

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

FORM 10-Q

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

For the quarterly period ended September 30, 2024

OR

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

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

MDU RESOURCES GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

30-1133956
(I.R.S. Employer Identification No.)

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

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

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

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

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

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

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

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of October 31, 2024: 203,888,237 shares.

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Definitions

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

Abbreviation or Acronym

2023 Annual Report	Company's Annual Report on Form 10-K for the year ended December 31, 2023
AFUDC	Allowance for funds used during construction
Applied Digital	Applied Digital Corporation
ASC	FASB Accounting Standards Codification
ASU	FASB Accounting Standards Update
Big Stone Station	475-MW coal-fired electric generating facility near Big Stone City, South Dakota (22.7 percent ownership)
Cascade	Cascade Natural Gas Corporation, an indirect wholly-owned subsidiary of MDU Energy Capital
Centennial	CEHI, LLC, a direct wholly-owned subsidiary of the Company, formerly known as Centennial Energy Holdings, Inc., prior to the separation of Knife River from the Company. References to Centennial's historical business and operations refer to the business and operations of Centennial Energy Holdings, Inc.
Centennial Capital Company	Centennial Holdings Capital LLC, a direct wholly-owned subsidiary of Centennial MDU Resources Group, Inc.
Coyote Creek	Coyote Creek Mining Company, LLC, a subsidiary of The North American Coal Corporation
Coyote Station	427-MW coal-fired electric generating facility near Beulah, North Dakota (25 percent ownership)
CWIP	Construction work in progress, costs associated with the construction of new utility facilities recorded on the balance sheet until these facilities are placed in service
DC Circuit Court	District of Columbia Circuit Court
dk	Decatherm
EPA	United States Environmental Protection Agency
Everus	Everus Construction Group, Inc., a wholly-owned subsidiary of the Company prior to the separation from the Company, that was established in conjunction with the proposed separation of Everus Construction
Everus Construction	Everus Construction, Inc., a direct wholly-owned subsidiary of Centennial prior to the separation from the Company, formerly known as MDU Construction Services Group, Inc. prior to March 12, 2024
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Fidelity	Fidelity Exploration & Production Company, an indirect wholly-owned subsidiary of Centennial (previously referred to as the Company's exploration and production segment)
GAAP	Accounting principles generally accepted in the United States of America
GHG	Greenhouse gas
Intermountain	Intermountain Gas Company, an indirect wholly-owned subsidiary of MDU Energy Capital
IRA	Inflation Reduction Act of 2022
JETx	345-kV transmission line from Jamestown, North Dakota to Ellendale, North Dakota (50 percent ownership)
Knife River	Established as Knife River Corporation prior to the separation from the Company, a direct wholly-owned subsidiary of Centennial. Knife River refers to Knife River Corporation, during the period prior to separation, now known as "KRC Materials, Inc." Following the separation Knife River refers to Knife River Holding Company, now known as Knife River Corporation
kWh	Kilowatt-hour
kV	Kilovolt
LIBOR	London Inter-bank Offered Rate
MDU Construction Services	MDU Construction Services Group, Inc., a direct wholly-owned subsidiary of Centennial
MDU Energy Capital	MDU Energy Capital, LLC, a direct wholly-owned subsidiary of the Company

MISO	Midcontinent Independent System Operator, Inc., the organization that provides open-access transmission services and monitors the high-voltage transmission system in the Midwest United States and Manitoba, Canada and a southern United States region which includes much of Arkansas, Mississippi, and Louisiana
MMcf	Million cubic feet
MMdk	Million dk
Montana-Dakota	Montana-Dakota Utilities Co., a direct wholly-owned subsidiary of MDU Energy Capital
MTPSC	Montana Public Service Commission
MW	Megawatt
NDDEQ	North Dakota Department of Environmental Quality
NDPSC	North Dakota Public Service Commission
NERC	North American Electric Reliability Corporation
ODEQ	Oregon Department of Environmental Quality
OPUC	Oregon Public Utility Commission
PHMSA	Pipeline and Hazardous Materials Safety Administration
Regional Haze Rule	The EPA developed the Regional Haze Rule requiring states to develop and implement comprehensive plans to reduce human-caused regional haze in designated areas such as national parks and wilderness areas
SDPUC	South Dakota Public Utilities Commission
SEC	United States Securities and Exchange Commission
Securities Act	Securities Act of 1933, as amended
SOFR	Secured Overnight Financing Rate
SPP	Southwest Power Pool, the organization that manages the electric grid and wholesale power market for the central United States
TSA	In connection with the separation of Knife River, the Company and Knife River entered into a Transition Services Agreement whereby each party will provide certain post-separation services on a transitional basis
VIE	Variable interest entity
Washington DOE	Washington State Department of Ecology
WBI Energy	WBI Energy, Inc., an indirect wholly-owned subsidiary of Centennial
WBI Energy Transmission	WBI Energy Transmission, Inc., an indirect wholly-owned subsidiary of Centennial
WUTC	Washington Utilities and Transportation Commission
WYPSC	Wyoming Public Service Commission

Introduction

Montana-Dakota was incorporated under the state laws of Delaware in 1924. The Company was incorporated under the state laws of Delaware in 2018. Upon the completion of an internal holding company reorganization, Montana-Dakota became a subsidiary of the Company. Its principal executive offices are located at 1200 West Century Avenue, P.O. Box 5650, Bismarck, North Dakota 58506-5650, telephone (701) 530-1000.

The Company's strategy is to deliver superior value and achieve industry-leading performance by becoming a pure-play regulated energy delivery company, while pursuing organic growth opportunities. Through its regulated energy delivery businesses, the Company generates, transmits and distributes electricity and provides natural gas distribution, transportation and storage services. These businesses are regulated by state public service commissions and/or the FERC. The construction services business provides construction services through its electrical and mechanical and transmission and distribution specialty contracting services.

On May 31, 2023, the Company completed the separation of Knife River, its construction materials and contracting business, from the Company, resulting in Knife River becoming an independent, publicly-traded company. The Company's board of directors approved the distribution of approximately 90 percent of the issued and outstanding shares of Knife River to the Company's stockholders. Stockholders of the Company received one share of Knife River common stock for every four shares of the Company's common stock held on May 22, 2023, the record date for the distribution. The Company retained approximately 10 percent or 5.7 million shares of Knife River common stock immediately following the separation, which were disposed of in a tax-free exchange in November 2023. The historical results of Knife River are presented as discontinued operations in the Company's Consolidated Financial Statements.

On October 31, 2024, the Company completed the separation of Everus, its construction services business, resulting in Everus becoming an independent, publicly-traded company. The Company's board of directors approved the distribution of all the outstanding shares of Everus common stock to the Company's stockholders. Stockholders of the Company received one share of Everus common stock for every four shares of the Company's common stock held as of the close of business on October 21, 2024, the record date for the distribution. The distribution is expected to be tax-free to the Company's stockholders for U.S. federal income tax purposes, except for cash received in lieu of fractional shares. More information on the separation and distribution can be found within Everus' Form 10, which is not incorporated by reference herein.

As of September 30, 2024, the spinoff of Everus did not meet the criteria for discontinued operations and its results are included in continuing operations in the Company's Consolidated Financial Statements.

The Company was organized into four reportable business segments as of September 30, 2024. These business segments include: electric, natural gas distribution, pipeline, and construction services. The Company's business segments are determined based on the Company's method of internal reporting, which generally segregates the strategic business units due to differences in products, services and regulation. The internal reporting of these segments is defined based on the reporting and review process used by the Company's chief executive officer.

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

The Company, through its wholly-owned subsidiary, Centennial, owns WBI Energy, Everus Construction and Centennial Capital. WBI Energy is the pipeline segment, Everus Construction is the construction services segment and Centennial Capital is reflected in the Other category.

For more information on the Company's business segments, see Note 15 of the Notes to Consolidated Financial Statements.

Part I -- Financial Information

Item 1. Financial Statements

MDU Resources Group, Inc. Consolidated Statements of Income (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(In thousands, except per share amounts)				
Operating revenues:				
Electric, natural gas distribution and regulated pipeline	\$ 286,053	\$ 279,534	\$ 1,212,615	\$ 1,293,959
Non-regulated pipeline, construction services and other	764,463	721,261	2,099,271	2,228,061
Total operating revenues	1,050,516	1,000,795	3,311,886	3,522,020
Operating expenses:				
Operation and maintenance:				
Electric, natural gas distribution and regulated pipeline	101,308	99,295	307,697	296,818
Non-regulated pipeline, construction services and other	685,329	639,363	1,883,850	2,007,978
Total operation and maintenance	786,637	738,658	2,191,547	2,304,796
Purchased natural gas sold	53,377	55,967	406,569	542,848
Electric fuel and purchased power	25,210	28,966	87,543	73,755
Depreciation and amortization	56,160	53,146	167,791	158,877
Taxes, other than income	38,328	39,454	141,939	156,587
Total operating expenses	959,712	916,191	2,995,389	3,236,863
Operating income	90,804	84,604	316,497	285,157
Unrealized gain on retained shares in Knife River	—	30,150	—	170,170
Other income	13,838	8,918	42,287	29,251
Interest expense	29,466	32,129	86,780	82,541
Income before income taxes	75,176	91,543	272,004	402,037
Income taxes	13,017	13,325	48,373	92,311
Income from continuing operations	62,159	78,218	223,631	309,726
Discontinued operations, net of tax	2,456	(3,289)	2,319	(65,752)
Net income	\$ 64,615	\$ 74,929	\$ 225,950	\$ 243,974
Earnings per share - basic:				
Income from continuing operations	\$.31	\$.38	\$ 1.10	\$ 1.52
Discontinued operations, net of tax	.01	(.01)	.01	(.32)
Earnings per share - basic	\$.32	\$.37	\$ 1.11	\$ 1.20
Earnings per share - diluted:				
Income from continuing operations	\$.31	\$.38	\$ 1.10	\$ 1.52
Discontinued operations, net of tax	.01	(.01)	.01	(.32)
Earnings per share - diluted	\$.32	\$.37	\$ 1.11	\$ 1.20
Weighted average common shares outstanding - basic	203,888	203,638	203,852	203,633
Weighted average common shares outstanding - diluted	204,678	203,886	204,451	203,891

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

MDU Resources Group, Inc.
Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
	(In thousands)			
Net income	\$ 64,615	\$ 74,929	\$ 225,950	\$ 243,974
Other comprehensive income:				
Reclassification adjustment for loss on derivative instruments included in net income, net of tax of \$17 for the nine months ended 2023	—	—	—	81
Postretirement liability adjustment:				
Amortization of postretirement liability losses included in net periodic benefit credit, net of tax of \$33 and \$98 for the three months ended and \$101 and \$263 for the nine months ended in 2024 and 2023, respectively	104	(6)	311	481
Net unrealized gain (loss) on available-for-sale investments:				
Net unrealized gain (loss) on available-for-sale investments arising during the period, net of tax of \$47 and \$(17) for the three months ended and \$45 and \$(21) for the nine months ended in 2024 and 2023, respectively	177	(66)	170	(80)
Reclassification adjustment for loss on available-for-sale investments included in net income, net of tax of \$1 and \$3 for the three months ended and \$5 and \$9 for the nine months ended in 2024 and 2023, respectively	3	10	16	36
Net unrealized gain (loss) on available-for-sale investments	180	(56)	186	(44)
Other comprehensive income (loss)	284	(62)	497	518
Comprehensive income attributable to common stockholders	\$ 64,899	\$ 74,867	\$ 226,447	\$ 244,492

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

MDU Resources Group, Inc.
Consolidated Balance Sheets
(Unaudited)

	September 30, 2024	September 30, 2023	December 31, 2023
Assets	(In thousands, except shares and per share amounts)		
Current assets:			
Cash, cash equivalents and restricted cash	\$ 104,016	\$ 32,493	\$ 76,975
Receivables, net	934,473	893,019	942,782
Current regulatory assets	241,008	169,248	172,492
Inventories	91,889	80,235	87,392
Prepayments and other current assets	96,434	63,805	84,082
Retained shares in Knife River	—	276,213	—
Total current assets	1,467,820	1,515,013	1,363,723
Noncurrent assets:			
Property, plant and equipment	7,703,249	7,211,680	7,341,116
Less accumulated depreciation and amortization	2,322,543	2,191,514	2,220,206
Net property, plant and equipment	5,380,706	5,020,166	5,120,910
Goodwill	488,960	488,960	488,960
Other intangible assets, net	466	2,526	2,004
Regulatory assets	343,578	428,969	447,099
Investments	130,602	139,327	124,235
Operating lease right-of-use assets	90,439	75,729	74,363
Other	270,078	198,459	211,865
Total noncurrent assets	6,704,829	6,354,136	6,469,436
Total assets	\$ 8,172,649	\$ 7,869,149	\$ 7,833,159
Liabilities and Stockholders' Equity			
Current liabilities:			
Short-term borrowings	\$ —	\$ 306,400	\$ 95,000
Long-term debt due within one year	218,777	61,319	61,319
Accounts payable	489,100	414,479	475,215
Taxes payable	61,879	49,500	58,110
Dividends payable	26,024	25,455	25,461
Accrued compensation	97,041	94,230	85,512
Operating lease liabilities due within one year	28,133	23,112	22,884
Regulatory liabilities due within one year	157,068	45,013	70,761
Other accrued liabilities	203,353	154,147	181,471
Total current liabilities	1,281,375	1,173,655	1,075,733
Noncurrent liabilities:			
Long-term debt	2,233,520	2,279,828	2,236,904
Deferred income taxes	453,155	526,654	458,548
Asset retirement obligations	397,952	384,083	384,371
Regulatory liabilities	463,790	495,112	521,050
Operating lease liabilities	62,569	52,908	51,645
Other	222,303	199,475	199,675
Total noncurrent liabilities	3,833,289	3,938,060	3,852,193
Commitments and contingencies			
Stockholders' equity:			
Common stock			
Authorized - 500,000,000 shares, \$1.00 par value			
Shares issued - 203,888,237 at September 30, 2024, 203,638,373 at September 30, 2023 and 203,689,090 at December 31, 2023	203,888	203,638	203,689
Other paid-in capital	1,470,429	1,462,939	1,466,235
Retained earnings	1,401,555	1,108,616	1,253,693
Accumulated other comprehensive loss	(17,887)	(17,759)	(18,384)
Total stockholders' equity	3,057,985	2,757,434	2,905,233
Total liabilities and stockholders' equity	\$ 8,172,649	\$ 7,869,149	\$ 7,833,159

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

MDU Resources Group, Inc.
Consolidated Statements of Equity
(Unaudited)

