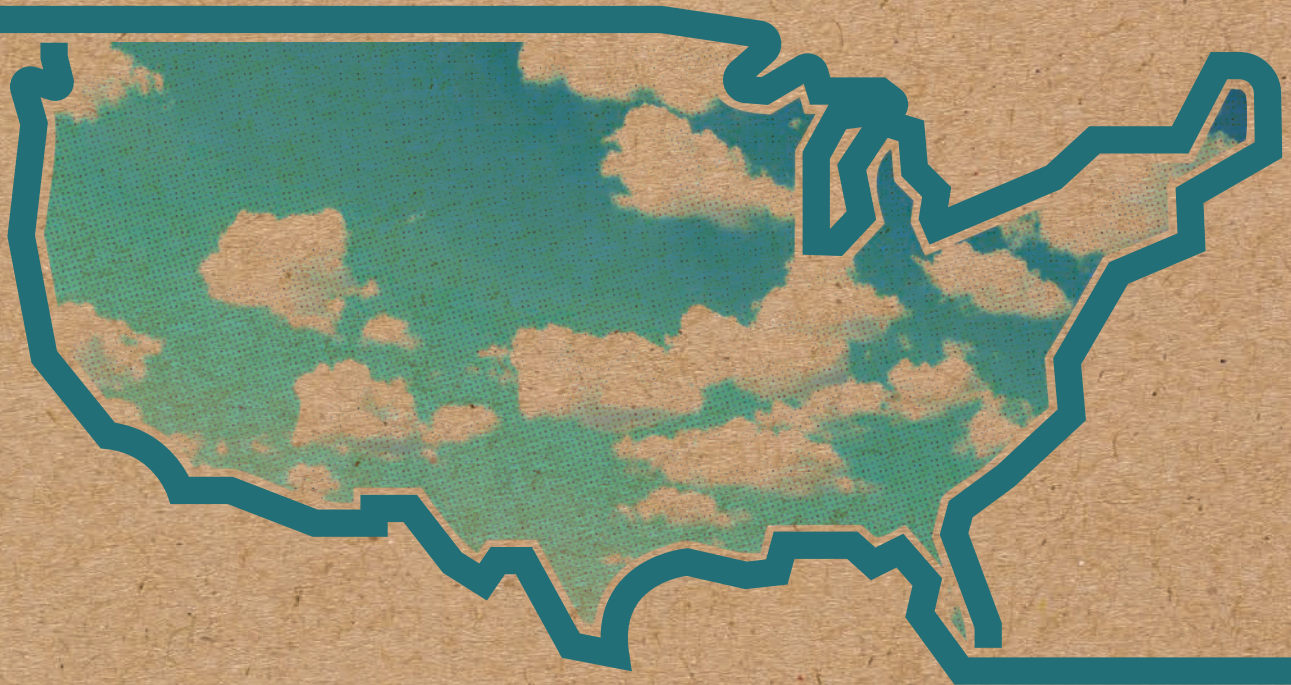


Sustainability Report 2017



Building a Strong America®

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GROUP, INC.

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LETTER TO STAKEHOLDERS

As MDU Resources Group celebrates its 94th anniversary, we are committed to continuing the long-term sustainability of our business. We endeavor to ensure our operations continue well into the future, and that means we must conduct ourselves with the utmost integrity. That includes meeting our financial obligations to our shareholders, employees, customers and vendors; meeting our social responsibilities to those same stakeholders, as well as to the communities where we do business; and meeting our environmental responsibilities, making sure we follow laws and regulations.

Continuing to focus on our sustainability goals helps guide us. Our goals are to:

- Have a healthy, safe, viable and skilled workforce.
- Maintain adequate financial resources.
- Ensure asset and operational longevity.
- Develop and nurture relationships with our stakeholders.

The products and services we provide to our customers and our communities are essential. We build power lines and provide the electricity that powers homes and businesses. We deliver natural gas that fuels manufacturing and keeps homes warm. We build roads that connect our communities and keep them moving. We are Building a Strong America.®

We will maintain our focus on integrity — making sure we are doing things right — while we continue Building a Strong America®, because that is how we will ensure our business is successful well into the future.

We appreciate your interest in MDU Resources' sustainability efforts.



David L. Goodin
President and Chief Executive Officer
March 1, 2018



CORPORATE PROFILE



MDU Resources Group, Inc., a member of the S&P MidCap 400 index and the S&P High-Yield Dividend Aristocrats index, started as a small utility company in 1924, serving customers in Montana and the Dakotas. Today, MDU Resources is Building a Strong America® in 48 states through our regulated energy delivery and construction materials and services businesses.

MDU Resources is headquartered in Bismarck, North Dakota, and employed 10,140 people as of Dec. 31, 2017.

MDU Resources trades on the New York Stock Exchange under the symbol MDU. We began trading on the NYSE in 1948. As of Dec. 31, 2017, there were 195.3 million common shares outstanding. We had total assets of \$6.3 billion at Dec. 31, 2017.

Vision

With integrity, create superior shareholder value by expanding upon our expertise to be the supplier of choice in all of our markets while being a safe and great place to work.

Mission

Provide value-added natural resource products and related services that exceed customer expectations.

Integrity Code

MDU Resources' Integrity Code, outlined in its "Leading With Integrity Guide," provides a summary of the expected behaviors that guide the corporation's employees to perform with integrity in all matters.

Through the Integrity Code, MDU Resources makes a commitment to:

INTEGRITY Employees will conduct the corporation's business legally and ethically with their best skills and judgment.

SHAREHOLDERS Employees will act in the best interests of the corporation and protect its assets.

EMPLOYEES Employees will work together to provide a safe and positive workplace.

CUSTOMERS, SUPPLIERS AND COMPETITORS MDU Resources will compete in business only by lawful and ethical means.

COMMUNITIES MDU Resources will be a responsible and valued corporate citizen.

Corporate Profile

Organizational structure

MDU Resources includes:

- Four utilities — Cascade Natural Gas Corporation, Great Plains Natural Gas Co., Intermountain Gas Company and Montana-Dakota Utilities Co.
- Natural gas storage, processing, gathering and pipeline-related businesses under WBI Energy, Inc.
- A construction materials and contracting company, Knife River Corporation.
- A construction services company, MDU Construction Services Group, Inc.

Utilities

The electric segment, Montana-Dakota Utilities Co., generates, transmits and distributes electricity in Montana, North Dakota, South Dakota and Wyoming.

The natural gas distribution segment includes Cascade Natural Gas, Great Plains Natural Gas, Intermountain Gas and Montana-Dakota Utilities, and distributes natural gas in Idaho, Minnesota, Montana, North Dakota, Oregon, South Dakota, Washington and Wyoming. These operations also supply related products and services.

Utilities

Our companies:
Cascade Natural Gas Corporation
Great Plains Natural Gas Co.
Intermountain Gas Company
Montana-Dakota Utilities Co.

Pipeline and energy services

The pipeline and energy services segment, under WBI Energy, Inc., provides natural gas transportation, underground storage and gathering services through regulated and nonregulated pipeline systems, mainly in the Rocky Mountain and northern Great Plains regions of the United States. This segment also includes a variety of other energy-related services such as cathodic protection and energy efficiency product sales and installation services.

Our companies:

WBI Energy, Inc.
WBI Energy Midstream, Inc.
WBI Energy Transmission, Inc.

Pipeline and
energy services

Construction materials

The construction materials and contracting segment, operating mainly as Knife River Corporation, mines aggregates and markets crushed stone, sand, gravel and related construction materials, including ready-mix concrete, cement, asphalt, liquid asphalt and other value-added products. It also performs integrated contracting services. Knife River operates in the central, southern and western United States and Alaska and Hawaii.

Our companies:

Alaska Basic Industries, Inc.
Anchorage Sand & Gravel Company, Inc.
Connolly-Pacific Co.
Fairbanks Materials, Inc.
Hawaiian Cement
Jebro Incorporated
Pacific Northwest Oil
Knife River Construction
Knife River Corporation
Knife River Materials
WHC, Ltd.

Construction materials

Construction services

The construction services segment, MDU Construction Services Group, Inc., and its subsidiaries, offers a diverse array of products and services to utilities and large manufacturing, commercial, government and institutional customers. It specializes in constructing and maintaining electric and communication lines, gas pipelines, fire suppression systems, and external lighting and traffic signalization equipment. It also provides utility excavation services and inside electrical wiring, cabling and mechanical services, and manufactures and distributes specialty equipment.

Corporate Profile

Our companies:

Bell Electrical Contractors, Inc.
Bombard Electric, LLC
Bombard Mechanical, LLC
Capital Electric Construction Company, Inc.
Capital Electric Line Builders, Inc.
Desert Fire Protection, LLC
Duro Electric Company
E.S.I., Inc.
International Line Builders, Inc.
Lone Mountain Excavation & Utilities, LLC
Loy Clark Pipeline Co.
MDU Construction Services Group, Inc.
On Electric Construction, Inc.
Rocky Mountain Contractors, Inc.
USI Industrial Services, Inc.
Wagner Industrial Electric, Inc.
Wagner-Smith Equipment Co.

Other

MDU Resources' "other" category includes any continuing results from discontinued operations, such as general and administrative costs and interest expense, and the activities of Centennial Holdings Capital, LLC.

Centennial Holdings Capital, through its subsidiary InterSource Insurance Company, insures various risks as a captive insurer for the corporation's subsidiaries, and it owns certain real and personal property through its subsidiary FutureSource Capital Corp.

Responsibilities of key leadership

The board of directors of MDU Resources holds regularly scheduled quarterly meetings and special meetings, as necessary, to conduct the business of the corporation. The corporation has 10 directors.

Harry J. Pearce, 75, is chair of MDU Resources' board of directors. Pearce has served on the board for 21 years. He is retired from his position as chairman of Hughes Electronics Corp., a unit of General Motors Corp. He also is a former vice chairman and director of GM.

