stock (Acct. 437)			
30	Dividends Declared-Common Stock (Account 438)			
31		238	-37,596,096	(37,596,096)
32				
33				
34				
35				
36	TOTAL Dividends Declared-Common Stock (Acct. 438)		-37,596,096	(37,596,096)
37	Transfers from Acct 216.1, Unapprop. Undistrib. Subsidiary Earnings		28,636,000	28,686,920
38	Balance - End of Period (Total 1,9,15,16,22,29,36,37)		613,116,914	608,187,549
	APPROPRIATED RETAINED EARNINGS (Account 215)			
39				
40				

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STATEMENT OF RETAINED EARNINGS

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
41				
42				
43				
44				
45	TOTAL Appropriated Retained Earnings (Account 215)			
	APPROP. RETAINED EARNINGS - AMORT. Reserve, Federal (Account 215.1)			
46	TOTAL Approp. Retained Earnings-Amort. Reserve, Federal (Acct. 215.1)			
47	TOTAL Approp. Retained Earnings (Acct. 215, 215.1) (Total 45,46)			
48	TOTAL Retained Earnings (Acct. 215, 215.1, 216) (Total 38, 47) (216.1)		613,116,914	608,187,549
	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account			
	Report only on an Annual Basis, no Quarterly			
49	Balance-Beginning of Year (Debit or Credit)			
50	Equity in Earnings for Year (Credit) (Account 418.1)			
51	(Less) Dividends Received (Debit)			
52				
53	Balance-End of Year (Total lines 49 thru 52)			

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STATEMENT OF CASH FLOWS					
<p>(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.</p> <p>(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.</p> <p>(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.</p> <p>(4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.</p>					
Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)		
1	Net Cash Flow from Operating Activities:				
2	Net Income (Line 78(c) on page 117)	165,891,053	-1,296,970		
3	Noncash Charges (Credits) to Income:				
4	Depreciation and Depletion	50,322,812	52,203,476		
5	Amortization of				
6	Loss on Reaquired Debt, Bond Discount and Debt Exp	265,800	783,561		
7					
8	Deferred Income Taxes (Net)	15,317,966	14,431,424		
9	Investment Tax Credit Adjustment (Net)	235,728	-86,043		
10	Net (Increase) Decrease in Receivables	11,010,379	6,037,027		
11	Net (Increase) Decrease in Inventory	-7,708,694	-10,411,956		
12	Net (Increase) Decrease in Allowances Inventory				
13	Net Increase (Decrease) in Payables and Accrued Expenses	-4,371,019	-2,348,702		
14	Net (Increase) Decrease in Other Regulatory Assets	1,519,792	-10,820,981		
15	Net Increase (Decrease) in Other Regulatory Liabilities	-1,249,855	-910,156		
16	(Less) Allowance for Other Funds Used During Construction	247,443	212,165		
17	(Less) Undistributed Earnings from Subsidiary Companies	34,179,710	-127,625,217		
18	Other (provide details in footnote):				
19	Unrecovered Purchased Gas Costs	2,591,051	-1,706,399		
20	Net Change in Other Current & Accrued Assets	19,415,674	13,233,187		
21	Other Noncurrent Charges	-4,617,720	2,586,792		
22	Net Cash Provided by (Used in) Operating Activities (Total 2 thru 21)	214,195,814	189,107,312		
23					
24	Cash Flows from Investment Activities:				
25	Construction and Acquisition of Plant (including land):				
26	Gross Additions to Utility Plant (less nuclear fuel)	-84,514,500	-121,781,763		
27	Gross Additions to Nuclear Fuel				
28	Gross Additions to Common Utility Plant	-4,646,782	-6,522,124		
29	Gross Additions to Nonutility Plant	-385,484	-397,373		
30	(Less) Allowance for Other Funds Used During Construction	-247,443	-212,165		
31	Other (provide details in footnote):				
32	Customer Advances for Construction	-349,058	-216,898		
33					
34	Cash Outflows for Plant (Total of lines 26 thru 33)	-89,648,381	-128,705,993		
35					
36	Acquisition of Other Noncurrent Assets (d)	-255,806	5,597		
37	Proceeds from Disposal of Noncurrent Assets (d)				
38					
39	Investments in and Advances to Assoc. and Subsidiary Companies				
40	Contributions and Advances from Assoc. and Subsidiary Companies				
41	Disposition of Investments in (and Advances to)				
42	Associated and Subsidiary Companies				
43					
44	Purchase of Investment Securities (a)				
45	Proceeds from Sales of Investment Securities (a)				