	Common Stock		Other Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
(In thousands, except shares)								
At December 31, 2023	203,689,090	\$ 203,689	\$ 1,466,235	\$ 1,253,693	\$ (18,384)	—	\$ —	2,905,233
Net income	—	—	—	100,898	—	—	—	100,898
Other comprehensive income	—	—	—	—	74	—	—	74
Dividends declared on common stock	—	—	—	(25,779)	—	—	—	(25,779)
Stock-based compensation	—	—	3,173	—	—	—	—	3,173
Costs of issuance of common stock	—	—	(35)	—	—	—	—	(35)
Issuance of common stock upon vesting of stock-based compensation, net of shares used for tax withholdings	199,147	199	(2,822)	—	—	—	—	(2,623)
At March 31, 2024	203,888,237	\$ 203,888	\$ 1,466,551	\$ 1,328,812	\$ (18,310)	—	\$ —	2,980,941
Net income	—	—	—	60,436	—	—	—	60,436
Other comprehensive income	—	—	—	—	139	—	—	139
Dividends declared on common stock	—	—	—	(25,644)	—	—	—	(25,644)
Stock-based compensation	—	—	1,947	—	—	—	—	1,947
Costs of issuance of common stock	—	—	(15)	—	—	—	—	(15)
At June 30, 2024	203,888,237	\$ 203,888	\$ 1,468,483	\$ 1,363,604	\$ (18,171)	—	\$ —	3,017,804
Net income	—	—	—	64,615	—	—	—	64,615
Other comprehensive income	—	—	—	—	284	—	—	284
Dividends declared on common stock	—	—	—	(26,664)	—	—	—	(26,664)
Stock-based compensation	—	—	1,946	—	—	—	—	1,946
At September 30, 2024	203,888,237	\$ 203,888	\$ 1,470,429	\$ 1,401,555	\$ (17,887)	—	\$ —	3,057,985

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

MDU Resources Group, Inc.
Consolidated Statements of Equity
(Unaudited)

	Common Stock		Other Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
(In thousands, except shares)								
At December 31, 2022	204,162,814	\$ 204,163	\$ 1,466,037	\$ 1,951,138	\$ (30,583)	(538,921)	\$ (3,626)	\$ 3,587,129
Net income	—	—	—	38,353	—	—	—	38,353
Other comprehensive income	—	—	—	—	217	—	—	217
Dividends declared on common stock	—	—	—	(45,574)	—	—	—	(45,574)
Stock-based compensation	—	—	3,108	—	—	—	—	3,108
Repurchase of common stock	—	—	—	—	—	(153,622)	(4,811)	(4,811)
Issuance of common stock upon vesting of stock-based compensation, net of shares used for tax withholdings	—	—	(7,851)	—	—	153,622	4,811	(3,040)
At March 31, 2023	204,162,814	\$ 204,163	\$ 1,461,294	\$ 1,943,917	\$ (30,366)	(538,921)	\$ (3,626)	\$ 3,575,382
Net income	—	—	—	130,692	—	—	—	130,692
Other comprehensive income	—	—	—	—	363	—	—	363
Dividends declared on common stock	—	—	—	(45,158)	—	—	—	(45,158)
Stock-based compensation	—	—	(927)	—	—	—	—	(927)
Separation of Knife River	(538,921)	(539)	—	(969,934)	12,306	538,921	3,626	(954,541)
Issuance of common stock	14,480	14	368	—	—	—	—	382
At June 30, 2023	203,638,373	\$ 203,638	\$ 1,460,735	\$ 1,059,517	\$ (17,697)	—	\$ —	\$ 2,706,193
Net income	—	—	—	74,929	—	—	—	74,929
Other comprehensive loss	—	—	—	—	(62)	—	—	(62)
Dividends declared on common stock	—	—	—	(25,645)	—	—	—	(25,645)
Stock-based compensation	—	—	2,204	—	—	—	—	2,204
Separation of Knife River	—	—	—	(185)	—	—	—	(185)
At September 30, 2023	203,638,373	\$ 203,638	\$ 1,462,939	\$ 1,108,616	\$ (17,759)	—	\$ —	\$ 2,757,434

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

MDU Resources Group, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
	2024	2023
	(In thousands)	
Operating activities:		
Net income	\$ 225,950	\$ 243,974
Less: income (loss) from discontinued operations, net of tax	2,319	(65,752)
Income from continuing operations	223,631	309,726
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	167,791	158,877
Deferred income taxes	(12,289)	63,745
Provision for credit losses	4,902	9,769
Amortization of debt issuance costs	1,167	991
Employee stock-based compensation costs	7,067	3,943
Pension and postretirement benefit plan net periodic benefit credit	(2,882)	(4,086)
Unrealized gain on retained shares in Knife River	—	(170,170)
Unrealized gains on investments	(5,813)	(3,501)
Gains on sales of assets	(5,754)	(6,761)
Changes in current assets and liabilities, net of acquisitions:		
Receivables	14,510	161,366
Inventories	(6,307)	(19,694)
Other current assets	37,007	(68,161)
Accounts payable	7,176	(132,323)
Other current liabilities	47,057	42,310
Pension and postretirement benefit plan contributions	(2,557)	(7,541)
Other noncurrent changes	(35,238)	(3,362)
Net cash provided by continuing operations	439,468	335,128
Net cash provided by (used in) discontinued operations	2,318	(160,214)
Net cash provided by operating activities	441,786	174,914
Investing activities:		
Capital expenditures	(400,989)	(370,585)
Net proceeds from sale or disposition of property	9,590	12,508
Cost of removal, net of salvage value	(6,133)	730
Investments	(3,878)	(3,339)
Proceeds from investment cost basis withdrawal	9,000	—
Net cash used in continuing operations	(392,410)	(360,686)
Net cash used in discontinued operations	—	(55,012)
Net cash used in investing activities	(392,410)	(415,698)
Financing activities:		
Issuance of short-term borrowings	—	461,400
Repayment of short-term borrowings	(95,000)	(193,500)
Issuance of long-term debt	302,400	411,900
Repayment of long-term debt	(147,731)	(434,994)
Debt issuance costs	(2,416)	(1,844)
Costs of issuance of common stock	(50)	—
Dividends paid	(76,915)	(135,861)
Repurchase of common stock	—	(4,811)
Tax withholding on stock-based compensation	(2,623)	(3,040)
Net cash (used in) provided by continuing operations	(22,335)	99,250
Net cash provided by discontinued operations	—	93,509
Net cash (used in) provided by financing activities	(22,335)	192,759
Increase (decrease) in cash, cash equivalents and restricted cash	27,041	(48,025)
Cash, cash equivalents and restricted cash - beginning of year	76,975	80,518
Cash, cash equivalents and restricted cash - end of period	\$ 104,016	\$ 32,493

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

**MDU Resources Group, Inc.
Notes to Consolidated
Financial Statements**

**September 30, 2024 and 2023
(Unaudited)**

Note 1 - Basis of presentation

The accompanying consolidated interim financial statements were prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Interim financial statements do not include all disclosures provided in annual financial statements and, accordingly, these financial statements should be read in conjunction with those appearing in the 2023 Annual Report. The information is unaudited but includes all adjustments that are, in the opinion of management, necessary for a fair presentation of the accompanying consolidated interim financial statements and are of a normal recurring nature. Depreciation and amortization expense is reported separately on the Consolidated Statements of Income and therefore is excluded from the other line items within operating expenses.

On May 31, 2023, the Company completed the separation of Knife River, formerly the construction materials and contracting segment, which resulted in two independent, publicly-traded companies, MDU Resources Group, Inc. and Knife River. The Company's board of directors approved the distribution of approximately 90 percent of the issued and outstanding shares of Knife River to the Company's stockholders. Stockholders of the Company received one share of Knife River common stock for every four shares of the Company's common stock held on May 22, 2023, the record date for the distribution. The Company retained approximately 10 percent or 5.7 million shares of Knife River common stock immediately following the separation, which were disposed of in a tax-free exchange in November 2023.

The Company's consolidated financial statements and accompanying notes for the current and prior periods present the results of operations of Knife River as discontinued operations, other than certain corporate overhead costs of the Company historically allocated to Knife River, which are reflected in Other. Also included in Discontinued operations, net of tax in the Consolidated Statements of Income are the supporting activities of Fidelity and certain interest expense related to financing activity associated with the Knife River separation. Unless otherwise indicated, the amounts presented in the accompanying notes to the consolidated financial statements relate to the Company's continuing operations. For more information on discontinued operations, see Note 3.

On October 31, 2024, the Company completed the separation of Everus, its construction services business, resulting in Everus becoming an independent, publicly-traded company. The Company's board of directors approved the distribution of all the outstanding shares of Everus common stock to the Company's stockholders. Stockholders of the Company received one share of Everus common stock for every four shares of the Company's common stock held as of the close of business on October 21, 2024, the record date for the distribution. The distribution is expected to be tax-free to the Company's stockholders for U.S. federal income tax purposes, except for cash received in lieu of fractional shares.

As of September 30, 2024, the spinoff of Everus did not meet the criteria for discontinued operations and its results are included in continuing operations in the Company's Consolidated Financial Statements.

Management has also evaluated the impact of events occurring after September 30, 2024, up to the date of the issuance of these consolidated interim financial statements on November 7, 2024, that would require recognition or disclosure in the Consolidated Financial Statements.

Note 2 - New accounting standards

The following table provides a brief description of the accounting pronouncements applicable to the Company and the potential impact on its Consolidated Financial Statements and/or disclosures:

Standard	Description	Effective date	Impact on financial statements/disclosures
Recently adopted accounting standards			
ASU 2022-06 - Reference Rate Reform: Deferral of Sunset Date	In December 2022, the FASB included a sunset provision within ASC 848 based on expectations of when LIBOR would cease being published. At the time ASU 2020-04 was issued, the UK Financial Conduct Authority had established its intent to cease overnight tenors of LIBOR after December 31, 2021. In March 2021, the UK Financial Conduct Authority announced that the intended cessation date of the overnight tenors of LIBOR would be June 30, 2023 which was beyond the sunset date of ASC 848. The amendments in this Update defer the sunset date of ASC 848 from December 31, 2022 to December 31, 2024, after which entities will no longer be permitted to apply the relief in ASC 848.	December 31, 2024	The Company has updated its credit agreements to include language regarding the successor or alternate rate to LIBOR. The Company does not expect the guidance to have a material impact on its results of operations, financial position, cash flows or disclosures.
Recently issued accounting standards not yet adopted			
ASU 2023-05 Business Combinations - Joint Venture Formations - Recognition and Initial Measurement	In August 2023, the FASB issued guidance on accounting for contributions made to a joint venture, upon formation, in a joint venture's separate financial statement in order to provide decision-useful information to investors and other allocators of capital (collectively investors) in a joint venture's financial statements and reduce diversity in practice. The new basis of accounting will require that a joint venture, upon formation, will recognize and initially measure its assets and liabilities at fair value (with the exceptions to fair value measurement that are consistent with the business combinations guidance). A joint venture that was formed before January 1, 2025 may elect to apply the guidance retrospectively if it has sufficient information.	Effective prospectively for all joint venture formations with a formation date on or after January 1, 2025.	The Company is currently evaluating the impact the guidance will have on its interim and annual disclosures for the year ended December 31, 2025.
ASU 2023-07 Segment Reporting - Improvements to Reportable Segment Disclosures	In November 2023, the FASB issued guidance on improving financial reporting by requiring disclosure of incremental segment information, primarily through enhanced disclosures about significant segment expenses, on an annual and interim basis for all public entities to enable investors to develop more decision-useful financial analyses.	Effective for fiscal year December 31, 2024 and interim periods beginning January 1, 2025, with prior periods disclosed in the period of adoption.	The Company is currently evaluating the impact the guidance will have on its disclosures for the year ended December 31, 2024 and future interim periods.
ASU 2023-09 Income Taxes - Improvements to Income Tax Disclosures an Amendment, December 2023	The FASB issued guidance to address investors requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information and effectiveness of income tax disclosures.	December 31, 2025	The Company is currently evaluating the impact the guidance will have on its disclosures for the year ended December 31, 2025.
ASU 2024-01 Compensation - Stock Compensation	The FASB issued improvements to GAAP through an example to demonstrate application of the scope of paragraph 718-10-15-3 to determine whether profits interest and similar awards should be accounted in Compensation - Stock Compensation.	Effective for fiscal year beginning after December 15, 2024.	The Company is currently evaluating the impact the guidance will have on its disclosures for the year ended December 31, 2025.

Note 3 - Discontinued operations

On May 31, 2023, the Company completed the separation of Knife River, its former construction materials and contracting segment, into a new publicly-traded company. The separation was achieved through the Company's pro-rata distribution of approximately 90 percent of the outstanding shares of Knife River to the Company's common stockholders. To effect the separation, the Company distributed to its stockholders one share of Knife River common stock for every four shares of the Company's common stock held on May 22, 2023, the record date for the distribution, with the Company retaining approximately 10 percent, or 5.7 million shares of Knife River common stock immediately following the separation. In November 2023, the Company completed the tax-free exchange of its retained shares.

As a result of the separation, the historical results of operations are shown in discontinued operations, net of tax, other than allocated general corporate overhead costs of the Company, which do not meet the criteria for income (loss) from discontinued operations.

On April 25, 2023, Knife River issued \$425.0 million of senior notes, pursuant to an indenture, due in 2031 to qualified institutional buyers. Knife River also entered into a new credit agreement which provided a revolving credit facility in an initial amount of up to \$350.0 million and a senior secured term loan facility in an amount up to \$275.0 million. The net proceeds from the notes offering, revolving credit facility and the term loan were used to repay \$825.0 million of Knife River's intercompany obligations owed to Centennial. Centennial used the entirety of these proceeds from Knife River to repay a portion of its existing third-party indebtedness.

As a result of the separation, the Company retained legal ownership of 538,921 shares of the Company's common stock that were historically owned by a subsidiary of Knife River and recorded in treasury stock at cost. Following the separation, the 538,921 treasury shares were retired.

The Company provided to Knife River and Knife River provided to the Company transition services in accordance with the TSA entered into on May 31, 2023. For the three and nine months ended September 30, 2024, the Company received \$39,000 and \$1.5 million, respectively, and paid \$15,000 and \$155,000, respectively, for these related activities. For the three and nine months ended September 30, 2023, the Company received \$1.3 million and \$1.9 million, respectively, and paid \$407,000 and \$684,000, respectively, for these related activities. The majority of the transition services were to be provided for a period of one year, however, no longer than two years after the separation.