Officers of MDU Resources are elected by the board of directors and include a president, chief executive officer, vice presidents, treasurer, general counsel and secretary.

MDU Resources President and CEO David L. Goodin, 56, has been with the corporation for 35 years. He serves on the board of directors and as chair of the board of the corporation's major subsidiary companies. He was formerly the president and CEO of MDU Resources' utility companies.

MDU Resources' vice presidents perform the duties of the president in Goodin's absence.

MDU Resources strives to be a sustainable corporation because we know that sustainability factors directly affect long-term business profitability. Thus, sustainability efforts are integrated into our business strategy. This focus strengthens our ability to increase revenues, profitability and competitive advantage.

A sustainable corporation is one that meets the needs of its stakeholders while operating in a manner that ensures its future success. To ensure that MDU Resources remains a sustainable corporation, we will:

- Maintain a healthy, safe, viable and skilled workforce.
- Maintain adequate financial resources.
- Ensure asset and operational longevity.
- Develop and nurture relationships with vital stakeholders.

Maintaining a healthy, viable, skilled workforce

MDU Resources' commitment to employees is based on a firm belief in the value and dignity of the individual. We maintain an environment in which each employee can perform effectively and efficiently by working to:

- Comply with applicable labor and employment laws and regulations in every market where the corporation operates.
- Provide a workplace free from discrimination, harassment, retaliation and violence.
- Recruit, hire, train, promote, discipline and discharge employees fairly and impartially based on job-related criteria without regard to age, race, color, religion, gender, sexual orientation, gender identity, national origin, disability, veteran status or any other personal characteristics determined to be a protected category under applicable state law.
- Prevent workplace injuries by adhering to or exceeding applicable workplace safety laws and regulations and corporate standards.
- Maintain a workplace free from the influence of illegal drugs and abuse of alcohol or prescription drugs.
- Promote trust, pride and camaraderie in the workplace.
- Treat each other courteously and respectfully.
- Give employees timely information concerning operations and results.
- Give employees work-related information necessary for them to effectively perform their responsibilities

Labor philosophies, policies and practices

MDU Resources has a number of policies and programs in place to help ensure that we are able to hire, develop and retain talented employees.

Employment philosophies

MDU Resources hires employees because they have the skills, abilities and motivation to achieve the results needed for their job. Each job is important and part of a coordinated effort to accomplish our objectives.

MDU Resources has six general philosophies that guide employees' actions:

- Teamwork and cooperation. A positive work environment is dependent on willing cooperation by everyone. Every employee is expected to be a positive and productive member of the work group, and to cooperate with co-workers.
- Open communication. An effective and responsive organization relies on knowledgeable and informed

individuals. All employees are responsible for seeking out the information they need, and for willingly providing information to others in a positive and open manner. Communication must be open and two-way. Managers are expected to be good listeners and must provide easy access to information. Employees also must be good listeners and must provide managers and co-workers easy access to information.

- Mutual trust. Effective teamwork and cooperation, as well as open and honest communication, is based on developing and maintaining trusting relationships. Managers must provide a work environment that encourages and supports trusting relationships. All employees must guard against prejudging, jumping to conclusions or questioning another person's motives or actions.
- Increasing standards. Employee skills and abilities must be continually improved upon and expanded in order to meet changing job requirements and maintain business competitiveness. Managers must stimulate positive change by providing clear performance expectations, resources for self-development, and by maintaining high standards in

Maintaining a healthy, viable, skilled workforce

the selection of individuals for hire, promotion, transfer or reassignment. Employees must continually develop their skills and abilities to be able to meet ever-changing job requirements.

- Individual responsibility. Managers are responsible for providing a positive and supportive work environment that encourages individual responsibility and initiative. Employees are responsible for taking advantage of the opportunities available to them, both inside and outside MDU Resources, and for working toward positive change when they have a better idea.
- Balance. Human resource philosophies, when properly applied to the various programs and practices, will assist in attaining an appropriate balance between the various needs and interests of the employees, customers and shareholders. These philosophies work together to help maintain a positive and productive work environment.

Employment policies

MDU Resources' corporate policy addresses Equal Employment Opportunity and Affirmative Action Plan practices. MDU Resources is firmly committed to the philosophy of EEO and Affirmative Action policies and is dedicated to providing equal opportunities for all employees and applicants for employment according to all EEO and Affirmative Action laws, directives and legislation. Our EEO policy ensures employees are not discriminated against based on sexual orientation or gender identity, in addition to other characteristic protections.

We will:

- Recruit, hire, train, promote, discipline and discharge persons in all job classifications without regard to age, race, color, religion, gender, sexual orientation, gender identity, national origin, disability, veteran status or any other personal characteristic determined to be a protected category under applicable state law.
- Ensure that employment-related decisions are made in accordance with the principles of equal employment opportunity by imposing only job-related requirements for employment opportunities.

- Ensure that all personnel actions, such as compensation, performance reviews, transfers, layoffs, returns from layoff, company-sponsored training, education, tuition assistance and social and recreational programs, are administered without regard to age, race, color, religion, gender, sexual orientation, gender identity, national origin, disability, veteran status or any other personal characteristic determined to be a protected category under applicable state law.

Each MDU Resources business unit, including the corporate office, has assigned EEO coordinators.

Employee recruitment

MDU Resources uses a variety of means to recruit new employees for open positions:

- Website. MDU Resources hosts a website that contains postings of all positions within the corporation that are available to external applicants. Anyone with Internet capabilities can view and apply for available positions.
- Social media. We post open job positions through various social media tools, such as Facebook, LinkedIn and Twitter.
- Job service organizations. We notify and post all external opportunities through various state job service organizations.
- Associations. We utilize disability, veteran, female and minority professional associations in sourcing job candidates.
- College recruitment. We establish partnerships and build relationships with colleges and technical schools to hire students and promote knowledge of the corporation. Company representatives meet with career placement personnel, department heads and student clubs, as appropriate.
- Career fairs. MDU Resources and our business units also attend career fairs to seek applicants for open positions.
- Advertising. We advertise for open positions on a scale relative to the market and available talent pool. Advertising generally occurs online and in print media, including magazines and city newspapers.

Maintaining a healthy, viable, skilled workforce

Workforce demographics

The number of employees at MDU Resources' businesses fluctuates during the year depending on the number and size of construction projects. As of Dec. 31, 2017, MDU Resources had 10,140 employees:

- 205 at MDU Resources.
- 963 at Montana-Dakota Utilities.
- 35 at Great Plains Natural Gas.
- 348 at Cascade Natural Gas.
- 240 at Intermountain Gas.
- 319 at WBI Holdings.
- 3,466 at Knife River Corporation.
- 4,564 at MDU Construction Services Group.

Approximately 86 percent of the employees identified as male.

In total, about 50 percent of the corporation's employees are represented by collective bargaining agreements. Montana-Dakota has 353 employees and WBI Energy Transmission has 68 employees represented by the International Brotherhood of Electrical Workers. Cascade has 192 employees represented by the International Chemical Workers Union. The United Association of Journeymen and Apprentices of the Plumbing and Pipefitting Industry of the United States and Canada represents 127 employees at Intermountain. Knife River has 43 labor contracts that represent 685 of its construction materials employees. MDU Construction Services has 130 labor contracts representing the majority of its employees.

Governing bodies

MDU Resources' board of directors is made up of eight men and two women. As of December 31, 2017, they range in age from 56 to 75. MDU Resources' corporate management team, referred to as the Management Policy Committee, is made up of six men and three women ranging in age from 40 to 64.

Fair treatment

Diversity

MDU Resources is committed to an inclusive environment that respects the differences and embraces the strengths of our diverse employees to further our corporate vision.

MDU Resources views diversity through a broad lens. Diversity is who we are as individuals, including the differences that make each employee unique. Those differences go beyond gender and race. Diversity also includes education, background, approachability, work function, union affiliation, management status, seniority, sexual orientation, physical ability and all the other factors that make us who we are.

MDU Resources respects employees' differences and supports an inclusive culture where all employees feel valued. It is important to the corporation that all employees can contribute their full potential to help achieve our strategic objectives.

An inclusive work environment is important for several reasons. One reason is so employees can produce their best efforts, which creates results that contribute to their success and the corporation's success.

When employees use their talents and attributes to meet or exceed customers' expectations, MDU Resources can be the supplier of choice. Those employees will have made a significant contribution to our customers and to the growth and financial success of our company.

MDU Resources has three strategic goals related to diversity:

- To increase productivity and profitability. An inclusive work environment values all employees' perspectives and methods of how to accomplish work, and drives more innovative ideas that will help us solve issues effectively. An inclusive environment removes barriers to new ideas and advances integration efforts.
- To enhance collaboration efforts. An inclusive work environment allows employees to increase collaboration and cooperation, and to share best practices and ideas within our companies and across our enterprise. It also allows employees to work together to develop new ways to meet individual, customer and shareholder needs.

Maintaining a healthy, viable, skilled workforce

- To maintain our culture of integrity, respect and safety. Respecting the individuality and wide-ranging skills and expertise of our employees is parallel with our core cultural values. Ensuring employees understand that integrity, respect and safety are essential values will contribute to our growth and success.

To help accomplish diversity goals and ensure inclusivity, MDU Resources has a diversity officer at each of its business units. The officers serve as a conduit for diversity-related issues, giving a voice to all employees.

Fairness training

MDU Resources uses a third-party vendor to administer training programs on various legal and ethical compliance topics. The following human resource training has been administered at various times to employees:

- Diversity. Information is provided to help clarify the concept of diversity and differentiate it from affirmative action, identify the different characteristics that make people diverse, address stereotyping and provide steps to address diversity challenges.
- Effective leadership. This curriculum emphasizes key tenets of effective leadership, such as communication, performance standards and expectations, feedback, commitment to success and employee development.
- Sexual harassment. Training instructs supervisory employees on preventing sexual harassment, discrimination and retaliation.
- Workplace harassment. Training helps employees understand workplace harassment, how it happens and how to avoid engaging in harassing behavior.