Name of Respondent MDU Resources Group, Inc.		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 09/30/2017	Year/Period of Report End of 2017/Q3
STATEMENT OF CASH FLOWS				
<p>(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc.</p> <p>(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet.</p> <p>(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid.</p> <p>(4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost.</p>				
Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)	
46	Loans Made or Purchased			
47	Collections on Loans			
48				
49	Net (Increase) Decrease in Receivables			
50	Net (Increase) Decrease in Inventory			
51	Net (Increase) Decrease in Allowances Held for Speculation			
52	Net Increase (Decrease) in Payables and Accrued Expenses			
53	Other (provide details in footnote):			
54	Depreciation of Nonutility Plant	833,306	442,106	
55				
56	Net Cash Provided by (Used in) Investing Activities			
57	Total of lines 34 thru 55)	-89,070,881	-128,258,290	
58				
59	Cash Flows from Financing Activities:			
60	Proceeds from Issuance of:			
61	Long-Term Debt (b)	70,500,000	101,989,154	
62	Preferred Stock			
63	Common Stock			
64	Other (provide details in footnote):			
65				
66	Net Increase in Short-Term Debt (c)			
67	Other (provide details in footnote):			
68	Repurchase of Common Stock	-564,642	-226,301	
69	Tax Withholding on Stock-Based Compensation	-508,519		
70	Cash Provided by Outside Sources (Total 61 thru 69)	69,426,839	101,762,853	
71				
72	Payments for Retirement of:			
73	Long-term Debt (b)	-67,916,129	-50,007,058	
74	Preferred Stock	-15,600,000		
75	Common Stock			
76	Other (provide details in footnote):			
77				
78	Net Decrease in Short-Term Debt (c)			
79				
80	Dividends on Preferred Stock	-342,501	-513,752	
81	Dividends on Common Stock	-112,788,287	-109,851,484	
82	Net Cash Provided by (Used in) Financing Activities			
83	(Total of lines 70 thru 81)	-127,220,078	-58,609,441	
84				
85	Net Increase (Decrease) in Cash and Cash Equivalents			
86	(Total of lines 22,57 and 83)	-2,095,145	2,239,581	
87				
88	Cash and Cash Equivalents at Beginning of Period	4,159,083	2,920,918	
89				
90	Cash and Cash Equivalents at End of period	2,063,938	5,160,499	

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 09/30/2017	Year/Period of Report 2017/Q3
MDU Resources Group, Inc.			
FOOTNOTE DATA			

Schedule Page: 120 Line No.: 73 Column: b

Includes (b) other long-term debt and (c) commercial paper classified as long-term debt.

Schedule Page: 120 Line No.: 73 Column: c

Includes (b) other long-term debt and (c) commercial paper classified as long-term debt.

Name of Respondent MDU Resources Group, Inc.	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report 09/30/2017	Year/Period of Report End of <u>2017/Q3</u>
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NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.
7. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
8. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
9. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

PAGE 122 INTENTIONALLY LEFT BLANK
SEE PAGE 123 FOR REQUIRED INFORMATION.

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MDU Resources Group, Inc.			
NOTES TO FINANCIAL STATEMENTS (Continued)			

Definitions

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

Abbreviation or Acronym

AFUDC	Allowance for funds used during construction
ASC	Financial Accounting Standards Board Accounting Standards Codification
Centennial	Centennial Energy Holdings, Inc., a direct wholly owned subsidiary of the Company
Company	MDU Resources Group, Inc.
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GAAP	Accounting principles generally accepted in the United States of America
Great Plains	Great Plains Natural Gas Co., a public utility division of the Company
IFRS	International Financial Reporting Standards
MDU Energy Capital	MDU Energy Capital, LLC, a direct wholly owned subsidiary of the Company
MISO	Midcontinent Independent System Operator, Inc.
MNPUC	Minnesota Public Utilities Commission
Montana-Dakota	Montana-Dakota Utilities Co., a public utility division of the Company
MTPSC	Montana Public Service Commission
MW	Megawatt
NDPSC	North Dakota Public Service Commission
SDPUC	South Dakota Public Utilities Commission
SSIP	System Safety and Integrity Program
WYPSC	Wyoming Public Service Commission

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MDU Resources Group, Inc.			
NOTES TO FINANCIAL STATEMENTS (Continued)			

Notes to Financial Statements

Note 1 - Basis of presentation

The Company is a diversified natural resource company, which was incorporated under the laws of the state of Delaware in 1924. Montana-Dakota and Great Plains are public utility divisions of the Company.

Montana-Dakota generates, transmits, and distributes electricity and distributes natural gas in Montana, North Dakota, South Dakota, and Wyoming. Great Plains distributes natural gas in western Minnesota and southeastern North Dakota. These operations also supply related value-added services. The Company provides service to approximately 143,000 electric and 294,000 natural gas residential, commercial, industrial and municipal customers in 278 communities and adjacent rural areas as of September 30, 2017.