Separation related costs of \$204,000 and \$342,000, net of tax, were incurred during the three and nine months ended September 30, 2024, respectively. Separation related costs of \$1.0 million and \$47.1 million, net of tax, were incurred during the three and nine months ended September 30, 2023, respectively. Separation costs incurred are presented in Discontinued operations, net of tax in the Consolidated Statements of Income. These charges primarily relate to transaction and third-party support costs, one-time business separation fees and related tax charges.

The Company had no assets or liabilities related to the discontinued operations of Knife River on its balance sheet as of September 30, 2024 and 2023 and December 31, 2023.

The reconciliation of the major classes of income and expense constituting pretax loss from discontinued operations to the after-tax loss from discontinued operations on the Consolidated Statements of Income were as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
	(In thousands)			
Operating revenues	\$ —	\$ —	\$ —	\$ 735,259
Operating expenses	270	1,447	431	769,407
Operating (loss) income	(270)	(1,447)	(431)	(34,148)
Other income	—	—	—	2,382
Interest expense	—	(66)	—	37,545
Loss from discontinued operations before income taxes	(270)	(1,381)	(431)	(69,311)
Income tax (benefit) expense	(2,726)	1,908	(2,750)	(3,559)
Discontinued operations, net of tax	\$ 2,456	\$ (3,289)	\$ 2,319	\$ (65,752)

Note 4 - Seasonality of operations

Some of 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 particular businesses, and for the Company as a whole, may not be indicative of results for the full fiscal year.

Note 5 - Receivables and allowance for expected credit losses

Receivables consist primarily of trade and contracting services receivables from the sale of goods and services, net of expected credit losses. The Company's trade receivables are all due in 12 months or less. The total balance of receivables past due 90 days or more was \$79.9 million, \$51.1 million and \$45.7 million at September 30, 2024 and 2023, and December 31, 2023, respectively.

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

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

	Electric	Natural gas distribution	Pipeline	Construction services	Total
(In thousands)					
At December 31, 2023	\$ 414	\$ 1,189	\$ —	\$ 7,967	\$ 9,570
Current expected credit loss provision	782	1,916	—	(411)	2,287
Less write-offs charged against the allowance	659	1,455	—	48	2,162
Credit loss recoveries collected	147	314	—	—	461
At March 31, 2024	\$ 684	\$ 1,964	\$ —	\$ 7,508	\$ 10,156
Current expected credit loss provision	190	214	—	277	681
Less write-offs charged against the allowance	463	969	—	541	1,973
Credit loss recoveries collected	80	196	—	13	289
At June 30, 2024	\$ 491	\$ 1,405	\$ —	\$ 7,257	\$ 9,153
Current expected credit loss provision	520	1,330	—	84	1,934
Less write-offs charged against the allowance	594	2,121	—	84	2,799
Credit loss recoveries collected	86	255	—	43	384
At September 30, 2024	\$ 503	\$ 869	\$ —	\$ 7,300	\$ 8,672

	Electric	Natural gas distribution	Pipeline	Construction services	Total
(In thousands)					
At December 31, 2022	\$ 375	\$ 1,615	\$ 2	\$ 2,162	\$ 4,154
Current expected credit loss provision	615	2,324	—	826	3,765
Less write-offs charged against the allowance	667	1,225	—	51	1,943
Credit loss recoveries collected	145	229	—	1	375
At March 31, 2023	\$ 468	\$ 2,943	\$ 2	\$ 2,938	\$ 6,351
Current expected credit loss provision	182	90	—	1,825	2,097
Less write-offs charged against the allowance	316	1,454	—	103	1,873
Credit loss recoveries collected	79	161	—	58	298
At June 30, 2023	\$ 413	\$ 1,740	\$ 2	\$ 4,718	\$ 6,873
Current expected credit loss provision	513	1,661	—	1,733	3,907
Less write-offs charged against the allowance	572	2,758	—	27	3,357
Credit loss recoveries collected	75	233	—	—	308
At September 30, 2023	\$ 429	\$ 876	\$ 2	\$ 6,424	\$ 7,731

Note 6 - Inventories and natural gas in storage

Natural gas in storage for the Company's regulated operations is generally valued at lower of cost or market using the last-in, first-out method or lower of cost or net realizable value using the average cost or first-in, first-out method. The majority of all other inventories are valued at the lower of cost or net realizable value using the average cost method. The portion of the cost of natural gas in storage expected to be used within 12 months was included in inventories. Inventories on the Consolidated Balance Sheets were as follows:

	September 30, 2024	September 30, 2023	December 31, 2023
	(In thousands)		
Natural gas in storage (current) \$	40,770	\$ 29,821	\$ 39,377
Merchandise for resale	38,311	36,815	34,955
Materials and supplies	6,264	7,824	5,460
Other	6,544	5,775	7,600
Total	\$ 91,889	\$ 80,235	\$ 87,392

The remainder of natural gas in storage, which largely represents the cost of gas required to maintain pressure levels for normal operating purposes, was included in noncurrent assets - other and was \$50.1 million, \$47.4 million and \$48.5 million at September 30, 2024 and 2023 and December 31, 2023, respectively.

Note 7 - Earnings per share

Basic earnings per share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the applicable period. Diluted earnings per share is computed by dividing net income by the total of the weighted average number of shares of common stock outstanding during the applicable period, plus the effect of non-vested performance share awards and restricted stock units. Net income was the same for both the basic and diluted earnings per share calculations. A reconciliation of the weighted average common shares outstanding used in the basic and diluted earnings per share calculations follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(In thousands, except per share amounts)			
Weighted average common shares outstanding - basic	203,888	203,638	203,852	203,633
Effect of dilutive performance share awards and restricted stock units	790	248	599	258
Weighted average common shares outstanding - diluted	204,678	203,886	204,451	203,891
Earnings per share - basic:				
Income from continuing operations	\$.31	\$.38	\$ 1.10	\$ 1.52
Discontinued operations, net of tax	.01	(.01)	.01	(.32)
Earnings per share - basic	\$.32	\$.37	\$ 1.11	\$ 1.20
Earnings per share - diluted:				
Income from continuing operations	\$.31	\$.38	\$ 1.10	\$ 1.52
Discontinued operations, net of tax	.01	(.01)	.01	(.32)
Earnings per share - diluted	\$.32	\$.37	\$ 1.11	\$ 1.20
Shares excluded from the calculation of diluted earnings per share	—	—	—	—
Dividends declared per common share	\$.1300	\$.1250	\$.3800	\$.5700

Note 8 - Revenue from contracts with customers

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

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

The Company recognizes revenue from the sale of emissions allowances allocated under the environmental programs in certain states. The Company has the right to payment when the allowances are sold at auction. Revenue is recognized on a point in time basis within the quarter that the auction is held. The revenues associated with the sale of these allowances are deferred as a component of the respective jurisdiction's regulatory asset or liability for environmental compliance. For more information on the Company's regulatory assets and liabilities, see Note 10.

Changes in cost estimates on certain contracts may result in the issuance of change orders, which can be approved or unapproved by the customer, or the assertion of contract claims. The Company recognizes amounts associated with change orders and claims as revenue if it is probable that the contract price will be adjusted and the amount of any such adjustment can be reasonably estimated. Change orders and claims are negotiated in the normal course of business and represent management's estimates of additional contract revenues that have been earned and are probable of collection.

The Company received notification in 2023 from a customer on a large project with a contract that was billed on a time and materials basis with no stated maximum price, that it is withholding payment of approximately \$31.2 million on remaining outstanding billings, including retention. The Company believes it has substantial defenses against these claims based upon the terms of the contract and the Company's belief that it has fully performed under the terms of the contract. The Company believes collection of the remaining outstanding billings, including retention is probable and, as a result, the Company has recognized the revenue from this project in its results. However, there is uncertainty surrounding this matter, including the potential long-term nature of dispute resolution, the Company filing a lien on the property and the broad range of possible consideration amounts as a result of negotiations and potential litigation to resolve the dispute.

Disaggregation

In the following tables, revenue is disaggregated by the type of customer or service provided. The Company believes this level of disaggregation best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The table also includes a reconciliation of the disaggregated revenue by reportable segments. For more information on the Company's business segments, see Note 15.

Three Months Ended September 30, 2024	Electric	Natural gas distribution	Pipeline	Construction services	Other	Total
(In thousands)						
Residential utility sales	\$ 37,076	\$ 61,928	\$ —	\$ —	\$ —	99,004
Commercial utility sales	46,648	37,687	—	—	—	84,335
Industrial utility sales	9,702	6,869	—	—	—	16,571
Other utility sales	2,045	—	—	—	—	2,045
Natural gas transportation	—	15,279	41,936	—	—	57,215
Natural gas storage	—	—	6,053	—	—	6,053
Electrical & mechanical specialty contracting	—	—	—	534,613	—	534,613
Transmission & distribution specialty contracting	—	—	—	216,062	—	216,062
Other	16,182	9,736	3,537	169	1,433	31,057
Intersegment eliminations	(96)	(104)	(3,931)	—	(1,432)	(5,563)
Revenues from contracts with customers	111,557	131,395	47,595	750,844	1	1,041,392
Other revenues	(3,173)	2,122	33	10,142	—	9,124
Total external operating revenues	\$ 108,384	\$ 133,517	\$ 47,628	\$ 760,986	\$ 1	\$ 1,050,516

Three Months Ended September 30, 2023	Electric	Natural gas distribution	Pipeline	Construction services	Other	Total
(In thousands)						
Residential utility sales	\$ 34,303	\$ 68,733	\$ —	\$ —	\$ —	103,036
Commercial utility sales	49,754	40,360	—	—	—	90,114
Industrial utility sales	10,747	7,272	—	—	—	18,019
Other utility sales	1,865	—	—	—	—	1,865
Natural gas transportation	—	13,050	35,338	—	—	48,388
Natural gas storage	—	—	4,808	—	—	4,808
Electrical & mechanical specialty contracting	—	—	—	514,378	—	514,378
Transmission & distribution specialty contracting	—	—	—	192,056	—	192,056
Other	14,701	3,881	3,916	(89)	1,689	24,098
Intersegment eliminations	(27)	(69)	(3,701)	—	(1,689)	(5,486)
Revenues from contracts with customers	111,343	133,227	40,361	706,345	—	991,276
Other revenues	(3,254)	1,669	43	11,061	—	9,519
Total external operating revenues	\$ 108,089	\$ 134,896	\$ 40,404	\$ 717,406	\$ —	\$ 1,000,795

Nine Months Ended September 30, 2024	Electric	Natural gas distribution	Pipeline	Construction services	Other	Total
(In thousands)						
Residential utility sales	\$ 107,735	\$ 431,721	\$ —	\$ —	\$ —	539,456
Commercial utility sales	129,783	264,091	—	—	—	393,874
Industrial utility sales	32,809	30,716	—	—	—	63,525
Other utility sales	6,046	—	—	—	—	6,046
Natural gas transportation	—	43,194	128,979	—	—	172,173
Natural gas storage	—	—	16,766	—	—	16,766
Electrical & mechanical specialty contracting	—	—	—	1,476,006	—	1,476,006
Transmission & distribution specialty contracting	—	—	—	583,803	—	583,803
Other	44,998	18,705	9,903	260	4,283	78,149
Intersegment eliminations	(188)	(209)	(43,296)	(336)	(4,265)	(48,294)
Revenues from contracts with customers	321,183	788,218	112,352	2,059,733	18	3,281,504
Revenues out of scope	(5,915)	6,200	119	29,978	—	30,382
Total external operating revenues	\$ 315,268	\$ 794,418	\$ 112,471	\$ 2,089,711	\$ 18	\$ 3,311,886

Nine Months Ended September 30, 2023	Electric	Natural gas distribution	Pipeline	Construction services	Other	Total
(In thousands)						
Residential utility sales	\$ 102,953	\$ 517,351	\$ —	\$ —	\$ —	620,304
Commercial utility sales	124,363	316,483	—	—	—	440,846
Industrial utility sales	31,880	33,293	—	—	—	65,173
Other utility sales	5,349	—	—	—	—	5,349
Natural gas transportation	—	38,225	104,716	—	—	142,941
Natural gas storage	—	—	12,427	—	—	12,427
Electrical & mechanical specialty contracting	—	—	—	1,672,948	—	1,672,948
Transmission & distribution specialty contracting	—	—	—	511,563	—	511,563
Other	38,111	11,874	9,713	121	6,412	66,231
Intersegment eliminations	(82)	(208)	(37,889)	—	(6,412)	(44,591)
Revenues from contracts with customers	302,574	917,018	88,967	2,184,632	—	3,493,191
Revenues out of scope	(7,799)	2,469	119	34,040	—	28,829
Total external operating revenues	\$ 294,775	\$ 919,487	\$ 89,086	\$ 2,218,672	\$ —	\$ 3,522,020

Contract balances

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

The changes in contract assets and liabilities were as follows:

	September 30, 2024	December 31, 2023	Change	Location on Consolidated Balance Sheets
(In thousands)				
Contract assets	\$ 174,782	\$ 158,861	\$ 15,921	Receivables, net
Contract liabilities - current	(226,754)	(202,144)	(24,610)	Accounts payable
Contract liabilities - noncurrent	(2,114)	(291)	(1,823)	Noncurrent liabilities - other
Net contract liabilities	\$ (54,086)	\$ (43,574)	\$ (10,512)	

The Company recognized \$47.4 million and \$169.0 million in revenue for the three and nine months ended September 30, 2024, respectively, which was previously included in contract liabilities at December 31, 2023. The Company recognized \$6.3 million and \$164.3 million in revenue for the three and nine months ended September 30, 2023, respectively, which was previously included in contract liabilities at December 31, 2022.

The Company recognized a net increase in revenues of \$25.8 million and \$71.8 million for the three and nine months ended September 30, 2024, respectively, from performance obligations satisfied in prior periods. The Company recognized a net increase in revenues of \$20.2 million and \$41.7 million for the three and nine months ended September 30, 2023, respectively, from performance obligations satisfied in prior periods.

Remaining performance obligations

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

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

At September 30, 2024, the Company's remaining performance obligations were \$3.5 billion. The Company expects to recognize the following revenue amounts in future periods related to these remaining performance obligations: \$2.3 billion within the next 12 months or less; \$681.1 million within the next 13 to 24 months; and \$551.1 million in 25 months or more.

Note 9 - Leases

The Company's leases primarily include operating leases for equipment, buildings, easements and vehicles. The Company leases certain equipment to third parties through its utility and construction services segments, which are considered short-term operating leases with terms of less than 12 months.