Grievance reporting

MDU Resources employees are encouraged to report if they have concerns that something may be unethical or illegal within the company.

Employees can report concerns to their manager, human resources representative, a company executive or their compliance officer. MDU Resources also has a reporting tool in place called EthicsPoint® that allows for reporting anonymously.

EthicsPoint is a telephone- and internet-based system. Employees, customers and other stakeholders can report confidentially and anonymously any concerns about possible unethical or illegal activities. Reports are carefully considered and investigated, then provided to the board of directors. Anyone who wishes to file an anonymous report can call 1-866-294-4676 or visit <http://ethics.mdu.com>.

Employee surveying

MDU Resources surveys its employees to gauge employee opinion on issues such as fairness, camaraderie and pride within the workplace. Survey results are compiled at various levels throughout the company — by region, by business unit and corporatewide — to evaluate results. We use the surveys to develop action plans that address areas of concern to our employees.

Safety and health

Safety and health practices

MDU Resources is committed to safety and health in the workplace and in the communities where we do business. We maintain a variety of safety and health policies, and each business unit also has policies and procedures regarding health and safety.

The corporation's recordable incidence rate was 2.1 in 2016 and 2.2 in 2015. Our lost-time case rate was 0.6 for 2016 and 0.5 for 2015.

Our safety policies take into account seven key principles:

- All injuries can be prevented.
- Working safely is a condition of employment for all employees.
- Management must demonstrate leadership in preventing injuries by providing a safe work environment, adequate resources and appropriate follow-up on any unsafe conditions or actions.
- All employees are responsible for preventing injuries to themselves and others.
- All operating exposures can be safeguarded or controlled.
- Training employees to work safely is essential.
- Preventing personal injuries and property damage is good business.

Maintaining a healthy, viable, skilled workforce

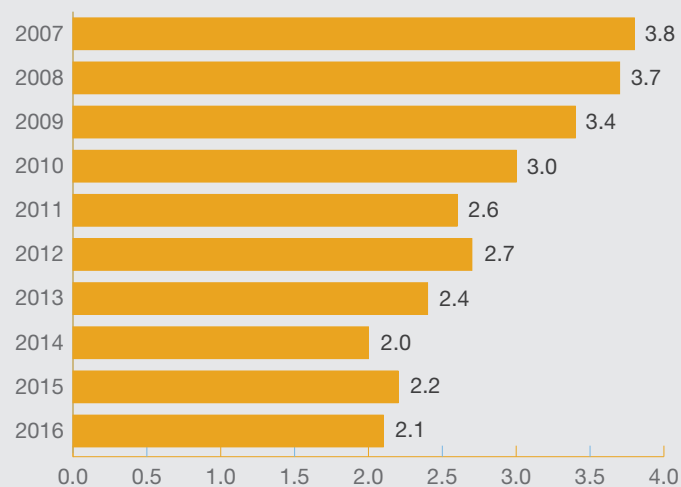
MDU Resources provides continual safety training to meet the needs of our business units and employees.

MDU Resources' continual safety training programs emphasize safety excellence in employee safety and health, third-party liability, vehicular safety, protecting property, and recognizing and handling environmental exposures.

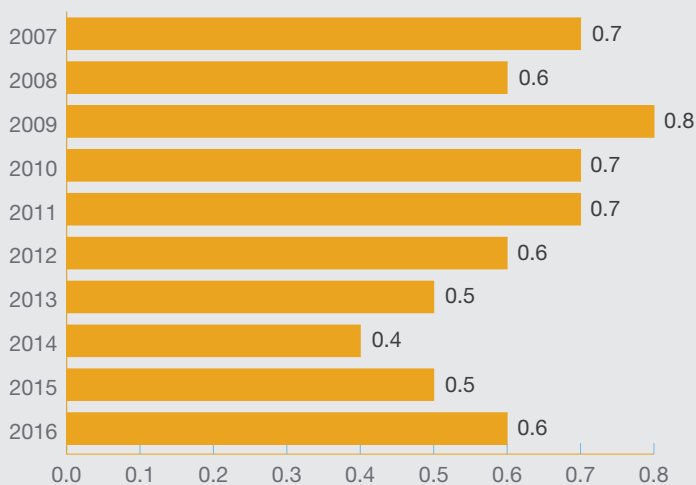
Safety and health results

MDU Resources companies continue to work to reduce injuries and costs associated with hazard-based claims.

MDU Resources Recordable Incidence Rate



MDU Resources Lost-Time Case Rate



Safety and health policies

MDU Resources' corporate safety and health policies include:

- **Employee safety.** MDU Resources and its companies protect the health and safety of employees by identifying, assessing and managing safety and health risks and impacts; integrating safety and occupational health into all business decisions, plans and operations; establishing objectives and targets that result in continuous improvement in health and safety performance; providing leadership and resources to meet objectives and targets; informing, training and establishing expectations for individual employee responsibilities; including health and safety performance when evaluating employees; providing internal standards for managers and employees; and routinely monitoring, assessing and reporting on safety and health performance.
- **Accident and incident reporting and investigation.** MDU Resources conducts its operations in a manner that provides for the safety of employees, customers and the public, and protects all property affected by operations. We internally evaluate safety procedures and conduct investigations of accidents and incidents involving company operations, personnel or property.
- **Motor vehicle safety.** MDU Resources and its companies have a program for the safe operation of company-owned, leased or rented vehicles and the use of personal vehicles for company business.
- **Restricted smoking.** MDU Resources prohibits smoking in company facilities, including vehicles, except in those areas where smoking is designated as permitted. The company's headquarters campus is a tobacco-free workplace.
- **Substance abuse prevention.** MDU Resources has guidelines for substance abuse prevention through drug and alcohol testing and provides professional assistance for employees who need it.

Maintaining a healthy, viable, skilled workforce

Safe natural gas operation

Operating a safe natural gas pipeline system, whether distribution or transmission, requires diligence and the proper tools. This is a sample of the precautions taken at MDU Resources' utility companies and pipeline and energy services companies:

- Cathodic protection. This applies an electric current along a steel pipeline to protect against corrosion.
- Rectifier inspection. We inspect corrosion rectifiers every two months to ensure they are adequately protecting the steel pipeline system. All aboveground facilities are checked for atmospheric corrosion every three years.
- Patrol. We patrol pipeline facilities to look for changes to exposed piping, as well as areas where excavation activity may have taken place.
- Leak survey. We use highly sensitive instruments to check annually for leaks on distribution lines in business districts and every four years in non-business districts. We conduct leak surveys on transmission lines annually and instrument leak surveys in populated (Class 3) and high-consequence areas twice a year.
- Pipeline marker survey and inspection. This survey ensures that pipeline markers are in place to notify the public of a pipeline in the area.
- Integrity management. We conduct indirect surveys on transmission pipelines in high-consequence areas. Based on findings, we conduct direct examinations in areas where there are indications of potential issues.
- Contractor education. We send a letter annually to contractors to remind them about digging safely and calling for line locates. Local offices also provide training for contractors on digging around natural gas facilities.
- Operator qualifications. All employees who perform work on our natural gas system undergo training and testing to ensure they are qualified to perform tasks associated with their jobs.
- Continual surveillance. Our employees always watch for anything that should be addressed, and they either fix the problem or report it to the appropriate department for resolution.

Ethical sourcing: Conflict minerals report

MDU Resources emphasizes its commitment to ethical conduct in its operations, as well as respect for the rights of all individuals, in its conflict minerals policy.

The policy defines our commitment to determine the use, source and origin of tin, tungsten, tantalum and gold minerals in our manufactured products, and document the process we use in making such determinations. MDU Resources encourages suppliers to advocate and adhere to our philosophy of sourcing minerals from socially responsible suppliers, including conflict-free mines in the Democratic Republic of Congo and countries that share its border, to help ensure we do not unintentionally support armed conflict in the region. MDU Resources' full conflict minerals policy can be found on our website.

MDU Resources regularly evaluates our current line of manufactured products, or products contracted to be manufactured, for conflict minerals. Our report on these findings also can be found on our website.

Employee development Learning Center

MDU Resources' Learning Center was launched in 2006. It serves to strengthen the company's most valuable competitive advantage — our employees — and the culture in which they excel. The Learning Center delivers training and development to employees. Learning Center events include general business or function-specific curriculum, team building, communication meetings and strategic planning sessions.

The core focus of the Learning Center is technical and interpersonal skill building, professional certification, talent identification, growth and development, retention, and culture transfer and preservation.

Each year, employees participate in continuing education courses, seminars and workshops in the Learning Center.

Maintaining a healthy, viable, skilled workforce

Mentoring

MDU Resources has a long-term goal to ensure that each supervisor and manager within the corporation takes on the role of mentor with each of his or her employees. There are many formal and informal mentoring partnerships within the corporation.

Internships

MDU Resources' internship programs offer students an opportunity to explore their chosen majors and careers with professionals working in the industry, as well as gain on-the-job experience by applying what they have learned in the classroom.

Students can develop key competencies, skills and work characteristics, and the corporation benefits by identifying potential candidates for future regular employment.

Internship opportunities typically are posted on MDU Resources' website at <https://jobs.mdu.com>.

Employee communication

Communication policies and practices

MDU Resources encourages open communication among employees. A number of communication tools keep employees, shareholders and other stakeholders informed of company activities and efforts.

Such tools include electronic newsletters, the corporate intranet, and various other employee-related informational brochures and video programs. Other communication efforts include websites, social media tools and presentations. Various strategic materials also support communication efforts, including the corporation's Annual Report, news releases and this Sustainability Report.

Performance reviews

As part of our efforts to maintain open communication with employees, MDU Resources encourages supervisors to provide ongoing feedback and conduct regular performance reviews with employees.