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

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

The financial statements were prepared in accordance with the accounting requirements of the FERC set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than GAAP. These requirements differ from GAAP related to the presentation of certain items including, but not limited to, the current portion of long-term debt, deferred income taxes, cost of removal liabilities, and current unrecovered purchased gas costs. As required by the FERC for Form 1 report purposes, the Company reports its subsidiary investments using the equity method rather than consolidating the assets, liabilities, revenues and expenses of the subsidiaries, as required by GAAP. If GAAP were followed, utility plant, other property and investments would increase by \$752.3 million; current and accrued assets would increase by \$966.9 million; deferred debits would increase by \$775.6 million; long-term debt would increase by \$907.7 million; other noncurrent liabilities and current and accrued liabilities would increase by \$556.3 million; and deferred credits would increase by \$1.0 billion as of September 30, 2017. Furthermore, operating revenues would increase by \$2.8 billion and operating expenses, excluding income taxes, would increase by \$2.6 billion for the nine months ended September 30, 2017. In addition, net cash provided by operating activities would increase by \$57.3 million; net cash used in investing activities would increase by \$9.9 million; net cash used in financing activities would increase by \$54.1 million; the effect of exchange rate changes on cash would decrease by \$1,000; and the net change in cash and cash equivalents would be a decrease of \$6.7 million for the nine months ended September 30, 2017. Reporting its subsidiary investments using the equity method rather than GAAP has no effect on net income or retained earnings.

The Notes to Financial Statements accompanying this FERC Form No. 3Q relate to the nonconsolidated parent company and its two public utility divisions. For information on disclosures of the subsidiary companies, refer to the Company's Form 10-Q.

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

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NOTES TO FINANCIAL STATEMENTS (Continued)			

Management has also evaluated the impact of events occurring after September 30, 2017, up to the date of issuance of these interim financial statements.

Note 2 - Seasonality of operations

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

Note 3 - Accounts receivable and allowance for doubtful accounts

Accounts receivable consist primarily of trade receivables from the sale of goods and services which are recorded at the invoiced amount. The total balance of receivables past due 90 days or more was \$1.0 million and \$856,000 at September 30, 2017 and December 31, 2016, respectively.

The allowance for doubtful accounts is determined through a review of past due balances and other specific account data. Account balances are written off when management determines the amounts to be uncollectible. The Company's allowance for doubtful accounts at September 30, 2017 and December 31, 2016, was \$455,000 and \$482,000, respectively.

Note 4 - Inventories and natural gas in storage

Natural gas in storage is carried at cost using the last-in, first-out method. All other inventories are stated at the lower of cost or net realizable value. The portion of the cost of natural gas in storage expected to be used within one year is included in inventories. Inventories consisted of:

	September 30, 2017	December 31, 2016
	(In thousands)	
Gas stored underground-current	\$ 19,746	\$ 12,822
Plant materials and operating supplies	18,167	17,337
Fuel stock	4,484	4,529
Total	\$ 42,397	\$ 34,688

The remainder of natural gas in storage, which largely represents the cost of gas required to maintain pressure levels for normal operating purposes, was \$2.7 million at September 30, 2017 and December 31, 2016.

Note 5 - New accounting standards

Recently adopted accounting standards

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

Improvements to Employee Share-Based Payment Accounting In March 2016, the FASB issued guidance regarding simplification of several aspects of the accounting for share-based payment transactions. The guidance affects the income tax consequences, classification of awards as either equity or liabilities, classification on the statement of cash flows and calculation of dilutive shares. The Company adopted the guidance on January 1, 2017. All

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NOTES TO FINANCIAL STATEMENTS (Continued)			

amendments in the guidance that apply to the Company were adopted on a prospective basis resulting in no adjustments being made to retained earnings. The adoption of the guidance impacted the Consolidated Statement of Income and the Consolidated Balance Sheet in the first quarter of 2017 due to the taxes related to the stock-based compensation award that vested in February 2017 being recognized as income tax expense as compared to a reduction to additional paid-in capital under the previous guidance. Adoption of the guidance also increased the number of shares included in the diluted earnings per share calculation due to the exclusion of tax benefits in the incremental shares calculation. The change in the weighted average common shares outstanding-diluted did not result in a material effect on the earnings per common share-diluted.