The Company recognized revenue from operating leases of \$10.3 million and \$30.3 million for the three and nine months ended September 30, 2024, respectively. The Company recognized revenue from operating leases of \$11.2 million and \$34.5 million for the three and nine months ended September 30, 2023, respectively. At September 30, 2024, the Company had \$8.6 million of lease receivables with a majority due within 12 months.

Note 10 - Regulatory assets and liabilities

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

	Estimated Recovery or Refund Period as of September 30, 2024 *	September 30, 2024	September 30, 2023	December 31, 2023
(In thousands)				
Regulatory assets:				
Current:				
Natural gas costs recoverable through rate adjustments	Up to 1 year	\$ 111,946	\$ 107,101	\$ 98,844
Environmental compliance programs	Up to 1 year	80,198	3,972	5,525
Conservation programs	Up to 1 year	19,059	14,411	14,425
Demand cost deferral	Up to 1 year	13,898	13,254	5,207
Electric fuel and purchased power deferral	Up to 1 year	4,497	17,775	33,918
Cost recovery mechanisms	Up to 1 year	4,332	9,461	9,153
Other	Up to 1 year	7,078	3,274	5,420
		241,008	169,248	172,492
Noncurrent:				
Pension and postretirement benefits	**	142,511	144,448	142,511
Cost recovery mechanisms	Up to 25 years	82,907	68,539	85,944
Plant costs/asset retirement obligations	Over plant lives	45,249	43,520	46,009
Manufactured gas plant site remediation	-	25,789	24,577	26,127
Taxes recoverable from customers	Over plant lives	12,316	12,266	12,249
Natural gas costs recoverable through rate adjustments	Up to 2 years	11,707	64,914	55,493
Electric fuel and purchased power deferral	Up to 2 years	8,335	—	—
Environmental compliance programs	-	2,858	36,605	66,806
Long-term debt refinancing costs	Up to 36 years	2,159	2,747	2,600
Plant to be retired	-	22	19,947	772
Other	Up to 15 years	9,725	11,406	8,588
		343,578	428,969	447,099
Total regulatory assets		\$ 584,586	\$ 598,217	\$ 619,591
Regulatory liabilities:				
Current:				
Environmental compliance programs	Up to 1 year	\$ 77,392	\$ —	\$ —
Natural gas costs refundable through rate adjustments	Up to 1 year	54,197	20,445	43,161
Provision for rate refund	Up to 1 year	8,868	2,717	6,866
Margin sharing	Up to 1 year	3,945	2,697	5,243
Conservation programs	Up to 1 year	2,662	1,976	2,130
Cost recovery mechanisms	Up to 1 year	2,634	5,754	6,284
Taxes refundable to customers	Up to 1 year	2,195	1,513	2,149
Other	Up to 1 year	5,175	9,911	4,928
		157,068	45,013	70,761
Noncurrent:				
Plant removal and decommissioning costs	Over plant lives	224,839	220,499	220,147
Taxes refundable to customers	Over plant lives	184,715	194,804	193,578
Cost recovery mechanisms	Up to 18 years	28,397	20,012	21,791
Accumulated deferred investment tax credit	Over plant lives	17,679	14,800	15,740
Pension and postretirement benefits	**	6,043	7,120	6,044
Environmental compliance programs	-	—	36,126	61,941
Other	Up to 14 years	2,117	1,751	1,809
		463,790	495,112	521,050
Total regulatory liabilities		\$ 620,858	\$ 540,125	\$ 591,811
Net regulatory position		\$ (36,272)	\$ 58,092	\$ 27,780

* Estimated recovery or refund period for amounts currently being recovered or refunded in rates to customers.

** Recovered as expense is incurred or cash contributions are made.

At September 30, 2024 and 2023, and December 31, 2023, approximately \$178.8 million, \$211.8 million and \$194.3 million, respectively, of regulatory assets were not earning a rate of return; however, these regulatory assets are expected to be recovered from customers in future rates. These assets are largely comprised of the unfunded portion of pension and postretirement benefits, asset retirement obligations, certain pipeline integrity costs and the estimated future cost of manufactured gas plant site remediation.

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

Note 11 - Environmental allowances and obligations

Beginning in 2023, the Company's natural gas distribution segment acquires environmental allowances as part of its requirement to comply with environmental regulations in certain states. Allowances are allocated by the respective states to the Company at no cost and additional allowances are required to be purchased as needed based on the requirements in the respective states. The segment records purchased and allocated environmental allowances at weighted average cost under the inventory method of accounting. Environmental allowances are included in Prepayments and other current assets and noncurrent assets - Other on the Consolidated Balance Sheets.

Environmental compliance obligations, which are based on GHG emissions, are measured at the carrying value of environmental allowances held plus the estimated value of additional allowances necessary to satisfy the compliance obligation. Environmental compliance obligations are included in current liabilities - Other accrued liabilities and noncurrent liabilities - Other on the Consolidated Balance Sheets.

The Company recognizes revenue from the sale of emissions allowances allocated under the environmental programs when the allowances are sold at auction. The revenues associated with the sale of these allowances are deferred as a component of the respective jurisdiction's regulatory liability for environmental compliance.

As environmental allowances are surrendered, the segment reduces the associated environmental compliance assets and liabilities from the Consolidated Balance Sheets. The expenses and revenues associated with the Company's environmental allowances and obligations are deferred as regulatory assets and liabilities and recognized as a component of purchased natural gas sold as recovered in customer rates. For more information on the Company's regulatory assets and liabilities, see Note 10.

Note 12 - Fair value measurements

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

The Company measures its investments in certain fixed-income and equity securities at fair value with changes in fair value recognized in income. The Company anticipates using these investments, which consist of insurance contracts, to satisfy its obligations under its unfunded, nonqualified defined benefit and defined contribution plans for 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 \$63.7 million, \$62.7 million and \$66.2 million, at September 30, 2024 and 2023, and December 31, 2023, respectively, are classified as Investments on the Consolidated Balance Sheets. The net unrealized gain on these investments was \$2.6 million and \$5.8 million for the three and nine months ended September 30, 2024, respectively. The net unrealized loss on these investments was \$1.4 million for the three months ended and an unrealized gain of \$3.5 million for the nine months ended September 30, 2023. The change in fair value, which is considered part of the cost of the plan, is classified in Other income on the Consolidated Statements of Income. In the first quarter of 2024 and the fourth quarter of 2023 the Company withdrew \$9.0 million and \$20.0 million, respectively, of its cost basis, which reduced Investments on the Consolidated Balance Sheets.

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

September 30, 2024	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In thousands)				
Mortgage-backed securities	\$ 8,104	\$ 41	\$ 312	\$ 7,833
U.S. Treasury securities	3,897	74	—	3,971
Total	\$ 12,001	\$ 115	\$ 312	\$ 11,804

September 30, 2023	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In thousands)				
Mortgage-backed securities	\$ 8,386	\$ —	\$ 750	\$ 7,636
U.S. Treasury securities	3,307	11	23	3,295
Total	\$ 11,693	\$ 11	\$ 773	\$ 10,931

December 31, 2023	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In thousands)				
Mortgage-backed securities	\$ 8,234	\$ 17	\$ 470	\$ 7,781
U.S. Treasury securities	3,521	28	8	3,541
Total	\$ 11,755	\$ 45	\$ 478	\$ 11,322

On May 31, 2023, the Company completed the Knife River separation and retained approximately 10 percent, or 5.7 million shares of Knife River common stock immediately following the separation, which were disposed of in a tax-free exchange in November 2023. The Company did not retain a controlling interest in Knife River and therefore the fair value of its retained shares and subsequent fair value changes are included in assets of and results from continuing operations, respectively. At September 30, 2023, the fair value of the Company's retained shares in Knife River common stock of \$276.2 million was reflected in Retained shares in Knife River on the Consolidated Balance Sheet and was remeasured at fair value based on Knife River's closing stock price on September 30, 2023, with an unrealized gain of \$30.2 million and \$170.2 million for the three and nine months ended September 30, 2023, respectively, which is recorded in Unrealized gain on retained shares in Knife River on the Consolidated Statements of Income.

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

	Fair Value Measurements at September 30, 2024, Using			Balance at September 30, 2024
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
(In thousands)				
Assets:				
Money market funds	\$ —	\$ 11,033	\$ —	\$ 11,033
Insurance contracts*	—	63,658	—	63,658
Available-for-sale securities:				
Mortgage-backed securities	—	7,833	—	7,833
U.S. Treasury securities	—	3,971	—	3,971
Total assets measured at fair value	\$ —	\$ 86,495	\$ —	\$ 86,495

* The insurance contracts invest approximately 55 percent in fixed-income investments, 18 percent in common stock of large-cap companies, 10 percent in target date investments, 8 percent in common stock of mid-cap companies, 4 percent in common stock of small-cap companies, 4 percent in cash equivalents, and 1 percent in international investments.

Fair Value Measurements at September 30, 2023, 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, 2023
(In thousands)				
Assets:				
Retained shares in Knife River	\$ 276,213	\$ —	\$ —	\$ 276,213
Money market funds	—	25,818	—	25,818
Insurance contracts*	—	62,736	—	62,736
Available-for-sale securities:				
Mortgage-backed securities	—	7,637	—	7,637
U.S. Treasury securities	—	3,295	—	3,295
Total assets measured at fair value	\$ 276,213	\$ 99,486	\$ —	\$ 375,699

* The insurance contracts invest approximately 50 percent in fixed-income investments, 19 percent in common stock of large-cap companies, 10 percent in target date investments, 10 percent in common stock of mid-cap companies, 6 percent in common stock of small-cap companies, 3 percent in cash equivalents, 1 percent in international investments, and 1 percent in high-yield investments.

Fair Value Measurements at December 31, 2023, 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, 2023
(In thousands)				
Assets:				
Money market funds	\$ —	\$ 6,409	\$ —	\$ 6,409
Insurance contracts*	—	66,283	—	66,283
Available-for-sale securities:				
Mortgage-backed securities	—	7,781	—	7,781
U.S. Treasury securities	—	3,541	—	3,541
Total assets measured at fair value	\$ —	\$ 84,014	\$ —	\$ 84,014

* The insurance contracts invest approximately 60 percent in fixed-income investments, 15 percent in common stock of large-cap companies, 8 percent in target date investments, 7 percent in common stock of mid-cap companies, 5 percent in common stock of small-cap companies, 3 percent in cash equivalents, 1 percent in high yield investments and 1 percent in international investments.

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

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

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

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

	September 30, 2024	September 30, 2023	December 31, 2023
	(In thousands)		
Carrying amount	\$ 2,452,297	\$ 2,341,147	\$ 2,298,223
Fair value	\$ 2,207,359	\$ 1,960,926	\$ 2,046,039

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

Note 13 - Debt

Due to the Knife River separation, Centennial repaid all of its outstanding debt in the second quarter of 2023, which was funded by the Knife River repayment and the Company entering into various new debt instruments. Refer to Note 3 for additional information related to the repayment of debt associated with the Knife River separation.

Certain debt instruments of the Company and its subsidiaries contain restrictive and financial covenants and cross-default provisions. In order to borrow under the debt agreements, the Company and its subsidiaries must be in compliance with the applicable covenants and certain other conditions, all of which the Company and its subsidiaries, as applicable, were in compliance with at September 30, 2024. In the event the Company or its subsidiaries do not comply with the applicable covenants and other conditions, alternative sources of funding may need to be pursued.

Montana-Dakota's commercial paper program is supported by a revolving credit agreement. While the amount of commercial paper outstanding does not reduce available capacity under the revolving credit agreement, Montana-Dakota does not issue commercial paper in an aggregate amount exceeding the available capacity under the credit agreement. The commercial paper and revolving credit agreement borrowings may vary during the period, largely the result of fluctuations in working capital requirements due to the seasonality of certain operations of Montana-Dakota.

Short-term debt

Cascade On January 20, 2023, Cascade entered into a \$150.0 million term loan agreement with a SOFR-based variable interest rate and a maturity date of January 19, 2024. On December 5, 2023, Cascade paid down \$100.0 million of the outstanding balance. On January 19, 2024, Cascade made the final \$50.0 million repayment on the \$150.0 million term loan agreement.

Intermountain On January 20, 2023, Intermountain entered into a \$125.0 million term loan agreement with a SOFR-based variable interest rate and a maturity date of January 19, 2024. In March, April, and May 2023, Intermountain paid down \$20.0 million, \$30.0 million, and \$30.0 million, respectively, of the outstanding balance. On January 19, 2024, Intermountain made the final \$45.0 million repayment on the \$125.0 million term loan agreement.

Long-term debt

Cascade On June 20, 2024, Cascade amended and restated its revolving credit agreement to increase the borrowing capacity from \$100.0 million to \$175.0 million and extend the maturity date to June 20, 2029. Any borrowings under the revolving credit agreement are classified as long-term debt as they are intended to be refinanced on a long-term basis through continued borrowings. The credit agreement contains customary covenants and provisions, including a covenant of Cascade not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent. Other covenants include restrictions on the sale of certain assets, limitations on indebtedness and the making of certain investments.

Intermountain On June 20, 2024, Intermountain amended and restated its revolving credit agreement to increase the borrowing capacity from \$100.0 million to \$175.0 million and extend the maturity date to June 20, 2029. Any borrowings under the revolving credit agreement are classified as long-term debt as they are intended to be refinanced on a long-term basis through continued borrowings. The credit agreement contains customary covenants and provisions, including a covenant of Intermountain not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent. Other covenants include restrictions on the sale of certain assets, limitations on indebtedness and the making of certain investments.

WBI Energy Transmission On April 1, 2024, WBI Energy Transmission entered into a \$60.0 million term loan agreement with an interest rate of 4.52 percent and a maturity date of April 1, 2039, with the principal to be repaid in equal annual installments of \$4.0 million each, beginning March 2025 and continuing through the maturity date. The agreement contains customary covenants and provisions, including a covenant of WBI Energy Transmission not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent. The covenants also include certain restrictions on the sale of certain assets, loans and investments.

Montana-Dakota On July 11, 2024, Montana-Dakota issued \$125.0 million of senior notes under a note purchase agreement with maturity dates ranging from July 11, 2039 to July 11, 2054, at a weighted average interest rate of 5.96 percent. The agreement contains customary covenants and provisions, including a covenant of Montana-Dakota not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent. The covenants also include certain restrictions on the sale of certain assets, loans and investments.