During the review process, the employee and the supervisor have the opportunity to talk about job performance and to clarify the supervisor's expectations of the employee. It also gives the employee a chance to express concerns about his or her job and to discuss areas of support that would help him or her do the job better. Performance reviews generally are done at least annually and in writing to enable two-way communication and prevent misunderstandings.

Open-door policy

One of MDU Resources' employment philosophies is "open communication." We want employees to be knowledgeable and informed, and we encourage employees to voice their ideas and concerns. To this end, MDU Resources has an "open-door policy."

Communication must be open and two-way. Managers have a responsibility to provide information necessary for each person to perform his or her job effectively and efficiently. Managers also are responsible for providing general information about the company through supervisors, written communication materials and employee meetings.

Employees also have the responsibility to seek out the information needed or desired, and to willingly provide information to others in a positive and open manner.

Managers, as leaders, must be good listeners and must provide easy access to information. Employees also must be good listeners and must provide managers and co-workers easy access to information.

Maintaining adequate financial resources

MDU Resources works to protect the investment of our shareholders, as well as the security of our customers and employees, by preserving the integrity of our finances. The corporation maintains a strong balance sheet and a diverse, well-balanced portfolio of businesses that help ensure adequate cash flow and long-term earnings growth.

Financial Highlights

Years ended December 31,	2017	2016
	<i>(In millions, where applicable)</i>	
Operating revenues	\$4,443.4	\$4,128.8
Operating income	\$ 428.7	\$ 409.1
Earnings on common stock from continuing operations	\$ 284.2	\$ 232.4
Earnings on common stock including discontinued operations	\$ 280.4	\$ 63.7
Earnings per common share from continuing operations	\$ 1.45	\$ 1.19
Earnings per common share including discontinued operations	\$ 1.43	\$.33
Dividends declared per common share	\$.775	\$.755
Weighted average common shares outstanding — diluted	195.7	195.6
Total assets	\$ 6,335	\$ 6,284
Total equity	\$ 2,429	\$ 2,316
Total debt	\$ 1,715	\$ 1,790
Capitalization ratios:		
Total equity	58.6%	56.4%
Total debt	41.4	43.6
	100%	100%
Price/earnings from continuing operations ratio (12 months ended)	18.5x	24.2x
Book value per common share	\$ 12.44	\$ 11.78
Market value as a percent of book value	216.1%	244.2%
Employees	10,140	9,598

Forward-looking statements: This Sustainability Report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Forward-looking statements should be read with the cautionary statements and important factors included in “Part I, Forward-Looking Statements” and “Item 1A — Risk Factors” of the company’s “2017 Form 10-K.” Forward-looking statements are all statements other than statements of historic fact, including without limitation those statements that are identified by the words anticipates, estimates, expects, intends, plans, predicts and similar expressions.

Key Statistics

(as of Dec. 31, 2017)

- 10,140 employees.
- Authorized to conduct business in 48 states.
- More than \$4.4 billion in annual revenues.
- Approximately \$6.3 billion in assets.
- Increased common stock dividend for 27 consecutive years.
- BBB+ credit rating from Fitch Ratings and Standard & Poor’s.

Ensure asset and operational longevity

MDU Resources protects its ability to operate by making sure that it has adequate resources and long-term assets for its businesses, by following all applicable laws and regulations, and by making sure that its businesses are a good fit with the needs and demands of the marketplace.

Fair competition

MDU Resources' employees receive annual training on how they are expected to conduct themselves to meet our commitment to customers, suppliers and competitors.

Training includes information about fair competition, antitrust laws and anticompetitive behavior. Our employees learn they are expected to always act fairly toward customers, suppliers and competitors, and to compete honestly, based only on the merits of the corporation's products and services.

Employees learn they must strictly comply with all antitrust laws and avoid any anticompetitive behavior, including arrangements with dealers, suppliers, customers or competitors that restrict the ability of any other businesses to compete with MDU Resources.

Environmental impact

Because having a sound, stable environment is critical to continuing our businesses, MDU Resources operates in a way that minimizes impacts and promotes conservation while maximizing resource use in meeting our customers' needs.

Among our efforts, MDU Resources engages in wildlife protection practices, promotes emission reduction and fuel conservation, works with wildlife regulatory agencies, develops water enhancement practices, protects water quality, controls and prevents the spread of noxious weeds, reduces noise, and implements programs to develop and enhance public spaces in the communities we serve.

Environmental policy

MDU Resources' corporate environmental policy addresses environmental practices. The environmental policy, as adopted by the board of directors, directs that the corporation will operate efficiently to meet the needs of the present without compromising the ability of future generations to meet their needs.

The policy includes these goals:

- Minimize waste and maximize resources.
- Be a good steward of the environment while providing high-quality and reasonably priced products and services.
- Comply with or surpass all applicable environmental laws, regulations and permit requirements.

We strive to meet these goals through established operational practices and by leading or participating in a number of programs that help ensure a viable environment.

MDU Resources' policy to operate in an environmentally responsible manner is reviewed and encouraged through several measures, including oversight by professional environmental staff at company operations, through audits of operating activities and through property reviews during due diligence on potential acquisitions.

Fuel usage

WBI Energy's companies transport natural gas. The companies have efforts in place to manage fuel consumption from the operation of natural gas transportation equipment. Natural gas transportation fuel usage remains proportionally consistent with changes in natural gas throughput on the companies' facility and pipeline systems.

2012-16 Fuel Usage (At WBI Energy Transmission, Inc.)

	2012	2014	2016
Lubricating oil (in gallons)	34,816	44,958	45,495
Vehicle & equipment oil (in gallons)	1,103	879	1,022
Fuel (in gallons)	231,371	244,251	202,756
Natural gas fuel usage (Mcf)	2,508,062	2,955,804	2,564,297
Natural gas throughput (Mcf)	115,541,678	213,641,852	247,520,631

Fuel usage

Ensure asset and operational longevity

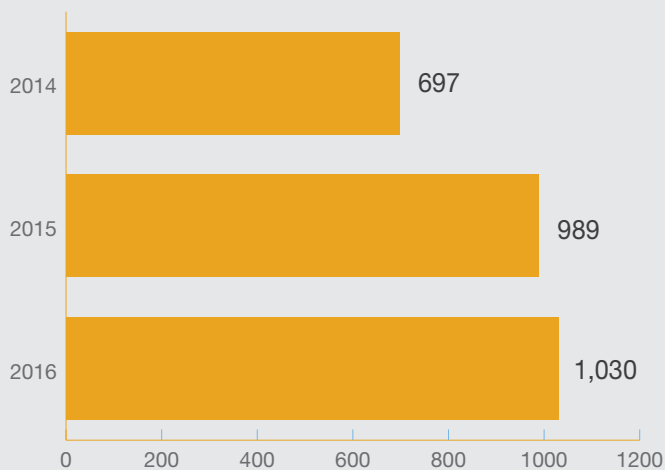
Recycling

At a number of our company locations, MDU Resources recycles various materials including, but not limited to, construction materials, computers and electronics, electrical equipment, light bulbs, paper, plastic, aluminum cans, scrap metal, appliances, coal combustion residuals, used oil and batteries.

For example, approximately 95 tons of paper were recycled in 2015 and 102 tons in 2016 from MDU Resources' Bismarck, North Dakota, company locations. According to the EPA, recycling 1 ton of paper compared to producing new paper from trees saves:

- Enough energy to power the average U.S. home for six months.
- 7,000 gallons of water.
- 3.3 cubic yards of landfill space.
- 17 trees.
- And reduces greenhouse gas emissions by 1 metric ton of carbon equivalent.

Recycled Asphalt Pavement Used in Asphalt Production (tons in thousands)



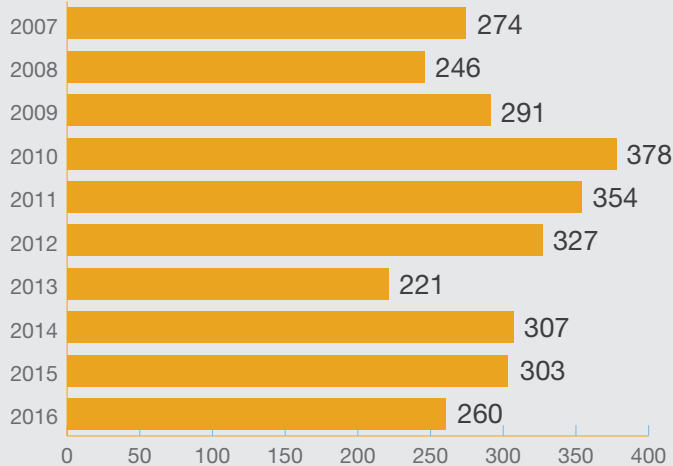
Knife River Corporation continues its long-standing practice of recycling and reusing building materials. This conserves natural resources, uses less energy, alleviates waste disposal problems in local landfills and ultimately costs less for the consumer. Knife River recycles or reuses asphalt pavement, pre-consumer asphalt shingles, refined fuel oil, demolition concrete, returned concrete at ready-mix plants, fly ash, slag, silica fume and other cement-replacement materials, and dimension stone reject material.

Jebro Inc., a Knife River company in Sioux City, Iowa, has been recycling used oil since 1989 and used oil filters since 2006. In 2015 and 2016, Jebro recycled 4,666,160 gallons and 3,038,122 gallons, respectively, of used oil. Recovered oil is recycled and used in emulsified asphalt products.

Also at Jebro, oil filters, after being emptied of oil, are turned into No. 1-grade recycled steel that can be shipped to smelters around the United States. Jebro's service area includes parts of Illinois, Iowa, Kansas, Missouri, Montana, Nebraska, North Dakota and South Dakota.

In 2015, through its used oil filter recycling, Jebro recycled approximately 303 tons of steel. In 2016, it recycled approximately 260 tons of steel.