Recently issued accounting standards not yet adopted

Revenue from Contracts with Customers In May 2014, the FASB issued guidance on accounting for revenue from contracts with customers. The guidance provides for a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. In August 2015, the FASB issued guidance deferring the effective date of the revenue guidance and allowing entities to early adopt. With this decision, the guidance will be effective for the Company on January 1, 2018. Entities will have the option of using either a full retrospective or modified retrospective approach to adopting the guidance. The Company plans to adopt the guidance on January 1, 2018, and to use the modified retrospective approach. Under the modified retrospective approach, an entity would recognize the cumulative effect of initially applying the guidance with an adjustment to the opening balance of retained earnings in the period of adoption. To date, the Company has not identified any material cumulative effect adjustments to be made to retained earnings. In addition, the guidance will require expanded disclosures, both quantitative and qualitative, related to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. To date, the Company has reviewed nearly all of its revenue streams, completing the preliminary evaluation of the impact of this guidance. Based on the preliminary evaluation, the Company does not anticipate a significant change in the timing of revenue recognition, results of operations, financial position or cash flows, however the Company will continue to evaluate the impact of this guidance through the date of adoption.

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

Classification of Certain Cash Receipts and Cash Payments In August 2016, the FASB issued guidance to clarify the classification of certain cash receipts and payments in the statement of cash flows. The guidance is intended to standardize the presentation and classification of certain transactions, including cash payments for debt prepayment or extinguishment, proceeds from insurance claim settlements and distributions from equity method investments. In addition, the guidance clarifies how to classify transactions that have characteristics of more than one class of cash flows. This guidance will be effective for the Company on January 1, 2018, with early adoption permitted. Entities must apply the guidance retrospectively unless it is impracticable to do so, in which case they may apply it prospectively as of the earliest date practicable. The Company plans to adopt the guidance on January 1, 2018. The Company's initial evaluation of the guidance did not

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NOTES TO FINANCIAL STATEMENTS (Continued)			

identify any changes to the current presentation of the statement of cash flows; therefore, no retrospective adjustments to prior periods will be necessary.

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

Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost In March 2017, the FASB issued guidance to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost. The guidance requires the service cost component to be presented in the income statement in the same line item or items as other compensation costs arising from services performed during the period. Other components of net benefit cost shall be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. The guidance also only allows the service cost component to be capitalized. The guidance will be effective for the Company on January 1, 2018, including interim periods, with early adoption permitted as of the beginning of an annual period for which the financial statements have not been issued. The guidance shall be applied on a retrospective basis for the financial statement presentation and on a prospective basis for the capitalization of the service cost component. The Company plans to adopt the guidance as required on January 1, 2018, and will result in differences between FERC accounting requirements and GAAP. The guidance will not have a material impact on the Company's disclosures or cash flows.

Leases In February 2016, the FASB issued guidance regarding leases. The guidance requires lessees to recognize a lease liability and a right-of-use asset on the balance sheet for operating and financing leases with terms of more than 12 months. The guidance remains largely the same for lessors, although some changes were made to better align lessor accounting with the new lessee accounting and to align with the revenue recognition standard. The guidance also requires additional disclosures, both quantitative and qualitative, related to operating and finance leases for the lessee and sales-type, direct financing and operating leases for the lessor. This guidance will be effective for the Company on January 1, 2019, and should be applied using a modified retrospective approach with early adoption permitted. The Company continues to evaluate the potential impact the adoption of the new guidance will have on its results of operations, financial position, cash flows and disclosures. The Company is planning to adopt the standard on January 1, 2019, utilizing the practical expedient that allows the Company to not reassess whether an expired or existing contract contains a lease, the classification of leases or initial direct costs.

Simplifying the Test for Goodwill Impairment In January 2017, the FASB issued guidance on simplifying the test for goodwill impairment by eliminating Step 2, which required an entity to measure the amount of impairment loss by comparing the implied fair value of reporting unit goodwill with the carrying amount of such goodwill. This guidance requires entities to perform a quantitative impairment test, previously Step 1, to identify both the existence of impairment and the amount of impairment loss by comparing the fair value of a reporting unit to its carrying amount. Entities will continue to have the option of performing a qualitative assessment to determine if the quantitative impairment test is

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NOTES TO FINANCIAL STATEMENTS (Continued)			

necessary. The guidance also requires additional disclosures if an entity has one or more reporting units with zero or negative carrying amounts of net assets. The guidance will be effective for the Company on January 1, 2020, and should be applied on a prospective basis with early adoption permitted. The Company is evaluating the effects the adoption of the new guidance will have on its results of operations, financial position, cash flows and disclosures.