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

	Weighted Average Interest Rate at September 30, 2024	September 30, 2024	September 30, 2023	December 31, 2023
(In thousands)				
Senior Notes due on dates ranging from August 23, 2025 to June 15, 2062	4.57 %	\$ 1,947,000	\$ 1,757,000	\$ 1,882,000
Term Loan Agreements due on dates ranging from May 31, 2025 to April 1, 2039	5.67 %	255,600	381,300	196,300
Credit agreements due on June 20, 2029	6.57 %	163,500	38,900	46,100
Commercial paper supported by revolving credit agreement	5.31 %	57,800	97,700	144,200
Medium-Term Notes due on dates ranging from September 15, 2027 to March 16, 2029	7.32 %	35,000	35,000	35,000
Other notes due on dates ranging from May 31, 2028 to November 30, 2038	6.00 %	350	37,884	980
Less unamortized debt issuance costs		6,953	6,637	6,357
Total long-term debt		2,452,297	2,341,147	2,298,223
Less current maturities		218,777	61,319	61,319
Net long-term debt		\$ 2,233,520	\$ 2,279,828	\$ 2,236,904

Schedule of Debt Maturities Long-term debt maturities, which excludes unamortized debt issuance costs and discount, at September 30, 2024, were as follows:

	Remainder of 2024	2025	2026	2027	2028	Thereafter
(In thousands)						
Long-term debt maturities	\$ —	\$ 351,700	\$ 144,700	\$ 24,700	\$ 137,500	\$ 1,800,650

Note 14 - Cash flow information

Cash expenditures for interest and income taxes were as follows:

	Nine Months Ended September 30,	
	2024	2023
(In thousands)		
Interest, net*	\$ 74,504	\$ 84,352
Income taxes paid, net**	\$ 53,553	\$ 40,290

* AFUDC - borrowed was \$8.4 million and \$7.4 million for the nine months ended September 30, 2024 and 2023, respectively. Interest, net also includes interest classified as discontinued operations in 2023.

** Income taxes paid, including discontinued operations, was \$39.4 million for the nine months ended September 30, 2023.

Noncash investing and financing transactions were as follows:

	September 30, 2024	September 30, 2023	December 31, 2023
(In thousands)			
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 39,558	\$ 36,307	\$ 46,181
Property, plant and equipment additions in accounts payable	\$ 49,686	\$ 37,598	\$ 46,622

Note 15 - Business segment data

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

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

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

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

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

Discontinued operations includes Knife River's operations, associated separation costs and interest on debt facilities repaid in connection with the Knife River separation. Discontinued operations also includes the supporting activities of Fidelity other than certain general and administrative costs and interest expense as described above.

The information below follows the same accounting policies as described in Note 2 of the Notes to Consolidated Financial Statements in the 2023 Annual Report. Information on the Company's segments was as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
	(In thousands)			
External operating revenues:				
Regulated operations:				
Electric	\$ 108,384	\$ 108,089	\$ 315,268	\$ 294,775
Natural gas distribution	133,517	134,896	794,418	919,487
Pipeline	44,152	36,549	102,929	79,697
	286,053	279,534	1,212,615	1,293,959
Non-regulated operations:				
Pipeline	3,476	3,855	9,542	9,389
Construction services	760,986	717,406	2,089,711	2,218,672
Other	1	—	18	—
	764,463	721,261	2,099,271	2,228,061
Total external operating revenues	\$ 1,050,516	\$ 1,000,795	\$ 3,311,886	\$ 3,522,020
Intersegment operating revenues:				
Regulated operations:				
Electric	\$ 96	\$ 27	\$ 188	\$ 82
Natural gas distribution	104	69	209	208
Pipeline	3,904	3,666	43,033	37,624
	4,104	3,762	43,430	37,914
Non-regulated operations:				
Pipeline	27	35	263	265
Construction services	—	—	336	—
Other	1,432	1,689	4,265	6,412
	1,459	1,724	4,864	6,677
Total intersegment operating revenues	\$ 5,563	\$ 5,486	\$ 48,294	\$ 44,591
Operating income (loss):				
Electric	\$ 32,079	\$ 28,718	\$ 73,498	\$ 71,372
Natural gas distribution	(14,695)	(15,258)	44,747	45,674
Pipeline	22,179	17,767	68,101	44,693
Construction services	53,709	50,091	143,902	139,619
Other	(2,468)	3,286	(13,751)	(16,201)
Total operating income	\$ 90,804	\$ 84,604	\$ 316,497	\$ 285,157
Income (loss) from continuing operations:				
Regulated operations:				
Electric	\$ 24,292	\$ 20,942	\$ 57,689	\$ 53,887
Natural gas distribution	(17,481)	(17,764)	17,581	18,007
Pipeline	14,810	11,450	47,054	29,029
	21,621	14,628	122,324	100,923
Non-regulated operations:				
Pipeline	374	508	447	337
Construction services	41,767	35,975	108,953	105,951
Other	(1,603)	27,107	(8,093)	102,515
	40,538	63,590	101,307	208,803
Income from continuing operations	62,159	78,218	223,631	309,726
Discontinued operations, net of tax	2,456	(3,289)	2,319	(65,752)
Net income	\$ 64,615	\$ 74,929	\$ 225,950	\$ 243,974

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
(In thousands)				
Operating revenues reconciliation:				
Total reportable segment operating revenues	\$ 1,054,646	\$ 1,004,592	\$ 3,355,897	\$ 3,560,199
Other revenue	1,433	1,689	4,283	6,412
Elimination of intersegment operating revenues	(5,563)	(5,486)	(48,294)	(44,591)
Total consolidated operating revenues	\$ 1,050,516	\$ 1,000,795	\$ 3,311,886	\$ 3,522,020

Note 16 - Employee benefit plans

Pension and other postretirement plans

The Company has noncontributory qualified 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 benefit plans were as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
(In thousands)				
Components of net periodic benefit cost (credit):				
Interest cost	\$ 3,200	\$ 3,380	\$ 9,600	\$ 10,140
Expected return on assets	(4,028)	(4,299)	(12,084)	(12,897)
Amortization of net actuarial loss	1,037	773	3,111	2,319
Net periodic benefit cost (credit)	\$ 209	\$ (146)	\$ 627	\$ (438)

Components of net periodic benefit credit for the Company's other postretirement benefit plans were as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
(In thousands)				
Components of net periodic benefit credit:				
Service cost	\$ 126	\$ 131	\$ 378	\$ 405
Interest cost	459	489	1,377	1,467
Expected return on assets	(1,329)	(1,334)	(3,987)	(4,026)
Amortization of prior service credit	(330)	(330)	(990)	(989)
Amortization of net actuarial gain	(72)	(96)	(216)	(408)
Net periodic benefit credit, including amount capitalized	(1,146)	(1,140)	(3,438)	(3,551)
Less amount capitalized	25	23	72	76
Net periodic benefit credit	\$ (1,171)	\$ (1,163)	\$ (3,510)	\$ (3,627)

The components of net periodic benefit cost (credit), other than the service cost component, are included in Other income on the Consolidated Statements of Income. The service cost component is included in Operation and maintenance expense on the Consolidated Statements of Income.

Nonqualified defined benefit plans

In addition to the qualified defined benefit pension plans reflected in the table at the beginning of this note, the Company also has unfunded, nonqualified defined benefit plans for executive officers and certain key management employees. The Company's net periodic benefit cost for these plans was \$733,000 and \$759,000 for the three months ended September 30, 2024 and 2023, respectively, and \$2.2 million and \$2.3 million for the nine months ended September 30, 2024 and 2023, respectively. The components of net periodic benefit cost for these plans are included in Other income on the Consolidated Statements of Income.

Note 17 - Regulatory matters

The Company regularly reviews the need for electric and natural gas rate changes in each of the jurisdictions in which service is provided. The Company files for rate adjustments to seek recovery of operating costs and capital investments, as well as reasonable returns as allowed by regulators. Certain regulatory proceedings and cases may also contain recurring mechanisms that can have an annual true-up. Examples of these recurring mechanisms include: infrastructure riders, transmission trackers, renewable resource cost adjustment riders, as well as weather normalization and decoupling mechanisms. The following paragraphs summarize the Company's significant open regulatory proceedings and cases by jurisdiction including updates to those reported in the 2023 Annual Report and should be read in conjunction with previous filings. The Company is unable to predict the ultimate outcome of these matters, the timing of final decisions of the various regulators and courts, or the effect on the Company's results of operations, financial position or cash flows.

MTPSC

On July 15, 2024, Montana-Dakota filed a request with the MTPSC for a natural gas general rate increase of approximately \$9.4 million annually or 11.1 percent above current rates. The requested increase is primarily to recover investments in system upgrades and pipeline replacement projects enhancing the reliability, safety and integrity of the natural gas system, as well as increased costs to operate and maintain that system. On October 15, 2024, the MTPSC denied Montana-Dakota's request for an interim rate increase of approximately \$8.0 million annually or 10.2 percent above current rates. On October 25, 2024, Montana-Dakota filed a motion for reconsideration of the interim rate increase. This matter is pending before the MTPSC.

NDPSC

On November 1, 2023, Montana-Dakota filed a request with the NDPSC for a natural gas general rate increase of approximately \$11.6 million annually or 7.5 percent above current rates. The requested increase is primarily to recover investments in system upgrades and pipeline replacement projects enhancing the reliability, safety and integrity of the natural gas system, as well as increased costs to operate and maintain that system. On December 13, 2023, the NDPSC approved an interim rate increase of approximately \$10.1 million annually or 6.5 percent above current rates, subject to refund, for service rendered on and after January 1, 2024. On September 16, 2024, an all-party settlement agreement was filed reflecting an annual revenue increase of \$9.4 million or 6.1 percent overall. The reduction from the original filing includes lower incentives and a decreased return on equity. This matter is pending before the NDPSC.

Montana-Dakota has a renewable resource cost adjustment rate tariff that allows for annual adjustments for recent projected capital costs and related expenses for projects determined to be recoverable under the tariff. On November 1, 2024, Montana-Dakota filed an annual update to its renewable resource cost adjustment requesting to recover a revenue requirement of approximately \$18.3 million annually. The update reflects a decrease of approximately \$2.8 million annually from the revenues currently included in rates.

SDPUC

On August 15, 2023, Montana-Dakota filed a request with the SDPUC for an electric general rate increase of approximately \$3.0 million annually or 17.3 percent above current rates. The requested increase is primarily to recover investments in production, transmission and distribution facilities and the associated depreciation, operation and maintenance expense and taxes associated with the increased investment. On January 26, 2024, Montana-Dakota filed a notice of intent to implement interim rates of \$2.7 million annually or 15.4 percent above current rates. The interim rates, subject to refund, were effective March 1, 2024. On July 26, 2024, an all-party settlement agreement was filed reflecting an annual revenue increase of \$1.4 million or 8.6 percent overall. The reduction from the original filing includes changes to the overall return, lower depreciation rates and other settled items. On August 13, 2024, the SDPUC approved the settlement with rates effective on and after September 1, 2024.

On August 15, 2023, Montana-Dakota filed a request with the SDPUC for a natural gas general rate increase of approximately \$7.4 million annually or 11.2 percent above current rates. The requested increase is primarily to recover investments in system upgrades and pipeline replacement projects enhancing the reliability, safety and integrity of the natural gas system, as well as increased costs to operate and maintain that system. On January 26, 2024, Montana-Dakota filed a notice of intent to implement interim rates, subject to refund, which were effective March 1, 2024. On July 26, 2024, an all-party settlement agreement was filed reflecting an annual revenue increase of \$5.4 million or 8.1 percent overall. The reduction from the original filing includes lower depreciation rates, changes to the overall return and other settled items. On August 13, 2024, the SDPUC approved the settlement with rates effective on and after September 1, 2024.

WUTC

On March 29, 2024, Cascade filed a request with the WUTC for a multi-year natural gas general rate increase of \$43.8 million or 11.6 percent effective March 1, 2025 and \$11.7 million or 2.8 percent to be effective March 1, 2026. Multi-year filings are now required by Washington law that went into effect on January 1, 2022. The requested increase is primarily to recover infrastructure investments necessary to provide safe and reliable service and higher operating costs due to inflation. On November 5, 2024, Cascade provided formal notice to the Administrative Law Judge that a settlement in principle has been reached. This matter is pending before the WUTC.

WYPSC

On October 31, 2024, Montana-Dakota filed a request with the WYPSC for a natural gas general rate increase of approximately \$2.6 million annually or 14.0 percent above current rates. The requested increase is primarily to recover investments in system upgrades and pipeline replacement projects enhancing the reliability, safety and integrity of the natural gas system, as well as increased costs to operate and maintain that system. This matter is pending before the WYPSC.

FERC

On August 29, 2024, Montana-Dakota filed an update to its transmission formula rate under the MISO tariff for its multi-value project and network upgrade changes for \$19.7 million to be effective January 1, 2025.

Note 18 - Contingencies

The Company is party to claims and lawsuits arising out of its business and that of its consolidated subsidiaries, which may include, but are not limited to, matters involving property damage, personal injury, and environmental, contractual, statutory and regulatory obligations. The Company accrues a liability for those contingencies when the incurrence of a loss is probable and the amount can be reasonably estimated. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the minimum of the range is accrued. The Company does not accrue liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated or when the liability is believed to be only reasonably possible or remote. For contingencies where an unfavorable outcome is probable or reasonably possible and which are material, the Company discloses the nature of the contingency and, in some circumstances, an estimate of the possible loss. Accruals are based on the best information available, but in certain situations management is unable to estimate an amount or range of a reasonably possible loss including, but not limited to when: (1) the damages are unsubstantiated or indeterminate, (2) the proceedings are in the early stages, (3) numerous parties are involved, or (4) the matter involves novel or unsettled legal theories.

At September 30, 2024 and 2023, and December 31, 2023, the Company accrued liabilities, which have not been discounted, of \$23.5 million, \$21.0 million and \$22.5 million, respectively. At September 30, 2024 and 2023, and December 31, 2023, the Company also recorded corresponding insurance receivables of \$1.5 million, \$98,000 and \$202,000, respectively, and regulatory assets of \$20.9 million, \$20.1 million and \$21.6 million, respectively, related to the accrued liabilities. The accruals are for contingencies resulting from litigation and environmental matters. This includes amounts that have been accrued for matters discussed in Environmental matters within this note. The Company will continue to monitor each matter and adjust accruals as might be warranted based on new information and further developments. Management believes that the outcomes with respect to probable and reasonably possible losses in excess of the amounts accrued, net of insurance recoveries, while uncertain, either cannot be estimated or will not have a material effect upon the Company's financial position, results of operations or cash flows. Unless otherwise required by GAAP, legal costs are expensed as they are incurred.

Environmental matters

The Company is a party to claims for the cleanup of environmental contamination at certain manufactured gas plant sites. There were no material changes to the Company's environmental matters that were previously reported in the 2023 Annual Report.