Recycled Steel (tons) (At Jebro, Inc.)



In 2016, WBI Energy companies collected more than 29,855 gallons of used oil for recycling.

MDU Resources has been recycling computers and electronics at our corporate and business unit headquarters office locations since 2005. Recycling computers and electronic components ensures that hazardous materials associated with some of their components are disposed of in a manner that meets regulations.

MDU Resources recycles paper, metal and plastic at company locations. It also recycles fluorescent lamps from company offices, and its utility companies recycle mercury halide lamps as they are replaced within contracted city light management programs.

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Coal combustion residuals management

MDU Resources' utility division, Montana-Dakota Utilities, through its electric generating facilities, generates coal combustion residuals. Montana-Dakota's 2015 and 2016 ownership share of coal combustion residuals generated at electric generating facilities was 124,257 tons and 130,719 tons, respectively. We were able to recycle 19,125 tons in 2015 and 4,380 tons in 2016, approximately 15 percent and 3 percent, for beneficial use. These electric generating facilities include Lewis & Clark Station, Wygen III, R.M. Heskett Station, Coyote Station and Big Stone Plant.

In 2015, Montana-Dakota replaced its bottom-ash pond at Lewis & Clark Station near Sidney, Montana, to comply with the Coal Combustion Residual rule. Montana-Dakota expects to complete additional combustion residual management projects related to the Coal Combustion Residual rule.

Knife River Corporation uses combustion residuals such as fly ash and other materials such as slag and silica fume to replace a portion of cement in its ready-mix operations, where allowed.

Toxic release reporting

Coal used at Montana-Dakota Utilities' electric generating facilities contains trace metals and compounds that are released during the combustion process. A majority of the trace metals and compounds are captured by pollution control equipment. The quantities of trace metals and compounds that are released to air, water and land from these plants are annually reported to the U.S. Environmental Protection Agency through the Toxic Release Inventory reporting program.

One of the largest trace metals contained in the coal is barium. Barium accounts for more than 85 percent of all Montana-Dakota's land releases, as indicated in TRI reports. Barium releases to land in the form of coal combustion residuals placed in landfills or beneficially used according to all applicable local, state and federal requirements.

Sulfuric acid accounts for more than 95 percent of all air releases from Montana-Dakota's facilities. However, conservative estimates indicate that the pollution control equipment and methods used at the facilities successfully remove more than 90 percent of the sulfuric acid created during the combustion process.

Montana-Dakota operates electric generating facilities Lewis & Clark Station near Sidney, Montana, and R.M. Heskett Station near Mandan, North Dakota. It has ownership shares in Big Stone Plant near Milbank, South Dakota, Coyote Station near Center, North Dakota, and Wygen III near Gillette, Wyoming.

Knife River Corporation also completes TRI reporting to the EPA for nitrate compounds released with process wastewater from ready-mix concrete operations and polycyclic aromatic compounds emitted during the handling and processing of liquid asphalt oils and binders.

The TRI data for MDU Resources' reporting facilities can be accessed at www.epa.gov/tri/tridata/index.htm.

Hazardous waste

MDU Resources' utility companies are conditionally exempt small-quantity generators of hazardous waste. A conditionally exempt small-quantity generator produces 100 kilograms or less per month of hazardous waste, or 1 kilogram or less per month of acutely hazardous waste.

Some examples of hazardous waste that we might generate include used batteries from various pieces of equipment and small amounts of mercury from various industrial equipment. In 2015, Montana-Dakota Utilities did not ship any hazardous waste. In 2016, Montana-Dakota properly shipped for disposal 1,352 pounds of Class 3 Flammable waste, 20 pounds of Class 8 Corrosives and 565 pounds of Class 9 Waste.

Spills

No Environmental Protection Agency-reportable or National Response Center-reportable spills occurred in 2015 or 2016. A number of minor spills were documented internally throughout our operations in both years, and some of these were reported to state or local agencies as a precautionary measure.

Land impacts

Knife River Corporation uses mine planning to manage aggregate reserves and aggregate mine sites in an environmentally sound manner.

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The company works regularly with government agencies, landowners and the general public to develop reclamation plans that return mined land to a viable and productive use.

In some cases, land that may not have been useful before mining can be made into wetlands or other wildlife habitat.

North Dakota. This purchase will increase the utility's renewable generation to approximately 27 percent.

In addition to growing its natural gas-fired and renewable generation sources, Montana-Dakota has completed during the past 10 years a number of conventional emission control projects associated with its coal-fired generation fleet. Sulfur dioxide, nitrogen oxides, particulate and mercury emissions from these facilities have been reduced up to 90 percent.

Greenhouse gas emissions

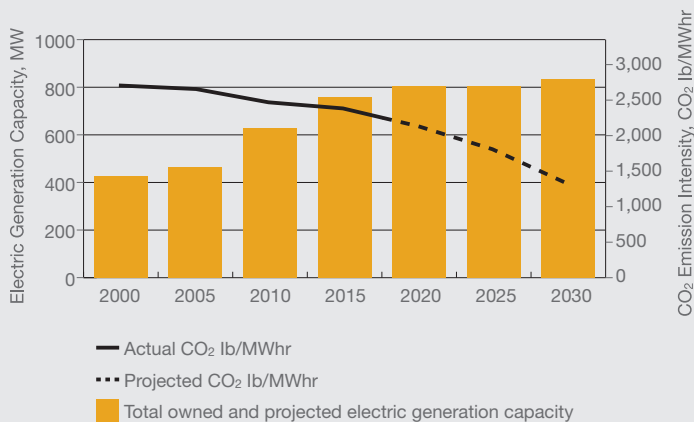
Montana-Dakota Utilities' carbon dioxide emissions in 2015 and 2016 were approximately 2,100,604 and 2,380,754 metric tons, respectively. This includes emissions from electric generating facilities operated by Montana-Dakota and from its percent ownership share in other electric generating facilities. The emissions intensity from all of Montana-Dakota's owned and operated facilities in 2015 was 2,440 pounds per net megawatt hour and in 2016 was 1,998 pounds per net megawatt hour.

Montana-Dakota also is a member of the U.S. Environmental Protection Agency's Voluntary SF6 Emission Reduction Program. Sulfur hexafluoride is an inert gas used as an insulator in electrical equipment. Montana-Dakota continues to consistently reduce SF6 emissions. The company had total emissions of 73 pounds in 2015, equivalent to approximately 791 metric tons of carbon dioxide, and 8.3 pounds in 2016, equivalent to approximately 90 metric tons of carbon dioxide. This is greatly reduced from its SF6 baseline emissions of 1,588.5 pounds in 2004.

On the natural gas distribution side of operations, MDU Resources' utility companies are required to submit annual reports to the EPA for greenhouse gas emissions of carbon dioxide, nitrogen oxide and methane results from the combustion of natural gas that is sold to customers. The 2014-16 carbon dioxide equivalent emissions from customers' combustion of natural gas for each company were:

Fugitive emissions from our utility companies' natural gas distribution systems are below the EPA reporting threshold. However, Cascade Natural Gas and Intermountain Gas are required to report fugitive emissions to the state of Washington and Idaho, respectively. In 2015, Cascade reported 22,852 metric tons of carbon dioxide equivalent emissions and, in 2016, 23,616

CO₂ Emission Intensity



Air impacts

Greenhouse gas emissions intensity reduction efforts

Among its businesses, MDU Resources' largest greenhouse gas emitter is its electric utility through its associated electricity generation. Montana-Dakota Utilities provides electric service to approximately 143,000 customers. The total capacity of the electric generating facilities that it owns and operates, or co-owns, is 756 megawatts. MDU Resources has a target, through its electric utility, to reduce greenhouse gas emissions intensity by 45 percent by 2030 compared to 2005 levels from these generating facilities.

Montana-Dakota intends to achieve this target through continued diversity in its electric generating fleet, which at December 31, 2017, included 27 percent natural gas-fired generation and 22 percent renewable generation.

Montana-Dakota will expand its renewable generation fleet with the purchase at the end of 2018 of a 48-megawatt expansion under construction at Thunder Spirit Wind farm in southwest

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metric tons. In 2015, Intermountain reported 29,779 metric tons of carbon dioxide equivalent emissions and, in 2016, 30,207 metric tons.

WBI Energy companies are required to report to the EPA annual greenhouse gas emissions from combustion sources as well as emissions associated with operating petroleum and natural gas systems such as onshore natural gas transmission compression facilities and underground natural gas storage. In 2015, WBI Energy quantified carbon dioxide emissions as:

- 145,517 metric tons from natural gas transmission compression.
- 12,082 metric tons from underground natural gas storage.

In 2016, WBI Energy added emissions data from natural gas gathering and boosting facilities and natural gas pipelines. 2016 carbon dioxide emissions were:

- 127,480 metric tons from natural gas transmission compression.
- 14,423 metric tons from underground natural gas storage.
- 47,360 metric tons from natural gas gathering and boosting.
- 9,789 metric tons from natural gas transmission pipelines.

WBI Energy companies continue their efforts to reduce methane emissions through best management practices, such as directed inspection and maintenance at compressor stations, pipeline leak surveys and prompt leak repair, as well as specific operational approaches.

In 2015 and 2016, WBI Energy companies emitted an estimated 814 tons and 727 tons, respectively, of nitrogen oxide from compressor station facilities.

Montana-Dakota Utilities is an active sponsor of research in technology that removes mercury from coal-based electric generating facilities. The lignite industry in North Dakota, with the aid of the U.S. Department of Energy, collaborated on research to develop mercury removal technology for various boiler configurations used by the industry.

The state of Montana in 2006 enacted a rule requiring mercury reduction from coal-fired electric generating facilities. Per those requirements, Montana-Dakota's Lewis & Clark Station near Sidney, Montana, has been successfully reducing mercury emissions by approximately 90 percent on a continuous basis since late 2009.