Note 6 - Comprehensive income (loss)

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

Three Months Ended September 30, 2017	Postretirement Liability Adjustment	Subsidiary Other Comprehensive Loss	Total Accumulated Other Comprehensive Loss
(In thousands)			
Balance at June 30, 2017	\$ (4,287)	\$ (31,502)	\$ (35,789)
Other comprehensive loss before reclassifications	---	(4)	(4)
Amounts reclassified from accumulated other comprehensive loss	---	452	452
Net current-period other comprehensive income	---	448	448
Balance at September 30, 2017	\$ (4,287)	\$ (31,054)	\$ (35,341)

Three Months Ended September 30, 2016	Postretirement Liability Adjustment	Subsidiary Other Comprehensive Loss	Total Accumulated Other Comprehensive Loss
(In thousands)			
Balance at June 30, 2016	\$ (5,952)	\$ (32,254)	\$ (38,206)
Other comprehensive loss before reclassifications	---	(46)	(46)
Amounts reclassified from accumulated other comprehensive loss	---	361	361
Net current-period other comprehensive income	---	315	315
Balance at September 30, 2016	\$ (5,952)	\$ (31,939)	\$ (37,891)

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NOTES TO FINANCIAL STATEMENTS (Continued)			

Nine Months Ended September 30, 2017	Postretirement Liability Adjustment	Subsidiary Other Comprehensive Loss	Total Accumulated Other Comprehensive Loss
(In thousands)			
Balance at December 31, 2016	\$ (4,287)	\$ (31,446)	\$ (35,733)
Other comprehensive loss before reclassifications	---	(61)	(61)
Amounts reclassified from accumulated other comprehensive loss	---	1,370	1,370
Amounts reclassified to accumulated other comprehensive loss from a regulatory asset	---	(917)	(917)
Net current-period other comprehensive income	---	392	392
Balance at September 30, 2017	\$ (4,287)	\$ (31,054)	\$ (35,341)

Nine Months Ended September 30, 2016	Postretirement Liability Adjustment	Subsidiary Other Comprehensive Loss	Total Accumulated Other Comprehensive Loss
(In thousands)			
Balance at December 31, 2015	\$ (5,952)	\$ (31,196)	\$ (37,148)
Other comprehensive loss before reclassifications	---	(13)	(13)
Amounts reclassified from accumulated other comprehensive loss	---	(730)	(730)
Net current-period other comprehensive loss	---	(743)	(743)
Balance at September 30, 2016	\$ (5,952)	\$ (31,939)	\$ (37,891)

Reclassifications out of accumulated other comprehensive loss were as follows:

Three Months Ended September 30,	2017	2016	Location on Statement of Income
(In thousands)			
Subsidiary reclassifications out of accumulated other comprehensive loss	\$ (452)	\$ (361)	Equity in earnings of Subsidiary Companies
Total reclassifications	\$ (452)	\$ (361)	

Nine Months Ended September 30,	2017	2016	Location on Statement of Income
(In thousands)			
Subsidiary reclassifications out of accumulated other comprehensive loss	\$ (1,370)	\$ 730	Equity in earnings of Subsidiary Companies
Total reclassifications	\$ (1,370)	\$ 730	

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NOTES TO FINANCIAL STATEMENTS (Continued)			

Note 7 - Goodwill and other intangible assets

The carrying amount of goodwill, which is related to the natural gas distribution business, remained unchanged at \$4.8 million at September 30, 2017 and December 31, 2016. This amount is included in miscellaneous deferred debits. No impairments have been recorded in any periods.

Note 8 - Fair value measurements

The Company measures its investments in certain fixed-income and equity securities at fair value with changes in fair value recognized in income. The Company anticipates using these investments, which consist of an insurance contract, to satisfy its obligations under its unfunded, nonqualified benefit plans for executive officers and certain key management employees, and invests in these fixed-income and equity securities for the purpose of earning investment returns and capital appreciation. These investments, which totaled \$50.0 million and \$47.9 million at September 30, 2017 and December 31, 2016, respectively, are classified as Other Investments on the Comparative Balance Sheet. The net unrealized gains on these investments were \$1.6 million and \$4.9 million for the three and nine months ended September 30, 2017, respectively. The net unrealized gains on these investments were \$987,000 and \$3.9 million for the three and nine months ended September 30, 2016, respectively. The change in fair value, which is considered part of the cost of the plan, is classified in Other Income and Deductions as Life Insurance on the Statement of Income.

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

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

The Company's Level 2 money market funds are valued at the net asset value of shares held at the end of the quarter, based on published market quotations on active markets, or using other known sources including pricing from outside sources.

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

Though the Company believes the methods used to estimate fair value are consistent with those used by other market participants, the use of other methods or assumptions could result in a different estimate of fair value. For the nine months ended September 30, 2017, there were no transfers between Levels 1 and 2.