Guarantees

Certain subsidiaries of the Company have outstanding guarantees to third parties that guarantee the performance of other subsidiaries of the Company. These guarantees are related to construction contracts, insurance deductibles and loss limits, and certain other guarantees. At September 30, 2024, the fixed maximum amounts guaranteed under these agreements aggregate \$557.5 million. Certain of the guarantees also have no fixed maximum amounts specified. At September 30, 2024, the amounts of scheduled expiration of the maximum amounts guaranteed under these agreements aggregate to \$13.3 million in 2024; \$186.7 million in 2025; \$312.6 million in 2026; \$43.5 million in 2027; \$1.0 million in 2028; and \$400,000 thereafter. There were no amounts outstanding under the previously mentioned guarantees at September 30, 2024. In the event of default under these guarantee obligations, the subsidiary issuing the guarantee for that particular obligation would be required to make payments under its guarantee.

The Company and certain subsidiaries have outstanding letters of credit to third parties related to insurance policies and other agreements, some of which are guaranteed by other subsidiaries of the Company. At September 30, 2024, the fixed maximum amounts guaranteed under these letters of credit aggregated \$14.3 million, with the scheduled expiration of the maximum amounts guaranteed under these letters aggregate \$12.3 million in 2024 and \$2.0 million in 2025. There were no amounts outstanding under the previously mentioned letters of credit at September 30, 2024. In the event of default under these letter of credit obligations, the subsidiary guaranteeing the letter of credit would be obligated for reimbursement of payments made under the letter of credit.

In addition, Centennial and Everus Construction have issued guarantees to third parties related to the routine purchase of maintenance items, materials and lease obligations for which no fixed maximum amounts have been specified. These guarantees have no scheduled maturity date. In the event a subsidiary of the Company defaults under these obligations, Centennial or Everus Construction would be required to make payments under these guarantees. Any amounts outstanding by subsidiaries of the Company were reflected on the Consolidated Balance Sheet at September 30, 2024.

In the normal course of business, Centennial has surety bonds related to construction contracts and reclamation obligations of its subsidiaries. In the event a subsidiary of Centennial does not fulfill a bonded obligation, Centennial would be responsible to the surety bond company for completion of the bonded contract or obligation. A large portion of the surety bonds is expected to expire within the next 12 months; however, Centennial will likely continue to enter into surety bonds for its subsidiaries in the future. At September 30, 2024, approximately \$848.2 million of surety bonds were outstanding, which were not reflected on the Consolidated Balance Sheet.

Variable interest entities

The Company evaluates its arrangements and contracts with other entities to determine if they are VIEs and if so, if the Company is the primary beneficiary.

Fuel Contract Coyote Station entered into a coal supply agreement with Coyote Creek that provides for the purchase of coal necessary to supply the coal requirements of the Coyote Station for the period May 2016 through December 2040. Coal purchased under the coal supply agreement is reflected in Inventories on the Consolidated Balance Sheets and is recovered from customers as a component of electric fuel and purchased power.

The coal supply agreement creates a variable interest in Coyote Creek due to the transfer of all operating and economic risk to the Coyote Station owners, as the agreement is structured so that the price of the coal will cover all costs of operations, as well as future reclamation costs. The Coyote Station owners are also providing a guarantee of the value of the assets of Coyote Creek as they would be required to buy the assets at book value should they terminate the contract prior to the end of the contract term and are providing a guarantee of the value of the equity of Coyote Creek in that they are required to buy the entity at the end of the contract term at equity value. Although the Company has determined that Coyote Creek is a VIE, the Company has concluded that it is not the primary beneficiary of Coyote Creek because the authority to direct the activities of the entity is shared by the four unrelated owners of the Coyote Station, with no primary beneficiary existing. As a result, Coyote Creek is not required to be consolidated in the Company's financial statements.

At September 30, 2024, the Company's exposure to loss as a result of the Company's involvement with the VIE, based on the Company's ownership percentage, was \$26.1 million.

Note 19 - Subsequent event

On October 31, 2024, the Company completed the separation of Everus, its construction services business, resulting in Everus becoming an independent, publicly-traded company. The Company's board of directors approved the distribution of all the outstanding shares of Everus common stock to the Company's stockholders. Stockholders of the Company received one share of Everus common stock for every four shares of the Company's common stock held as of the close of business on October 21, 2024, the record date for the distribution. The distribution is expected to be tax-free to the Company's stockholders for U.S. federal income tax purposes, except for cash received in lieu of fractional shares. More information on the separation and distribution can be found within Everus' Form 10, which is not incorporated by reference herein.

On November 1, 2024, the Company repaid its outstanding balance of \$190.0 million on its \$375.0 million term loan agreement which the Company entered into on May 31, 2023, with a SOFR-based variable interest rate and a maturity date of May 31, 2025. The Company's repayment was facilitated by the repayment of debt proceeds from Everus in connection with the separation and the term loan agreement was subsequently terminated.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company provides essential infrastructure and services. The Company and its employees work hard to keep the economy of America moving with the products and services provided, which include powering, heating and connecting homes, factories, offices and stores; and constructing and maintaining electrical and communication wiring and infrastructure. The Company is authorized to conduct business in nearly every state in the United States. The Company's organic investments are strong drivers of high-quality earnings and continue to be an important part of the Company's growth. Management believes the Company is well positioned in the industries and markets in which it operates.

Strategic Initiatives The Company incurred costs in connection with the strategic initiatives in 2023 and 2024, as noted in the Business Segment Financial and Operating Data section and expects to continue to incur these costs until the initiatives and subsequent work are completed.

On May 31, 2023, the Company completed the separation of Knife River, its construction materials and contracting business, from the Company, resulting in Knife River becoming an independent, publicly-traded company. The Company's board of directors approved the distribution of approximately 90 percent of the issued and outstanding shares of Knife River to the Company's stockholders. Stockholders of the Company received one share of Knife River common stock for every four shares of the Company's common stock held on May 22, 2023, the record date for the distribution. The Company retained approximately 10 percent or 5.7 million shares of Knife River common stock immediately following the separation, which were disposed of in a tax-free exchange in November 2023.

On October 31, 2024, the Company completed the separation of Everus, its construction services business, resulting in Everus becoming an independent, publicly-traded company. The Company's board of directors approved the distribution of all the outstanding shares of Everus common stock to the Company's stockholders. Stockholders of the Company received one share of Everus common stock for every four shares of the Company's common stock held as of the close of business on October 21, 2024, the record date for the distribution. The distribution is expected to be tax-free to the Company's stockholders for U.S. federal income tax purposes, except for cash received in lieu of fractional shares. More information on the separation and distribution can be found within Everus' Form 10, which is not incorporated by reference herein.

Based on the Company becoming a pure-play regulated energy delivery business, the Company's board of directors established a long-term dividend payout ratio target of 60 percent to 70 percent of regulated energy delivery earnings. The Company has an 86-year history of uninterrupted dividend payments to stockholders and remains committed to paying a competitive dividend as the Company transitions to being a pure-play regulated energy delivery company.

Market Trends The Company continues to manage the inflationary pressures experienced throughout the United States, including the impact that inflation, higher interest rates, commodity price volatility and supply chain disruptions may have on its business and customers and proactively looks for ways to lessen the impact to its business. The Company has observed supply chain improvements in lead times for certain commodities. Additionally, the Company is closely monitoring potential supply chain disruptions due to hurricanes Helene and Milton. Storm-related orders may receive priority, which could impact the Company's supply chain operations. Although the Company has started to see some reduction to interest rates, they remain elevated and have resulted in and may continue to result in increased borrowing costs on new debt, impacts to the Company's asset valuations and negatively impacting the purchasing power of its customers. The Company has continued to evaluate its businesses and has increased pricing for its products and services where possible. The ability to raise selling prices to cover higher costs due to inflation are subject to regulatory approval, customer demand, industry competition and the availability of materials, among other things.

For more information on possible impacts to the Company's businesses, see the Outlook for each segment below, Part II, Item 1A. Risk Factors in this quarterly report and Part I, Item 1A. Risk Factors in the 2023 Annual Report.

Forward-Looking Statements

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 21E of the Exchange Act. Forward-looking statements are all statements other than statements of historical fact, including without limitation those statements that are identified by the words "anticipates," "estimates," "expects," "intends," "plans," "predicts" and similar expressions, and include statements concerning plans, trends, objectives, goals, strategies, performance or future events, including the dividend payout ratio target or becoming a pure-play regulated energy delivery company, and underlying assumptions (many of which are based, in turn, upon further assumptions) and other statements that are other than statements of historical facts. From time to time, the Company may publish or otherwise make available forward-looking statements of this nature, including statements contained within Business Segment Financial and Operating Data.

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

Any forward-looking statement contained in this document speaks only as of the date on which the statement is made and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances that occur after the date on which the statement is made or to reflect the occurrence of unanticipated events, except as required by law. New factors emerge from time to time, and it is not possible for management to predict all of the factors, nor can it assess the effect of each factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. All forward-looking statements, whether written or oral and whether made by or on behalf of the Company, are expressly qualified by the risk factors and cautionary statements reported in Part II, Item 1A. Risk Factors in this quarterly report, Part I, Item 1A. Risk Factors in the 2023 Annual Report and subsequent filings with the SEC.

Consolidated Earnings Overview

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
(In millions, except per share amounts)				
Electric	\$ 24.3	\$ 20.9	\$ 57.7	\$ 53.9
Natural gas distribution	(17.5)	(17.7)	17.6	18.0
Pipeline	15.1	11.9	47.5	29.4
Construction services	41.8	36.0	109.0	106.0
Other	(1.5)	27.1	(8.2)	102.4
Income from continuing operations	62.2	78.2	223.6	309.7
Discontinued operations, net of tax	2.4	(3.3)	2.3	(65.7)
Net income	\$ 64.6	\$ 74.9	\$ 225.9	\$ 244.0
Earnings per share - basic:				
Income from continuing operations	\$.31	\$.38	\$ 1.10	\$ 1.52
Discontinued operations, net of tax	.01	(.01)	.01	(.32)
Earnings per share - basic	\$.32	\$.37	\$ 1.11	\$ 1.20
Earnings per share - diluted:				
Income from continuing operations	\$.31	\$.38	\$ 1.10	\$ 1.52
Discontinued operations, net of tax	.01	(.01)	.01	(.32)
Earnings per share - diluted	\$.32	\$.37	\$ 1.11	\$ 1.20

Three Months Ended September 30, 2024, Compared to Three Months Ended September 30, 2023 The Company's consolidated earnings decreased \$10.3 million. The decrease in earnings is primarily due to the absence of the 2023 \$22.8 million, net of tax, unrealized gain on the Company's retained interest in Knife River, partially offset by the absence of the 2023 loss from discontinued operations and increased earnings at the construction services, electric and pipeline businesses.

- The electric business earnings increase was largely the result of higher retail sales revenue due to rate relief in South Dakota and Montana, and higher volumes to residential and commercial customer classes, largely due to warmer weather.
- The natural gas distribution business reported a slightly lower seasonal loss compared to the same period in 2023. The earnings improvement was largely the result of higher retail sales revenue due to rate relief in North Dakota and South Dakota, and higher investment returns on nonqualified benefit plans. The increases were largely offset by the absence of recovery of short-term debt interest expense in Idaho related to increased gas costs in 2023.
- The earnings increase at the pipeline business was driven by higher transportation volumes, primarily from organic growth projects placed in service in November 2023, March 2024 and July 2024. Higher storage-related revenue and new transportation and storage service rates effective August 1, 2023, further drove the increase. The increase was offset in part by higher operation and maintenance expense primarily attributable to payroll-related costs and higher materials and contract services. The business also incurred higher depreciation expense due to organic growth projects placed in service as previously discussed.
- The construction services business reported increased earnings, primarily due to higher revenues from both electrical and mechanical and transmission and distribution projects. Operating income as a percentage of revenue remained relatively consistent as a result of project efficiencies during the quarter. Higher other income related to joint venture activities and lower interest expense contributed to the increase in earnings.

- Other earnings decreased primarily due to the absence of the 2023 \$22.8 million, net of tax, unrealized gain on the Company's retained interest in Knife River and higher operation and maintenance expense related to higher insurance claims experience at the captive insurer. Partially offsetting the decrease was lower interest expense due to decreased borrowings.

Nine Months Ended September 30, 2024, Compared to Nine Months Ended September 30, 2023 The Company's consolidated earnings decreased \$18.1 million. The decrease in earnings is primarily due to the absence of the 2023 \$113.6 million, net of tax, unrealized gain on the Company's retained interest in Knife River, partially offset by the absence of the 2023 loss from discontinued operations and increased earnings at the pipeline business.

- The electric business earnings increase was largely the result of higher retail sales revenue due to rate relief in North Dakota, Montana, and South Dakota. Partially offsetting the increase was higher operation and maintenance expense, primarily contract services, and decreased residential sales volumes due to 37.0 percent cooler weather in the second quarter of 2024.
- Earnings decreased slightly at the natural gas distribution business. The business experienced higher depreciation and amortization expense, primarily a result of increased plant additions, and higher operation and maintenance expense, primarily contract services and software-related expenses. The business also experienced lower retail sales volumes to residential and commercial customers, offset in part by weather normalization and decoupling mechanisms. Partially offsetting these items was rate relief in North Dakota, South Dakota and Idaho, and increased transportation revenue, primarily to serve industrial customers.
- Earnings increased at the pipeline business, driven by higher transportation volumes, primarily from organic growth projects placed in service in November 2023, March 2024 and July 2024, and increased contracted volume commitments beginning February 2023 from the North Bakken Expansion project. New transportation and storage service rates effective August 1, 2023, and higher storage-related revenue further drove the increase. The business also benefited from proceeds received from a customer settlement that was recorded in other income. These increases were offset in part by higher operation and maintenance expense, primarily attributable to payroll-related costs, and higher depreciation expense due to organic growth projects placed in service as previously discussed, which was partly offset by fully depreciated assets.
- Although electrical and mechanical revenue was lower due to timing of projects, the construction services business experienced increased earnings, driven by higher operating income, particularly on transmission and distribution projects, partially offset by increased selling, general and administrative expense. Operating income as a percentage of revenue was higher as a result of project efficiencies. The business also experienced lower interest expense, including the interest expense classified as discontinued operations for the second quarter of 2023, and increased income from joint venture activities.
- Other earnings decreased primarily due to the absence of the 2023 \$113.6 million, net of tax, unrealized gain on the Company's retained interest in Knife River. Partially offsetting this decrease was lower operation and maintenance expense, largely a result of corporate overhead costs classified as continuing operations allocated to the construction materials business in 2023 which are not included in Other in 2024. Other also experienced increased interest income which partially offset the decrease.
- The Company was positively impacted by the absence of the 2023 loss from discontinued operations, which included the historical results of operations for Knife River, except for certain allocated corporate overhead costs classified as continuing operations, which do not meet the criteria for discontinued operations. Also included in discontinued operations in 2023 were strategic initiative costs associated with the Knife River separation.