Mercury is captured in the facility's coal ash. Test results show the mercury remains with the ash and is not expected to leach to groundwater or surface water. With the trace amount of mercury present in the ash, the residuals are not classified as a hazardous material or waste.

Montana-Dakota has undertaken other significant projects to comply with the Mercury and Air Toxics Standard rule, which requires reductions in pollutants, including mercury and non-mercury metals emissions, from electric generating facilities. Montana-Dakota in 2015 installed additional filterable particulate matter pollution controls to reduce non-mercury metal emissions at the Lewis & Clark Station. Mercury emissions controls were installed in 2015 at Coyote Station and Big Stone Plant.

Other significant emissions reductions projects recently completed include:

- An air quality control system project in 2015 at Big Stone Plant to reduce sulfur dioxide and nitrogen oxide emissions.
- A limestone addition in 2017 at R.M. Heskett Station Unit 2 to reduce sulfur dioxide emissions.
- An advanced separated over-fire air system installed in 2016 at Coyote Station to reduce nitrogen oxide emissions.

Carbon sequestration research

Montana-Dakota Utilities has been active in researching options for carbon dioxide capture, sequestration and beneficial uses.

Carbon Dioxide Emissions (metric tons)

	2016	2015	2014
Cascade Natural Gas	2,453,799	1,904,452	2,559,743
Intermountain Gas	2,219,780	2,079,600	2,104,812
Montana-Dakota Utilities/Great Plains Natural Gas	2,358,148	2,441,198	2,734,814

Air quality management

In 2015 and 2016, Montana-Dakota Utilities' sulfur dioxide emissions were 7,082 tons and 5,838 tons, respectively. Its nitrogen oxide emissions were 4,715 tons and 4,073 tons and its mercury emissions were 254 pounds and 93 pounds, respectively. This includes emissions from electric generating facilities operated by Montana-Dakota and its ownership share in other electric generating facilities.

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Our company has been a member of the Plains CO2 Reduction Partnership since the partnership's inception in 2003. The partnership is led by the Energy and Environmental Research Center at the University of North Dakota and is one of seven regional partnerships across the United States. More information about the partnership and its achievements is available at www.undeerc.org/pcor.

Montana-Dakota also has been a member of the Partnership for CO2 Capture project since 2014, which also is led by the Energy and Environmental Research Center. The Partnership for CO2 Capture provides support of pilot-scale demonstrations and researches and evaluates promising CO2 capture technologies that can enhance the cost and performance of CO2 capture systems.

Montana-Dakota has actively participated in environmental workgroups of the North Dakota Lignite Energy Council, such as the Lignite Technology Development Workgroup and the Environmental Workgroup. In the last few years, these workgroups have focused on CO2-related issues such as lignite gasification, oxyfuel combustion, pre- and post-combustion CO2 capture technologies and beneficial uses of CO2.

PCB elimination

Montana-Dakota Utilities has a policy of proactively identifying and eliminating polychlorinated biphenyls from its electric transmission system equipment. Montana-Dakota in 2016 began a multiyear project to expedite removal of PCB-regulated distribution system transformers. Montana-Dakota safely disposed of approximately 14,886 gallons of mineral oil containing PCBs in 2015 and 2016.

Vehicle emissions reductions

MDU Resources companies continually evaluate fleet vehicles to ensure the appropriate-size vehicle is purchased for specific needs. The corporation buys smaller, more fuel-efficient vehicles whenever possible.

Knife River Corporation has implemented fuel conservation programs that educate employees and promote fuel conservation measures. Training sessions encourage employees to efficiently use resources, and they inform employees of the proper procedures to use when shutting down diesel-fueled engines.

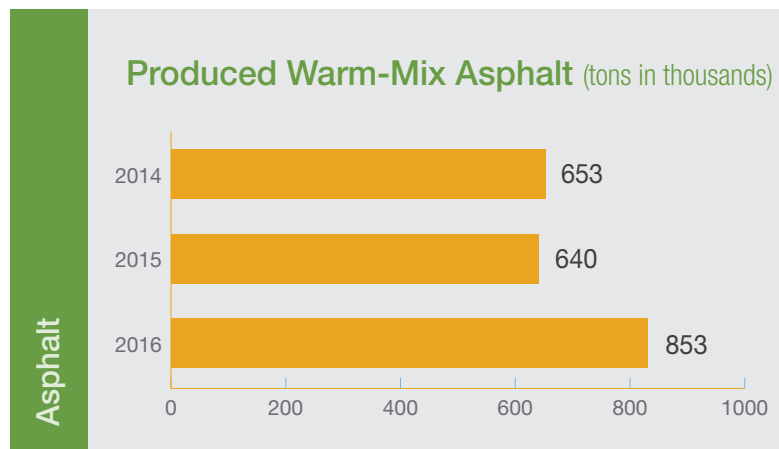
Knife River has an engine idling policy. The policy establishes a companywide diesel and gasoline engine idling limit and institutionalizes the company's Shut Down & Save fuel conservation program.

Knife River installs automatic shutdown systems on heavy-haul construction trucks. These systems automatically shut off a vehicle's engine after five minutes of idling. Knife River also installs equipment on haul vehicles that lets the company track operating times, idle times and emissions.

Environmentally friendlier asphalts

Knife River Corporation is experienced in producing and placing warm-mix asphalt and rubberized asphalt. In applications where warm-mix asphalt is allowed, the product enables conservation. Warm-mix asphalt is produced at cooler temperatures than traditional hot-mix asphalt methods, which reduces the amount of fuel needed in the production process and thereby reduces emissions and fumes.

Knife River has experience using and, where allowed, uses ground-up tire rubber blended with asphalt to beneficially modify the properties of asphalt in highway construction. The U.S. Environmental Protection Agency says asphalt rubber is the largest single market for ground rubber. It provides a beneficial use for an estimated 220 million pounds, or approximately 12 million scrap tires, annually. Asphalt rubber also provides longer-lasting road surfaces, reduces road maintenance, is more cost effective over the long term and lowers road noise. Asphalt rubber is being used in greater amounts by state Departments of Transportation.



Ensure asset and operational longevity

Water impacts

Water use

Montana-Dakota Utilities' electric generating facilities use water from rivers, lakes and wells for various processes. The majority of water these facilities remove from water bodies is used for noncontact cooling purposes and is discharged back to the water bodies. Some facilities have once-through cooling, which requires water to be withdrawn and discharged continuously, and some plants use cooling towers and air-cooled condensers that require periodic withdrawals of water. Usually, no chemicals are added to water used for once-through cooling.

A smaller portion of water is withdrawn from a water body for use in an electric generating facility's condenser, air emissions scrubbing process or in other smaller plant operations. Cooling water or process wastewater that is returned to surface waters is discharged in compliance with National Pollutant Discharge Elimination System permit requirements.

R.M. Heskett Station withdrew approximately 19,025,025,000 gallons of water in 2015 and 18,741,810,000 from the Missouri River in 2016 for use as noncontact cooling water. The water was discharged back to the river at a higher temperature, but no chemicals were added to the water. R.M. Heskett Station also withdrew approximately 26,939,760 gallons in 2015 and 25,632,642 gallons in 2016 to use in its condenser and for other plant operations. The water was treated and discharged back to the river in compliance with NPDES permit requirements.

Lewis & Clark Station withdrew approximately 10,250,000,000 gallons of water in 2015 and 10,119,700,000 gallons of water in 2016 from the Yellowstone River for use as noncontact cooling water. The water was discharged back to the river at a higher temperature, but no chemicals were added to the water. Lewis & Clark Station also withdrew approximately 194,574,800 gallons in 2015 and 106,984,555 gallons in 2016 for use in its condenser and wet flue gas desulfurization system. Some of the water evaporated from ash dewatering ponds, but much of the water was treated and discharged back to the river in compliance with NPDES permit requirements.

Coyote Station uses cooling towers for recycling noncontact condenser cooling water. The plant withdrew 1,192,600,000

gallons of water in 2015 and 1,382,100,000 gallons of water in 2016 from the Missouri River for makeup water for its cooling towers and other plant processes. Coyote Station returned 86,300,000 gallons and 111,800,000 gallons, respectively, to the Missouri River following treatment in compliance with NPDES permit requirements.

Big Stone Plant withdrew approximately 872,200,000 gallons in 2015 and 987,500,000 gallons of makeup water from Big Stone Lake for use as noncontact cooling water and in other plant operations. No water was returned to the lake.

Wygen III withdrew approximately 171,983,909 gallons in 2015 and 19,735,459 gallons in 2016 from two water wells on site. Because Wygen III was designed with an air-cooled condenser, the need for water is significantly reduced. The majority of water used is for boiler water cycle and flue gas desulfurization scrubbing of sulfur dioxide emissions. Most of the time, the facility operates with zero discharge.

Other environment-sensitive efforts

Wind and other renewable energy resources

Montana-Dakota Utilities continues to expand its wind and other renewable electric generation facilities.

In 2015, Montana-Dakota Utilities purchased the 107.5-megawatt Thunder Spirit Wind farm when it became operational. Thunder Spirit Wind, near Hettinger, North Dakota, consists of 43, 2.5-MW turbines. Montana-Dakota announced in February 2017 that it has signed a purchase agreement for a 48.5-MW expansion of Thunder Spirit Wind. The expansion, consisting of 16, 3-MW turbines, is expected to be complete at the end of 2018.

At the end of 2017, Montana-Dakota's generation portfolio included approximately 22 percent renewable capacity. With the purchase of the Thunder Spirit Wind expansion, the company expects renewables to account for approximately 27 percent of its generation.

Owned wind and other renewable generation facilities include:

- Thunder Spirit Wind farm near Hettinger, North Dakota. This 107-megawatt facility consists of 43, 2.5-MW turbines.
- Diamond Willow Wind farm near Baker, Montana. This 30-

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MW facility consists of 20, 1.5-MW turbines.