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NOTES TO FINANCIAL STATEMENTS (Continued)			

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

	Fair Value Measurements at September 30, 2017, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2017
(In thousands)				
Assets:				
Money market funds	\$ ---	\$ 3,548	\$ ---	\$ 3,548
Insurance contract*	---	49,981	---	49,981
Total assets measured at fair value	\$ ---	\$ 53,529	\$ ---	\$ 53,529

* The insurance contract invests approximately 50 percent in fixed-income investments, 23 percent in common stock of large-cap companies, 13 percent in common stock of mid-cap companies, 11 percent in common stock of small-cap companies, 2 percent in target date investments and 1 percent in cash equivalents.

	Fair Value Measurements at December 31, 2016, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2016
(In thousands)				
Assets:				
Money market funds	\$ ---	\$ 513	\$ ---	\$ 513
Insurance contract*	---	47,861	---	47,861
Total assets measured at fair value	\$ ---	\$ 48,374	\$ ---	\$ 48,374

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

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

	September 30, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(In thousands)				
Long-term debt	\$ 684,339	\$ 725,837	\$ 681,755	\$ 717,599

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

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MDU Resources Group, Inc.			
NOTES TO FINANCIAL STATEMENTS (Continued)			

Note 9 - Cash flow information

Cash expenditures for interest and income taxes for the nine months ended September 30 were as follows:

	2017	2016
	(In thousands)	
Interest, net of AFUDC – borrowed of \$350 and \$399 in 2017 and 2016, respectively	\$ 23,992	\$ 25,306
Income taxes refunded, net	\$ (9,036)	\$ (2,977)

Noncash investing transactions at September 30 were as follows:

	2017	2016
	(In thousands)	
Property, plant and equipment additions in accounts payable	\$ 8,717	\$ 8,947

Note 10 - Employee benefit plans

Pension and other postretirement benefit plans

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

Three Months Ended September 30,	Pension Benefits		Other Postretirement Benefits	
	2017	2016	2017	2016
	(In thousands)			
Components of net periodic benefit cost (credit):				
Service cost	\$ ---	\$ ---	\$ 152	\$ 176
Interest cost	2,258	2,404	360	436
Expected return on assets	(2,787)	(2,848)	(661)	(646)
Amortization of prior service credit	---	---	(244)	(244)
Amortization of net actuarial loss	883	878	---	126
Net periodic benefit cost (credit), including amount capitalized	354	434	(393)	(152)
Less amount capitalized	60	79	(98)	(60)
Net periodic benefit cost (credit)	\$ 294	\$ 355	\$ (295)	\$ (92)

Nine Months Ended September 30,	Pension Benefits		Other Postretirement Benefits	
	2017	2016	2017	2016
	(In thousands)			
Components of net periodic benefit cost (credit):				
Service cost	\$ ---	\$ ---	\$ 458	\$ 529
Interest cost	6,774	7,212	1,079	1,308
Expected return on assets	(8,362)	(8,543)	(1,983)	(1,938)
Amortization of prior service credit	---	---	(731)	(731)
Amortization of net actuarial loss	2,649	2,634	---	376
Net periodic benefit cost (credit), including amount capitalized	1,061	1,303	(1,177)	(456)
Less amount capitalized	225	280	(248)	(80)
Net periodic benefit cost (credit)	\$ 836	\$ 1,023	\$ (929)	\$ (376)

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NOTES TO FINANCIAL STATEMENTS (Continued)			

In addition to the qualified plan defined pension benefits reflected in the table, the Company also has unfunded, nonqualified benefit plans for executive officers and certain key management employees that generally provide for defined benefit payments at age 65 following the employee's retirement or, upon death, to their beneficiaries for a 15-year period. In February 2016, the Company froze the unfunded, nonqualified defined benefit plans to new participants and eliminated benefit increases. Vesting for participants not fully vested was retained. The Company's net periodic benefit cost for these plans for the three and nine months ended September 30, 2017, was \$551,000 and \$1.7 million, respectively. The Company's net periodic benefit cost for these plans for the three months and nine months ended September 30, 2016, was \$617,000 and \$553,000, respectively, which reflects a curtailment gain of \$1.5 million in the first quarter of 2016.

Note 11 - Regulatory matters

On December 21, 2016, Great Plains filed an application with the MNPUC requesting authority to implement a natural gas utility infrastructure cost tariff of approximately \$456,000 annually. The tariff will allow Great Plains to recover infrastructure investments, not previously included in rates, mandated by federal or state agencies associated with Great Plains' pipeline integrity programs. On October 6, 2017, the MNPUC approved the implementation of the natural gas utility infrastructure cost tariff to collect an annual increase of approximately \$456,000. Great Plains submitted a compliance filing on October 10, 2017, requesting the order to be effective with service rendered on and after November 1, 2017.