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

Business Segment Financial and Operating Data

The following sections include key financial and operating data for each of the Company's business segments. Also included are highlights on key growth strategies, projections and certain assumptions for the Company and its subsidiaries and other matters of the Company's business segments.

For information pertinent to various commitments and contingencies, see the Notes to Consolidated Financial Statements. For a summary of the Company's business segments, see Note 15 of the Notes to Consolidated Financial Statements.

Electric and Natural Gas Distribution

Strategy and challenges The electric and natural gas distribution segments provide electric and natural gas distribution services to customers, as discussed in Note 15. Both segments strive to be top performing utility companies measured by integrity, employee safety and satisfaction, customer service and stockholder return. The segments provide safe, reliable, competitively priced and environmentally responsible energy service to customers while focusing on growth and expansion opportunities within and beyond its existing territories. The Company is focused on cultivating organic growth while managing operating costs and monitoring opportunities for these segments to retain, grow and expand their customer base through extensions of existing operations, including building and upgrading electric generation, transmission and distribution, and natural gas systems, and through selected acquisitions of companies and properties with similar operating and growth objectives at prices that will provide stable cash flows and an opportunity to earn a competitive return on investment. The continued efforts to create operational improvements and efficiencies across both segments promotes the Company's business integration strategy. The primary factors that impact the results of these segments are the ability to earn authorized rates of return; weather; climate change laws, regulations and initiatives; competitive factors in the energy industry; population growth; and economic conditions in the segments' service areas.

The electric and natural gas distribution segments are subject to extensive regulation in the jurisdictions where they conduct operations with respect to costs, timely recovery of investments and permitted returns on investment. The Company is focused on modernizing utility infrastructure to meet the varied energy needs of both its customers and communities while ensuring the delivery of safe, reliable, affordable and environmentally responsible energy. The segments continue to invest in facility upgrades to be in compliance with existing and known future regulations. To assist in the reduction of regulatory lag in obtaining revenue increases to align with increased investments, tracking mechanisms have been implemented in certain jurisdictions. The Company also seeks rate adjustments for operating costs and capital investments, as well as reasonable returns on investments, not covered by tracking mechanisms. For more information on the Company's tracking mechanisms and recent rate cases, see Note 17 and the 2023 Annual Report.

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

To date, many states have enacted and others are considering, mandatory clean energy standards requiring utilities to meet certain thresholds of renewable and/or carbon-free energy supply. The current presidential administration has made climate change a focus, as further discussed in the Outlook section. Over the long-term, the Company expects overall electric demand to be positively impacted by increased electrification trends, including electric vehicle adoption, as a means to address economy-wide carbon emission concerns, data center growth and changing customer conservation patterns. Recently, MISO and NERC announced concerns with the future reliability of the electric grid due to rapid expansion of renewables and retirement of baseload resources such as coal and the uncertainty of adequate energy production during certain periods of time, while load growth has increased faster than expected. MISO received FERC approval of a seasonal resource adequacy construct for its accreditation process, versus the previous annual summer peak capacity requirement process. Montana-Dakota filed its 2024 Integrated Resource Plan with the NDPSC on July 12, 2024. With MISO's filed changes in resources adequacy at FERC and the adoption of direct loss of load accreditation for generation resources around riskiest hours on the system versus peak load hours, Montana-Dakota is seeing the need to add additional capacity resources to its system in 2027 versus 2034 as identified in its last Integrated Resource Plan. The Company will continue to monitor the progress of these changes and assess the potential impacts they may have on its stakeholders, business processes, results of operations, cash flows and disclosures.

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

In December 2022 and January 2023, natural gas prices significantly increased across the Pacific Northwest from multiple price-pressuring events including wide-spread below-normal temperatures and higher natural gas consumption; reduced natural gas flows due to pipeline constraints, including maintenance in West Texas; and historically low regional natural gas storage levels. Natural gas prices stabilized by March 2023. The higher natural gas prices in December 2022 and January 2023 impacted both Intermountain and Cascade, both of which borrowed short-term debt of \$125.0 million and \$150.0 million, respectively, in January 2023 to finance the increased natural gas costs. To assist in the recovery of higher natural gas costs, Intermountain filed an out-of-cycle purchased gas adjustment with the Idaho Public Utilities Commission that was effective February 1, 2023, and collected interest costs associated with short-term borrowing. Effective November 1, 2023, as approved by the WUTC, Cascade started recovery in Washington of these increased gas costs over a period of two years rather than the normal one year period. In January 2024, Cascade and Intermountain made the final repayment on short-term debt of \$50.0 million and \$45.0 million, respectively.

In late summer and fall of 2023, electric fuel and purchased power prices increased across Montana-Dakota's integrated system. This was caused by transmission congestion in northwest North Dakota due to delays in additional SPP transmission line build-out, as well as additional load growth in the Bakken region. Electric fuel and purchased power prices remained elevated through November 2023. To assist in the recovery of the higher electric fuel and purchased power costs, Montana-Dakota filed waiver requests with the NDPSC and SDPUC, which were approved deferring the increased costs to the annual fuel clause adjustment. In Montana, the waiver request is filed monthly and is unopposed by the MTPSC. On December 22, 2023, MISO filed a dispute letter with SPP regarding the coordination of the constraint in northwest North Dakota. Montana-Dakota filed a complaint with FERC related to this issue on January 23, 2024. MISO also filed its own complaint with FERC against SPP on March 8, 2024 related to the congestion coordination in northwest North Dakota. On September 10, 2024, FERC issued an order denying both Montana-Dakota and MISO's complaints regarding this issue. On October 10, 2024, Montana-Dakota and MISO filed with FERC for rehearing on FERC's decision to deny these complaints. Effective April 1, 2024, as approved by the NDPSC, Montana-Dakota started recovery in North Dakota of these increased costs over a period of two years rather than one year, which will lessen the impact to customers and allow more time for Montana-Dakota's FERC complaint to mature and have greater certainty of the outcome. In South Dakota and Montana, Montana-Dakota started recovery of these costs over a one-year period effective July 1, 2024.

The Company continues to proactively monitor and work with its manufacturers to reduce the effects of increased pricing and lead times on delivery of certain raw materials and equipment used in electric generation, transmission and distribution system and natural gas pipeline projects. Long lead times are attributable to increased demand for steel products from pipeline companies as they continue pipeline system safety and integrity replacement projects driven by PHMSA regulations, as well as delays in the manufacturing and shipping of electrical equipment and increased demand for electrical equipment due to regulatory activity and grid expansion. The Company has been able to minimize the effects by working closely with suppliers or obtaining additional suppliers, as well as modifying project plans to accommodate extended lead times and increased costs. The Company expects these delays and inflationary pressures to continue.

The ability to grow through acquisitions is subject to significant competition and acquisition premiums. In addition, the ability of the segments to grow their service territory and customer base is affected by regulatory constraints, the economic environment of the markets served, population changes and competition from other energy providers and fuel. The construction of new electric generating facilities, transmission lines and other service facilities is subject to increasing costs and lead times, extensive permitting procedures, and federal and state legislative and regulatory initiatives, which may necessitate increases in electric energy prices. As the industry continues to expand the use of renewable energy sources, the need for additional transmission infrastructure is growing. As part of MISO's long range transmission plan, in August 2022, the Company announced its intent to develop, construct and co-own JETx with Otter Tail Power Company in central North Dakota. On October 6, 2023, the FERC issued an order approving the Company's request for CWIP Incentive Rate and Abandoned Plant Incentive treatment on this project.

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Variance	2024	2023	Variance
	(In millions)					
Operating revenues	\$ 108.5	\$ 108.1	— %	\$ 315.5	\$ 294.8	7 %
Operating expenses:						
Electric fuel and purchased power	25.2	29.0	(13)%	87.6	73.8	19 %
Operation and maintenance	30.7	30.1	2 %	91.5	88.5	3 %
Depreciation and amortization	16.9	16.0	6 %	49.7	47.8	4 %
Taxes, other than income	3.6	4.3	(16)%	13.2	13.3	(1)%
Total operating expenses	76.4	79.4	(4)%	242.0	223.4	8 %
Operating income	32.1	28.7	12 %	73.5	71.4	3 %
Other income	1.4	1.3	8 %	5.5	3.4	62 %
Interest expense	7.6	7.0	9 %	22.4	20.5	9 %
Income before income taxes	25.9	23.0	13 %	56.6	54.3	4 %
Income tax (benefit) expense	1.6	2.1	(24)%	(1.1)	0.4	(375)%
Net income	\$ 24.3	\$ 20.9	16 %	\$ 57.7	\$ 53.9	7 %

Operating statistics	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues (millions)				
Retail sales:				
Residential	\$ 36.7	\$ 33.6	\$ 106.8	\$ 100.0
Commercial	44.7	47.1	125.7	118.1
Industrial	9.5	10.5	32.4	31.0
Other	2.0	1.8	6.0	5.1
	92.9	93.0	270.9	254.2
Other	15.6	15.1	44.6	40.6
	\$ 108.5	\$ 108.1	\$ 315.5	\$ 294.8
Volumes (million kWh)				
Retail sales:				
Residential	300.4	275.5	868.5	899.3
Commercial	725.5	692.1	1,762.9	1,619.9
Industrial	119.1	143.5	394.7	435.7
Other	21.7	20.6	61.0	61.5
	1,166.7	1,131.7	3,087.1	3,016.4
Average cost of electric fuel and purchased power per kWh	\$.020	\$.024	\$.026	\$.023

Three Months Ended September 30, 2024, Compared to Three Months Ended September 30, 2023 Electric earnings increased \$3.4 million as a result of:

- Revenue increased \$400,000.
 - Largely due to:
 - Rate relief of \$1.8 million in South Dakota and Montana.
 - Higher retail sales volumes of \$1.3 million, driven primarily by higher residential and commercial volumes, largely due to 21.1 percent warmer weather than last year.
 - Higher net transmission revenue.
 - Partially offset by lower fuel and purchased power costs of \$3.8 million recovered in customer rates and offset in expense, as described below.
- Electric fuel and purchased power decreased \$3.8 million, largely the result of lower commodity prices, partially offset by higher retail sales volumes.
- Operation and maintenance increased \$600,000, largely the result of higher vehicle and equipment costs and higher contract services, primarily due to higher transmission expense offset in revenue.

- Depreciation and amortization increased \$900,000.
 - Largely due to:
 - Increased property, plant, and equipment balances of \$800,000, as a result of transmission projects placed in service to improve reliability and update aging infrastructure.
 - Higher depreciation rates, which are recovered in operating revenues.
- Taxes, other than income decreased \$700,000, largely as a result of lower property tax, primarily in Montana.
- Other income increased \$100,000, primarily resulting from higher returns on the Company's nonqualified benefit plan investments of \$800,000, offset in part by lower interest income related to contributions in aid of construction.
- Interest expense increased \$600,000, largely the result of higher long term interest expense due to incremental debt issuances.
- Income tax expense decreased \$500,000, largely due to higher production tax credits driven by higher wind production, partially offset by higher income taxes related to higher income before income taxes.

Nine Months Ended September 30, 2024, Compared to Nine Months Ended September 30, 2023 Electric earnings increased \$3.8 million as a result of:

- Revenue increased \$20.7 million.
 - Largely due to:
 - Higher fuel and purchased power costs of \$13.8 million recovered in customer rates and offset in expense, as described below.
 - Rate relief of \$6.8 million in North Dakota, Montana, and South Dakota.
 - Higher miscellaneous revenue of \$1.8 million, including higher transmission interconnect upgrades.
 - Partially offset by lower retail sales volumes of \$2.5 million, driven primarily by lower residential volumes due to 37.0 percent cooler weather in the second quarter of 2024. There was a 2.3 percent increase in volumes, which includes an increase in volumes from the data center as further discussed in the Outlook section.
- Electric fuel and purchased power increased \$13.8 million, largely the result of higher commodity prices and higher retail sales volumes.
- Operation and maintenance increased \$3.0 million, largely the result of increased contract services, primarily due to higher transmission expense and tree trimming expense.
- Depreciation and amortization increased \$1.9 million.
 - Largely due to:
 - Increased property, plant and equipment balances of \$1.6 million, as a result of transmission projects placed in service to improve reliability and update aging infrastructure.
 - Higher depreciation rates, which are recovered in operating revenues.
- Taxes, other than income were comparable to the same period in the prior year.
- Other income increased \$2.1 million, primarily resulting from higher interest income of \$1.4 million, including amounts related to higher deferred fuel and purchased power balances, higher returns on the Company's nonqualified benefit plan investments, and higher AFUDC equity due to higher CWIP balances.
- Interest expense increased \$1.9 million, largely the result of higher long-term interest expense due to incremental debt issuances.
- Income tax benefit increased \$1.5 million, primarily due to higher production tax credits due to higher wind production, partially offset by higher income taxes related to higher income before income taxes.