- Cedar Hills Wind farm near Rhome, North Dakota. This 19.5-MW facility consists of 13, 1.5-MW turbines.
- Glen Ullin Waste Heat electric generation facility near Glen Ullin, North Dakota. This 5.3-MW facility uses waste heat from a pipeline compressor station to produce electricity.

Montana-Dakota continues to explore other economically feasible renewable energy development opportunities within its service territory.

Renewable natural gas from landfills

In 2008, Montana-Dakota Utilities entered into a 40-year agreement with the city of Billings, Montana, to extract biogas from the Billings Regional Landfill. Since the agreement was finalized, Montana-Dakota has drilled 64 vertical wells and six horizontal wells, installed gathering pipeline to collect the biogas and constructed a processing facility that conditions the biogas into pipeline-quality renewable natural gas. This project captures a greenhouse gas that would otherwise escape from the landfill into the atmosphere and turns it into a renewable energy source that is interchangeable with conventional natural gas.

The Billings Regional Landfill biogas project came online at the end of 2010 and has produced approximately 935,000 million cubic feet of renewable natural gas through year-end 2017. Average production is approximately 465 million cubic feet per day, which is enough gas to serve approximately 1,700 homes per year.

Montana-Dakota, Great Plains Natural Gas, Intermountain Gas and Cascade Natural Gas continue to evaluate similar renewable natural gas projects within their service territories.

Green project service providers

A number of MDU Resources' companies provide service, installation and materials for renewable energy and environmentally friendly projects.

Knife River Corporation provides ready-mix concrete for foundations of wind towers and is recognized as a premier ready-mix provider with experience in such applications.

MDU Construction Services Group provides power line and substation construction services for new wind and other renewable electric generating facilities; it also is a national leader in solar panel installation services. Bombard Electric, headquartered in Las Vegas, is heavily involved in solar system installation. In fact, Bombard Renewable Energy, a division of Bombard Electric, was ranked No. 26 on Solar Power World's 2017 Top 500 Solar Contractors list. Ranking is based on the number of kilowatts a company installed in 2016.

Tree Line USA certification

Montana-Dakota Utilities is a certified Tree Line USA® utility. It donated, with sister companies, more than \$39,100 in 2015 and \$50,650 in 2016 for tree planting and education, as well as other habitat and environmental projects, throughout its service territory.

The Tree Line USA program, sponsored by the National Arbor Day Foundation in cooperation with the National Association of State Foresters, recognizes public and private utilities that demonstrate practices that protect and enhance America's urban forests.

For certification, a utility must meet five requirements: quality tree care, annual worker training, community tree planting and public education, have a tree-based conservation program, and have an Arbor Day observance. Montana-Dakota is one of 145 certified Tree Line USA utilities and the only North Dakota-based utility to attain certification. It has maintained annual certification since 2004.

Environmental Community Opportunity Fund

Cascade Natural Gas, Great Plains Natural Gas, Intermountain Gas and Montana-Dakota Utilities offer grants through their Environmental Community Opportunity Fund to support projects that enhance environmental education and stewardship. Grants are available through an application process to communities served by the companies.

Eligible environmental education projects may include grants for specific teacher training, books or equipment for classroom use, field trips or special project support in the natural or physical sciences. Community environmental stewardship projects

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may include developing nature trails, enhancing wildlife areas, promoting recycling and community cleanup, or developing “living laboratories” for students and the general public.

In 2016, nine grants totaling \$16,000 were awarded to:

- South Dakota Discovery Center in Pierre, South Dakota — \$1,000 to help fund an Earth Day in April 2017 for kindergarten through sixth-grade students and an Earth Science Festival in September 2017 for fourth-grade students in Central South Dakota.
- Washington State University in Pullman, Washington — \$2,500 for the Snohomish County Beach Watcher Program, which helps educate visitors and youth each year about the waters, lands and wildlife of the region, and what each person can do to protect them for future generations.
- Capitol Land Trust of Olympia, Washington — \$2,500 for an interpretive trail near Shelton, Washington.
- Hi-Line Prairie Gardens and Orchard of Valley City, North Dakota — \$2,500 for an outdoor recreation and educational area.
- South Dakota Project Learning Tree in Rapid City, South Dakota — \$2,500 for a Science Day field trip for fifth-grade students in the Spearfish Canyon area.
- Montana Audubon Center of Helena, Montana — \$1,000 for a rain barrel program as an extension of its Grassland Greenhouse in Billings, Montana.
- Southwest Idaho Resource Conservation and Development Council in Meridian, Idaho — \$2,000 for the Canyon County Parks Field Trip Bus Scholarship Fund.
- Gateway to Science Center in Bismarck, North Dakota — \$1,000 for the annual Environmental Festival, which draws more than 1,500 fifth-grade students from central and western North Dakota.
- Bismarck Forestry Department of Bismarck, North Dakota — \$1,000 for its Partners in Planting program. The program promotes city boulevard tree planting by awarding homeowners a rebate on trees planted.

In 2015, eight grants totaling \$13,000 were awarded to:

- Lake Region Community College Foundation of Devils Lake, North Dakota — \$1,000 for its Power of the Prairie program, which is presented by college faculty and students to enhance environmental education and stewardship.
- Skagit Land Trust of Mount Vernon, Washington — \$2,000 for

its Youth in Conservation program, which provides youth with leadership opportunities in natural resource conservation.

- Wild Science Explorers of McCall, Idaho — \$2,000 for an environmental study trip that provides science and stewardship education for low-income Idaho teens.
- Montana Audubon Society of Billings, Montana — \$2,500 to expand its Grassland Greenhouse project, which was started in 2014 and focuses on native plants.
- Bismarck Forestry Department of Bismarck, North Dakota — \$1,000 for its Partners in Planting program. The program promotes city boulevard tree planting by awarding homeowners a rebate on trees planted.
- Murtaugh, Idaho, School District — \$2,000 for a natural gas boiler for its greenhouse project started in 2014. The boiler will provide energy savings, healthier plants, faster crop production and lab opportunities for students to test the effects of environmental control on plants.
- Gateway to Science Center of Bismarck, North Dakota — \$1,500 for the annual Environmental Festival, which draws more than 1,500 fifth-grade students from central and western North Dakota.
- Boise Water Shed Exhibits of Boise, Idaho — \$1,000 for interior and exterior exhibits. The project educates the public about water quality and quantity, wastewater treatment and promotes citizen stewardship of natural resources.

Honoring employee environmental work

MDU Resources annually presents environmental integrity awards that recognize a successful employee program, project or activity that reflects the corporation’s environmental policy and philosophy. The Environmental Integrity Award winners receive \$1,500 to be donated to a qualified charity of their choice.

In 2016, the winner of the Environmental Integrity Reclamation and Habitat Enhancement Award was the team of employees who led the work on MDU Construction Services Group’s Valley Electric Association Community Solar Project.

Bombard Renewable Energy, a division of MDU Construction Services Group subsidiary Bombard Electric LLC, in 2016 completed a 17.5-megawatt community solar project near Pahump, Nevada. Bombard Renewable installed more than 51,400 solar photovoltaic panels on the 80-acre site, and it constructed a 2,640-foot, 24.9-kilovolt distribution line for the project.

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Bombard Renewable and project owner Valley Electric Association worked closely with U.S. Fish and Wildlife Service to protect the endangered Mojave Desert tortoises discovered at the project site. Unique design and construction elements were used to reduce the impact on the tortoises and vegetation.

Bombard Renewable did not grade or level the project site as it normally would before construction. This helped preserve vegetation the tortoises eat and the tortoises' habitat.

Bombard Renewable also used a versatile racking system that allowed the panels to be installed on uneven terrain. The ground-mounted solar panels were installed at a height of 48 inches to allow room for vegetation and tortoises. Typically, panels are installed at a height of 18 to 24 inches.

Foot-wide tortoise access points were created along the fence line to allow them to pass through the site.

An expansive, temporary habitat was created to house the tortoises during construction. They were returned to the site after construction was complete.

Lighting and cameras at the site are powered by solar energy.

Bombard Renewable's attention to detail and the environment on this project raises the bar for utility-scale renewable energy projects that can meet community needs while minimizing impact.

The 2016 winner of the MDU Resources Environmental Stewardship Award was Engineering and Environmental Services Manager Dane Wurlitzer of Hawaiian Cement and West Hawaii Concrete.

Wurlitzer was recognized for his tireless efforts to ensure Hawaiian Cement and West Hawaii Concrete are among Hawaii's leading companies regarding environmental protection.

Wurlitzer maintains good working relationships with the environmental regulatory agencies on behalf of the companies. His nominator said, "Many issues are resolved with a phone call because of these deep and lasting relationships and [the agencies'] confidence that Dane will follow through on any commitments he makes."

Wurlitzer also distributes weekly environmental training tips to employees at the companies that include simple, hands-on actions employees can take to positively impact the environment.

In 2016, the Hawaii Department of Transportation Harbors Division recognized the Cement Division of Hawaiian Cement as the top environmentally compliant harbor user for all of 2015. The Cement Division was inspected again in October 2016 and was again recognized for its knowledgeable personnel, great housekeeping, hazardous waste management and overall environmental management best practices. Based on Hawaiian Cement's success, the Honolulu Harbor Master asked if Wurlitzer



Ensure asset and operational longevity

could assist other harbor users with their environmental compliance programs.

The nominator also noted that in Wurlitzer's spare time, he and his family can often be found working with a community group on harbor or neighborhood cleanup projects.

Fuel conservation programs have both environmental and monetary benefits. The environment is positively impacted because exhaust emissions are reduced and a valuable nonrenewable resource is conserved. The companies save money through reduced fuel consumption and less equipment maintenance.

Energy efficiency and conservation programs

MDU Resources' utility companies actively pursue programs to increase energy efficiency and conservation for electric and natural gas residential and commercial customers.