On June 30, 2017, Montana-Dakota filed an application for advance determination of prudence and a certificate of public convenience and necessity with the NDPSC to purchase an expansion of the Thunder Spirit Wind farm. The advance determination of prudence would provide Montana-Dakota with assurance that the project is prudent and in the best interest of the public and assists in the recovery of Montana-Dakota's investment upon completion of the project. The expansion is expected to serve customers by the end of 2018 and is estimated to cost approximately \$85 million. An informal hearing was held on November 3, 2017. On November 16, 2017, the NDPSC issued an order granting the advance determination of prudence and issuing the certificate of public convenience and necessity.

On July 21, 2017, Montana-Dakota filed an application with the NDPSC for a natural gas rate increase of approximately \$5.9 million annually or approximately 5.4 percent above current rates. The requested increase is primarily to recover the increased investment in distribution facilities to enhance system safety and reliability and the depreciation and taxes associated with the increase in investment. Montana-Dakota is also introducing an SSIP and the proposed adjustment mechanism required to fund the SSIP. Montana-Dakota requested an interim increase of approximately \$4.6 million or approximately 4.2 percent, subject to refund. On September 6, 2017, the NDPSC approved the request for interim rates effective with service rendered on or after September 19, 2017. This matter is pending before the NDPSC.

On September 1, 2017, Montana-Dakota submitted an update to its transmission formula rate under the MISO tariff, which reflects an incremental increase of approximately \$2.5 million to include a revenue requirement for the Company's multivalue project, for a total of \$13.6 million effective January 1, 2018.

On September 25, 2017, Montana-Dakota filed an application with the MTPSC for a natural gas rate increase of approximately \$2.8 million annually or approximately 4.1 percent above current rates. The requested increase is primarily to recover the increased investment in distribution facilities to enhance system safety and reliability and the depreciation and taxes associated with the increase in investment. Montana-Dakota is also introducing an SSIP and the proposed adjustment mechanism required to fund the SSIP. Montana-Dakota requested an interim increase of approximately \$1.6 million or approximately 2.3 percent, subject to refund. This matter is pending before the MTPSC.

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NOTES TO FINANCIAL STATEMENTS (Continued)			

Montana-Dakota previously filed an application with the NDPSC on October 14, 2016, for an electric rate increase which also included a requested return on equity to be used in the determination of applications previously filed by Montana-Dakota for a renewable resource cost adjustment rider, an electric generation resource recovery rider, and a transmission cost adjustment rider, as discussed in the following paragraphs. On April 7, 2017, Montana-Dakota, the NDPSC Advocacy Staff and the interveners in the case filed a settlement agreement resolving all issues in the general rate case. The settlement agreement included a net increase of approximately \$7.5 million or 3.7 percent above previously approved final rates and a true-up of the return on equity used in the interim renewable resource cost adjustment, the electric generation resource recovery and transmission cost adjustment riders of 9.45 percent; a return on equity of 9.65 percent for base rates and the renewable resource cost adjustment rider on a go-forward basis; and a return on equity of 9.45 percent through December 31, 2019, for the natural gas-fired internal combustion engines and associated facilities included in the electric generation resource recovery rider. A hearing on the settlement agreement was held on April 10, 2017. On June 16, 2017, the NDPSC approved the settlement agreement. On June 26, 2017, Montana-Dakota submitted a compliance filing and on July 14, 2017, submitted updated tariff sheets and a refund plan. The NDPSC approved the compliance filing and refund plan on July 26, 2017, with final rates effective with service rendered on or after August 7, 2017. The final rates are less than the interim rates currently in effect. Therefore, Montana-Dakota will refund the difference to customers, which is approximately 19 percent of the amount collected from the general rate case interim increase, along with refunds to reflect true-ups for the various riders, as applicable. The background information related to the settlement agreement and related applications are discussed in the following paragraphs.

On October 26, 2015, Montana-Dakota filed an application with the NDPSC requesting a renewable resource cost adjustment rider for the recovery of the Thunder Spirit Wind project. On January 5, 2016, the NDPSC approved the rider to be effective January 7, 2016, resulting in an annual increase on an interim basis, subject to refund, of \$15.1 million based upon a 10.5 percent return on equity to be finalized upon approval of the electric rate case filed on October 14, 2016. The electric rate case settlement agreement filed on April 7, 2017, included a revised return on equity for the rider. The settlement agreement was approved on June 16, 2017, as previously discussed in this note.