Montana-Dakota Utilities and Great Plains Natural Gas have incentive programs in most of their operating regions to promote installation of energy-efficient natural gas and electric equipment. Montana-Dakota also has demand-response programs in Montana, North Dakota and South Dakota, and met its goal of enrolling 31 megawatts of demand response in these states by 2017.

Montana-Dakota and Great Plains are committed to implementing cost-effective energy efficiency and demand-response programs and continue to review existing and new programs for implementation.

Intermountain Gas provides extensive efficiency and conservation information to customers. The company partners with a number of organizations throughout its service territory to promote natural gas efficiency.

Cascade Natural Gas partners with communities in Oregon and Washington to promote efficient and sustainable use of natural gas. In its Oregon service territory, the company offers rebate programs for high-efficiency upgrades and weatherization through the Energy Trust of Oregon to its residential, commercial and industrial customers.

In Washington, Cascade manages and offers rebates through its long-standing Conservation Incentive Program, which encourages customers to install high-efficiency appliances and use efficiency measures. The rebates are available to the company's residential, commercial and industrial customers. The company presents its program in a Conservation Plan submitted December 1 each year to the Washington Utilities and Transportation Commission. Results of the program are reported in the company's Annual Conservation Report on June 1 each year to the WUTC.

In addition to its rebate program, Cascade supports innovations in conservation efforts and regularly works with local partners to encourage community-focused cooperative reduction efforts. Throughout 2015 and 2016, Cascade provided advice and utility usage data to four towns it serves as part of the Georgetown University Energy Prize competition — a nationally recognized competition to implement creative and replicable strategies to reduce energy use and consumption.

Some other programs Cascade continues to support include Built Green Certifications, Sustainable Connections, the Sustainable Living Center and the Northwest Clean Air Agency, as well as collaborating with Western Washington University on energy policy, mentoring and efficiency-related education.

In 2015, Cascade joined the Northwest Energy Efficiency Alliance Natural Gas Market Transformation Collaborative. This five-year effort, with a combined \$18.3 million commitment from participants, is focused on advancing development and market adoption of energy-efficient natural gas products, practices and services in the Pacific Northwest.

All of MDU Resources' utility companies partner with local community action agencies in providing low-income assistance for utility customers.

Fines for noncompliance

MDU Resources is committed to fully complying with all environmental rules and regulations. Regrettably, we have not always achieved full compliance. In 2015, our companies paid fines totaling \$29,450 for four violations. In 2016, we paid fines totaling \$7,850 for three violations.

Develop and nurture relationships with vital stakeholders

In addition to employees, others are vital to MDU Resources' success. The corporation works to create lasting relationships with these stakeholders.

Positive impact on communities

MDU Resources makes a positive economic impact in a number of ways in the communities where it does business. The salaries it pays to more than 10,000 employees; the federal, state and local taxes it pays; the charitable donations it provides; and the infrastructure and equipment investments it makes are among the ways the company positively affects the economy. MDU Resources also supports and encourages the innumerable contributions our employees make in their communities, from organizing, volunteering at, participating in and fundraising for charitable organizations to fixing up an in-need neighbor's home.

Charitable giving through the MDU Resources Foundation

MDU Resources is proud of its record of supporting qualified organizations that enhance quality of life. Its philanthropic goal is to be a "neighbor of choice." The MDU Resources Foundation was incorporated in 1983 to support the corporation's charitable efforts. It has contributed more than \$32 million to worthwhile organizations.

In addition to foundation donations, MDU Resources' companies contribute directly to charitable organizations through various donations and in-kind contributions.

The MDU Resources Foundation is funded annually by contributions from each of MDU Resources' business units based on the profitability of the companies. In all instances, the contributions are made only from stockholder funds.

The foundation contributes only to institutions, organizations and programs recognized by the Internal Revenue Service as qualified recipients of foundation contributions. Generally, contributions are restricted to organizations qualified as tax exempt under Section 501(c)(3) of the Internal Revenue Code. We also

contribute to tax-exempt organizations such as cities and their political subdivisions, such as park districts.

Primary consideration is given to charitable institutions, organizations and programs within the geographic areas where MDU Resources' companies conduct business. Generally, no consideration is given to private individuals or to athletic, labor, fraternal, political or lobbying organizations, or to regional or national organizations without local affiliation.

The foundation supports the "one gift for all" concept in fundraising campaigns such as those conducted by the United Way or similar umbrella organizations. Participation by a charity in a United Way or other federated fundraising campaign does not necessarily preclude consideration of funding from the foundation.

Contributions to local, state, regional or national organizations, specific employee recognition and matching grant programs, scholarship programs, most United Way contributions, and contributions within the context of MDU Resources' "headquarters city" policy are the primary responsibility of the foundation.

Economic development requests are not a focal point of the foundation. Requests for loans, venture capital, participation in loan pools, advertising and all other requests that do not fit within the guidelines of the foundation are the responsibility of MDU Resources' companies.

Post-secondary education is a high priority for the foundation. It maintains two separate scholarship programs. One program is exclusively for dependents and spouses of eligible employees. The other program consists of scholarships established at numerous institutions of higher education. In all instances, the foundation's sole responsibility is funding the scholarships. No company personnel are involved in determining recipients.

Develop and nurture relationships with vital stakeholders

The foundation also matches employees' and corporate directors' personal contributions to educational institutions with a contribution equal to 100 percent of their contributions between \$50 and \$750. In 2016, 36 employees contributed \$23,433 to qualified education institutions, and the MDU Resources Foundation's match was \$17,783. Since the program began, educational institutions throughout the United States have received \$742,000.

The foundation has a program to provide matching gifts for employee volunteerism. The foundation provides a grant of \$500 to charitable organizations at which an employee volunteers 25 hours or more. In 2016, 60 employees participated in the Employee Matching gifts for Volunteerism program. The foundation contributed \$21,300 to charitable organizations as a result of employees' volunteer efforts. Since the program began, charitable organizations throughout the United States have received \$125,300.

The MDU Resources Foundation generally funds these areas of corporate philanthropy:

- Health and human services. Recognizing the critical role of quality and accessible health care and human services, the foundation supports national and local health and human services agencies, hospitals, youth agencies and senior citizen organizations.
- Education. Given the importance of education in building strong individuals, families and communities, the foundation supports private secondary and higher education institutions, education development foundations, economic education programs and scholarships.
- Civic and community activities. The foundation funds programs that create opportunities and meet the needs of communities.

- Culture and arts. The foundation has had a long-standing interest in culture and the arts. It seeks to promote positive youth development through contributions to art funds and councils, museums, theaters, libraries and cultural centers.
- Environment. The foundation funds organizations that promote the wise use of resources without compromising the ability of future generations to meet their own needs.

Additional information about the MDU Resources Foundation can be found at www.mdu.com.

Company donations

On a regular basis, MDU Resources' business units and companies make charitable donations and donations to the communities where they do business. Examples of these efforts abound: donating equipment and employees' time for various community projects; donating used equipment to rural fire departments; donating products and materials for park construction projects; and much more. Some MDU Resources companies also allow employees to take up to eight hours of paid time off for volunteer efforts.

2016 Actual

Program Area	Number of Grants	Total Amount
Civic/Community	139	\$486,265
Culture/Art	35	76,350
Education	154	663,183
Environmental	23	52,250
Health/Human Services	164	524,700
Totals	516	\$2,102,748

2017 Budget

Program Area	Number of Grants	Total Amount
Civic/Community	84	\$452,030
Culture/Art	21	39,550
Education	98	412,320
Environmental	7	56,750
Health/Human Services	129	490,735
Other		592,045
Totals	339	\$2,043,430

Foundation donations

Develop and nurture relationships with vital stakeholders

Public policy participation

Employee participation in politics

MDU Resources' corporate policy on employee participation in political affairs encourages employees to actively exercise their individual citizenship responsibilities, including voting, serving in civic bodies, keeping informed on political matters, volunteering time for political causes, contributing financially to the corporate political action committee, contributing financially to a political party or candidates, campaigning for a political party or public office, and holding a political party or public office.

The policy also says an employee engaging in political activity does so as a private citizen and not as a representative of the company. Also, to avoid potential job-related conflicts, an employee who wants to seek public office or serve in a civic body must consult with his or her manager prior to seeking such office or position.

Communications and Public Affairs Department

MDU Resources' Communications and Public Affairs Department provides public affairs and lobbying services for MDU Resources and its companies. The department actively monitors, tracks and testifies on legislation affecting company and business interests.

The department works closely with state and national trade associations, various state chambers and other industry groups that share the company's position on issues of interest.

Department staff members encourage MDU Resources' employees to be aware of political activities.

Good Government Fund

The MDU Resources Group Good Government Fund is a political contributions program for eligible employees. It is a voluntary, not-for-profit political action committee organized to encourage the financial participation of eligible employees in the state and federal election process.

The purpose of the Good Government Fund is to receive personal contributions from eligible MDU Resources employees, directors and stockholders and make contributions to candidates for local, state and federal office who support the private enterprise system and the interests of MDU Resources' constituencies.

Every member of the Good Government Fund has an opportunity to recommend contributions to candidates. The Good Government Fund board of directors and certain MDU Resources Communications and Public Affairs Department personnel review all recommendations.

Whenever possible, an effort is made to deliver Good Government Fund contributions in person, directly to the candidate, which gives MDU Resources' employees an opportunity to describe firsthand the issues that are important to them.

The Good Government Fund is nonpartisan and independent of any political party. It supports deserving candidates from any political party whose voting record or beliefs support MDU Resources' interests.

MDU Resources Group, Inc.

Street Address
1200 W. Century Ave.
Bismarck, ND 58503

Mailing Address
P.O. Box 5650
Bismarck, ND 58506-5650

(701) 530-1000
(800) 437-8000

Trading Symbol: MDU
www.mdu.com