On October 26, 2015, Montana-Dakota filed an application with the NDPSC for an update to the electric generation resource recovery rider. On March 9, 2016, the NDPSC approved the rider to be effective with service rendered on and after March 15, 2016, which resulted in interim rates, subject to refund, of \$9.7 million based upon a 10.5 percent return on equity to be finalized upon the approval of the electric rate case filed on October 14, 2016. The interim rates include recovery of Montana-Dakota's investment in the 88-MW simple-cycle natural gas turbine and associated facilities near Mandan, North Dakota, and the 19 MW of new generation from natural gas-fired internal combustion engines and associated facilities near Sidney, Montana. The electric rate case settlement agreement filed on April 7, 2017, included the net investment authorized for the natural gas-fired internal combustion engines and the return on equity on both investments. The settlement agreement was approved on June 16, 2017, as previously discussed in this note.

On November 25, 2015, Montana-Dakota filed an application with the NDPSC for an update of its transmission cost adjustment rider for recovery of MISO-related charges and two transmission projects in North Dakota. On February 10, 2016, the NDPSC approved the transmission cost adjustment effective with service rendered on and after February 12, 2016, resulting in an annual increase on an interim basis, subject to refund, of \$6.8 million based upon a 10.5 percent return on equity to be finalized upon approval of the electric rate case filed on October 14, 2016. The electric rate case settlement agreement filed on April 7, 2017, included a revised return on equity for the rider. The settlement agreement was approved on June 16, 2017, as previously discussed in this note.

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NOTES TO FINANCIAL STATEMENTS (Continued)			

On October 14, 2016, Montana-Dakota filed an application with the NDPSC for an electric rate increase of approximately \$13.4 million annually or 6.6 percent above current rates. The request includes rate recovery associated with increased investment in facilities, along with the related depreciation, operation and maintenance expenses and taxes associated with the increased investment. Montana-Dakota requested an interim increase of approximately \$13.0 million or approximately 6.5 percent, subject to refund, to be effective within 60 days of the filing. On November 21, 2016, Montana-Dakota filed and on November 30, 2016, the NDPSC approved a revised interim increase of approximately \$11.7 million, based on adjustments accepted by the NDPSC, or approximately 5.8 percent above current rates, subject to refund, effective with service rendered on or after December 13, 2016. A settlement agreement was filed on April 7, 2017, and subsequently approved on June 16, 2017, as previously discussed in this note.

Note 12 - Contingencies

Claims and Litigation

The Company is party to claims and lawsuits arising out of its business, 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. The Company accrued liabilities of \$209,000 and \$1.7 million for contingencies related to litigation at September 30, 2017 and December 31, 2016, respectively. 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.

Note 13 - Subsequent Event

On November 21, 2017, the Company announced that its Board of Directors has directed senior management to explore reorganization to a holding company structure. The purpose of a potential reorganization would be to make Montana-Dakota and Great Plains, which today are divisions of the Company, into a subsidiary of the holding company, just as the Company's other operating companies are wholly owned subsidiaries.

The Company will submit regulatory applications for preapproval of the reorganization in 2018 with the FERC and state regulatory commissions where required. If the Company proceeds with the reorganization, and subject to regulatory and other approvals, the Company expects the transition to be effective January 1, 2019.

As part of the reorganization, as required by law, each outstanding share of Company common stock would be automatically converted on a one-for-one basis into a share of common stock of the new holding company. The stock would continue to trade on the New York Stock Exchange under the symbol MDU, as it has since 1948.

**STATE OF MINNESOTA
BEFORE THE
MINNESOTA PUBLIC UTILITIES COMMISSION**

In the Matter of the Application of Great Plains Natural Gas Co., a Division of MDU Resources Group, Inc. for approval of a Corporate Reorganization under Minn. Stat. § 216B.50.)))))))	Docket No. G-004/PA-18-__. CERTIFICATE OF SERVICE
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The undersigned hereby certifies that true and correct copies of the **Application for Approval** were served on this day by e-filing/e-serving to the following persons in accordance with Minn. R. 7829.1300:

Daniel Wolf MN Public Utilities Commission 350 Metro Square Bldg. 121 7th Place East St. Paul, MN 55101	Office of the Attorney General 900 NCL Tower 445 Minnesota Street St. Paul, MN 55101-2130
Sharon Ferguson Minnesota Department of Commerce 85 7th Place, Suite 500 St. Paul, MN 55101	Brian M. Meloy Stinson Leonard Street 50 South 6th Street, Suite 2600 Minneapolis, MN 55402
Daniel S. Kuntz Vice President, General Counsel and Secretary MDU Resources Group, Inc. P.O. Box 5650 1200 West Century Avenue Bismarck, ND 58506-5650	Peter E. Madsen Assistant Attorney General Office of the Minnesota Attorney General 445 Minnesota Street, Suite 1800 St. Paul, MN 55101

Dated: January 31, 2018

/s/ Susan A. Hartinger
Susan A. Hartinger