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Variance	2024	2023	Variance
	(In millions)					
Operating revenues	\$ 133.6	\$ 135.0	(1)%	\$ 794.6	\$ 919.7	(14)%
Operating expenses:						
Purchased natural gas sold	57.3	59.6	(4)%	449.5	580.3	(23)%
Operation and maintenance	54.8	55.5	(1)%	169.2	165.3	2 %
Depreciation and amortization	25.0	23.9	5 %	76.1	70.6	8 %
Taxes, other than income	11.2	11.3	(1)%	55.1	57.8	(5)%
Total operating expenses	148.3	150.3	(1)%	749.9	874.0	(14)%
Operating income (loss)	(14.7)	(15.3)	(4)%	44.7	45.7	(2)%
Other income	6.0	4.7	28 %	19.5	14.5	34 %
Interest expense	15.9	14.4	10 %	46.9	42.2	11 %
Income (loss) before income taxes	(24.6)	(25.0)	(2)%	17.3	18.0	(4)%
Income tax (benefit) expense	(7.1)	(7.3)	(3)%	(.3)	—	100 %
Net income (loss)	\$ (17.5)	\$ (17.7)	(1)%	\$ 17.6	\$ 18.0	(2)%

Operating statistics	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues (millions)				
Retail sales:				
Residential	\$ 62.6	\$ 69.5	\$ 434.7	\$ 516.2
Commercial	38.5	41.0	265.1	314.6
Industrial	6.9	7.2	30.8	33.1
	108.0	117.7	730.6	863.9
Transportation and other	25.6	17.3	64.0	55.8
	\$ 133.6	\$ 135.0	\$ 794.6	\$ 919.7
Volumes (MMdk)				
Retail sales:				
Residential	3.7	4.0	43.4	46.5
Commercial	3.6	3.8	30.8	32.5
Industrial	1.0	.9	4.0	3.8
	8.3	8.7	78.2	82.8
Transportation sales:				
Commercial	.3	.3	1.3	1.4
Industrial	45.1	50.1	141.6	135.9
	45.4	50.4	142.9	137.3
Total throughput	53.7	59.1	221.1	220.1
Average cost of natural gas per dk	\$ 6.91	\$ 6.85	\$ 5.75	\$ 7.01

Three Months Ended September 30, 2024, Compared to Three Months Ended September 30, 2023 Natural gas distribution reported a decreased seasonal loss of \$200,000 as a result of:

- Revenue decreased \$1.4 million.
 - Largely due to:
 - Absence of 2023 approved rate recovery of short-term debt interest expense of \$3.2 million in Idaho related to increased gas costs in 2023.
 - Lower purchased natural gas sold and net environmental compliance recovered in customer rates of \$2.3 million offset in expense, as described below.
 - Partially offset by:
 - Rate relief of \$2.9 million in North Dakota and South Dakota.
- Purchased natural gas sold decreased \$2.3 million, largely due to lower commodity costs of \$11.3 million and lower volumes of natural gas purchased of \$2.8 million. These decreases were partially offset by net environmental compliance costs and emissions allowance sales revenue of \$11.8 million.

- Operation and maintenance decreased \$700,000, primarily due to lower contract services and lower payroll and benefit related costs.
- Depreciation and amortization increased \$1.1 million, primarily resulting from growth and replacement projects placed in service, partially offset by lower depreciation rates implemented from a South Dakota rate case.
- Taxes, other than income was comparable to the same period in the prior year.
- Other income increased \$1.3 million driven primarily by higher returns on the Company's nonqualified benefit plans and higher interest income on regulatory deferral balances.
- Interest expense increased \$1.5 million, primarily from higher long-term debt balances from debt issued in 2023 and 2024 and higher commercial paper and revolving credit agreement balances, partially offset by lower short-term debt due to short term debt repayments.
- Income tax benefit decreased \$200,000, the result of a lower seasonal loss before income taxes.

Nine Months Ended September 30, 2024, Compared to Nine Months Ended September 30, 2023 Natural gas distribution earnings decreased \$400,000 as a result of:

- Revenue decreased \$125.1 million.
 - Largely due to:
 - Lower purchased natural gas sold and net environmental compliance recovered in customer rates of \$130.8 million offset in expense, as described below.
 - A 5.6 percent decrease in retail sales volumes to residential and commercial customer classes, offset in part by weather normalization and decoupling mechanisms of \$4.8 million in certain jurisdictions.
 - Absence of 2023 approved rate recovery of short-term debt interest expense of \$3.2 million in Idaho related to increased gas costs in 2023.
 - Decreased revenue-based taxes recovered in rates of \$2.2 million that were offset in expense, as described below.
 - Absence of Washington excess deferred income tax settlement of \$1.1 million.
 - Partially offset by:
 - Rate relief of \$9.2 million in North Dakota, South Dakota and Idaho.
 - Higher transportation volumes of \$3.5 million due to 4.1 percent higher volumes, largely higher industrial customers, offset by lower electric generation.
 - Higher conservation revenues of \$2.7 million that were offset in expense, as described below.
 - Decrease in Oregon natural gas cost sharing of \$1.7 million.
- Purchased natural gas sold decreased \$130.8 million, largely due to lower commodity costs of \$114.5 million and lower volumes of natural gas purchased of \$32.6 million. These decreases were partially offset by net environmental compliance costs and emissions allowance sales revenue of \$16.3 million.
- Operation and maintenance increased \$3.9 million.
 - Largely attributable to:
 - Higher conservation-related costs of \$2.7 million which are recovered in rates, as discussed above.
 - Higher software-related expenses of \$1.8 million.
 - Higher contract services of \$1.6 million, primarily due to legal and consulting fees largely related to rate case filings.
 - Partially offset by lower payroll and benefit-related costs of \$1.3 million.
- Depreciation and amortization increased \$5.5 million, primarily resulting from growth and replacement projects placed in service.
- Taxes, other than income decreased \$2.7 million, primarily from lower revenue based taxes of \$2.2 million, which are recovered in rates.
- Other income increased \$5.0 million, driven primarily by higher interest income of \$4.7 million, largely due to higher interest on regulatory deferral balances, and higher interest income associated with renewable natural gas projects, as well as higher returns on the Company's nonqualified benefit plans.
- Interest expense increased \$4.7 million, primarily from higher long-term debt balances from debt issued in 2023 and 2024 and higher commercial paper and revolving credit agreement balances, partially offset by lower short-term debt due to short term debt repayments.
- Income tax benefit was comparable to the same period in the prior year.

Outlook In 2023, the Company experienced rate base growth of 8.5 percent and expects these segments will grow rate base by approximately 7 percent annually over the next five years on a compound basis. Operations are spread across eight states where the Company expects customer growth to be higher than the national average. In 2023, these segments experienced retail customer growth of approximately 1.3 percent and the Company expects customer growth to continue to average 1 percent to 2 percent per year. This customer growth, along with system upgrades and replacements needed to supply safe and reliable service, will require investments in new and replacement electric and natural gas systems.

These segments are exposed to energy price volatility and may be impacted by changes in oil and natural gas exploration and production activity. Rate schedules in the jurisdictions in which the Company's natural gas distribution segment operates contain clauses that permit the Company to file for rate adjustments for changes in the cost of purchased natural gas. Although changes in the price of natural gas are passed through to customers and have minimal impact on the Company's earnings, the natural gas distribution segment's customers benefit from lower natural gas prices through the Company's utilization of storage and fixed price contracts.

In May 2022 the Company began construction of Heskett Unit 4, an 88-MW simple-cycle natural gas-fired combustion turbine peaking unit at the existing Heskett Station near Mandan, North Dakota. Heskett Unit 4 was in service and fully operational in July 2024.

Existing and proposed emissions reduction plans from the EPA could require the owners of Coyote Station to incur significant new costs. The EPA's recently finalized GHG and mercury emissions standards would require additional pollution controls to operate beyond 2031 and 2027, respectively, with a potential extension to add pollution controls that may be granted. If the owners decide to incur such costs, the costs could, dependent on determination by state regulatory commissions on approval to recover such costs from customers, negatively impact the Company's results of operations, financial position and cash flows. The NDDEQ submitted its second implementation period regional haze state implementation plan to the EPA in August 2022 proposing no additional pollution controls for Coyote. On July 10, 2024, the EPA proposed partial disapproval of the NDDEQ's state implementation plan, including disapproval of the NDDEQ's determination that no controls are required for Coyote Station. On August 9, 2024, Coyote Station co-owners submitted comments on the rulemaking to the EPA. The Company is one of four owners of Coyote Station and cannot make a unilateral decision on the plant's future; therefore, the Company could be negatively impacted by decisions of the other owners. The joint owners continue to collaborate in analyzing data and weighing decisions that impact the plant and its employees as well as each company's customers and communities served.

On March 4, 2023, the Company began to provide power to Applied Digital, a data center near Ellendale, North Dakota, under an interim electric service agreement approved by the NDPSC, and on June 6, 2023, the NDPSC unanimously approved the Company's electric service agreement request. At full capacity, the data center requires 180 megawatts of electricity, which is the equivalent of about 28 percent of the Company's generation portfolio. Applied Digital's load is purchased from the MISO market and does not impact other customers' power supply. On October 2, 2023, the Company filed with the NDPSC an electric service agreement request to serve an additional 225 megawatt data center load with Applied Digital in its service territory. The request was approved on May 23, 2024. On September 5, 2024, the Company filed an amendment to the electric service agreement previously approved by the NDPSC, increasing the service provided from 225 megawatts to 350 megawatts. A portion of the additional data center load is expected to be online in 2025.

On August 5, 2024, the Company filed a request with the SDPUC seeking approval on an electric service agreement to provide up to 50 megawatts of electricity to a data center near Leola, South Dakota. Construction on the data center is expected to begin in the spring of 2025.

The Infrastructure Investment and Jobs Act, commonly known as the Bipartisan Infrastructure Law, was enacted in the fourth quarter of 2021 and is providing long-term opportunities by designating funds for investments such as upgrades to electric and grid infrastructure, transportation systems, and electric vehicle infrastructure. In addition, the IRA provides \$369 billion in new funding for clean energy programs. These programs include new tax incentives for solar, battery storage and hydrogen development along with funding to expand the production of electric vehicles and the build out of infrastructure to support electric vehicles. The Company is pursuing various opportunities under the Grid Resilience and Innovative Partnerships Program, which is part of the Infrastructure Investment and Jobs Act, and is also pursuing a biogas property at the Knott Landfill site in Bend, Oregon which may qualify for an investment tax credit as part of the IRA. The Company will continue to monitor additional opportunities from these legislative items.

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

- In May 2024, the EPA published four final rules, three of which will impose stricter standards on GHG emissions from existing coal-fired and new natural gas-fired generation units, require a further reduction of mercury emissions from coal-fired generation units, and impose additional regulations around the storage and management of coal ash.

The Electric Generation and Greenhouse Gas Rule was published on May 9, 2024, establishing GHG emissions standards for new natural gas-fired electric generating units and existing coal units. New natural gas-fired units that operate more frequently must install carbon capture controls. Existing coal-fired units are given three compliance options: maintain current emissions rate and retire before 2032; co-fire with natural gas at 40 percent by 2030 and retire before 2039; or install carbon capture controls by 2032 in order to operate past 2039. Due to carbon capture and sequestration not being adequately demonstrated, and the limited time allowed to modify coal units to be capable of co-firing natural gas, the rule, as it is written today, may result in the retirement of Montana-Dakota's jointly owned coal-fired electric generating units before 2032. The joint owners continue to evaluate compliance options. States must evaluate individual units and develop, adopt, and submit a plan to the EPA which would include emission standards for each individual unit. State plans are required to be submitted to the EPA no later than 24 months after the final rule effective date. Many organizations have filed petitions with the DC Circuit Court challenging the rule. On July 1, 2024, Montana-Dakota also filed a petition for review in the DC Circuit Court. On July 19, 2024, the DC Circuit Court denied a stay of the rule. Several petitioners have filed for a stay of the rule at the Supreme Court of the United States. On October 16, 2024, the Supreme Court denied these stay applications. On October 18, 2024, the DC Circuit Court announced oral argument is scheduled for December 6, 2024. The EPA has not currently proposed GHG emission standards for existing natural gas-fired units and intends to explore setting emission standards in the future for these units.

The Mercury and Air Toxics Standards Rule was published on May 7, 2024, tightening mercury emissions and non-mercury metals emissions standards for coal-fired generation facilities. The stricter mercury emissions limit for lignite-fired units will require Coyote Station to increase existing emission controls. In addition, Big Stone Station and Coyote Station must install particulate matter continuous emissions monitoring systems to monitor compliance with the revised non-mercury metals emission standard. Compliance with the revised emission standards and monitoring requirements must be demonstrated by May 7, 2027. On August 6, 2024, the DC Circuit Court denied a stay of the rule. Several petitioners filed for a stay of the rule at the Supreme Court of the United States. On October 4, 2024, the Supreme Court denied these stay application filings.

The Legacy Coal Combustion Residuals Rule was published on May 8, 2024, and requires utilities to evaluate older coal ash disposal units at certain inactive and active electric generating facilities. Montana-Dakota must complete facility evaluations by February 8, 2027, to determine if legacy ash is present and assess the extent of ash on site. If legacy ash is present, Montana-Dakota must monitor and evaluate for potential impacts and may need to conduct additional closure and remediation. The cost of additional remediation or closure activities may be material. Several petitioners have filed challenges to the rule at the DC Circuit Court, including stay petitions. On November 1, 2024, the DC Circuit Court ordered that the motion for stay be denied.

If the costs to comply with these rules are not fully recoverable from customers, they could have a material adverse effect on the Company's results of operations and cash flows.

The fourth rule, the Effluent Limitations Guidelines Rule, was published in the Federal Register on May 9, 2024 and is not expected to have impacts on any owned or co-owned Montana-Dakota facilities.

- In Oregon, the Climate Protection Program Rule was approved in December 2021, which requires natural gas companies to reduce GHG emissions 50 percent below the baseline by 2035 and 90 percent below the baseline by 2050. Each year, compliance instruments will be distributed to the Company by the ODEQ at no cost and will decline annually in step with the reduction from baseline. The Company intends to meet its obligations through surrendering no cost emissions allowances and will fill remaining compliance obligations by investing in additional customer conservation and energy efficiency programs, purchasing community climate investment credits, and purchasing low carbon fuels such as renewable natural gas. The Company expects the compliance costs for these regulations to be recovered through customer rates. Due to timing of regulatory recovery, future compliance obligation purchases could impact the Company's operating cash flow. For more information about this rule and associated compliance costs, see Items 1 and 2 - Business Properties in the 2023 Annual Report.

Cascade's 2023 Oregon integrated resource plan projects customer bills could increase substantially as a result of the rules. On September 30, 2022, the Company filed a request for the use of deferred accounting for costs related to the rule and began deferring those costs. The OPUC approved the deferred accounting order on June 27, 2023. On October 30, 2024, the Company updated its initial July 31, 2024 filing with the OPUC, requesting approval to collect \$4.2 million in actual 2022 and 2023 costs related to the Climate Protection Program. The updated filing was effective November 1, 2024. The average residential customer will experience a monthly bill increase of \$1.75 or 2.4 percent. The Company, along with the other two local natural gas distribution companies in Oregon, filed a lawsuit on March 18, 2022, challenging the Climate Protection Program Rule. The lawsuit was filed on behalf of customers as the Company does not believe the rule accomplishes environmental stewardship in the most effective and affordable way possible. On December 20, 2023, the Oregon Court of Appeals ruled that the Climate Protection Program rules are invalid, with the final judgement issued February 28, 2024. In the first quarter of 2024, the ODEQ put together a Rulemaking Advisory Committee, of which Cascade is a participant, to re-establish the Climate Protection Program following the invalidation of these rules by the Oregon Court of Appeals, with new rules expected to be in place in 2025. On July 30, 2024, the ODEQ released the new Climate Protection Program, maintaining similar emissions reduction requirements as the prior rule. The comment deadline was extended and the company submitted comments to ODEQ on September 27, 2024.

- In Washington, the Climate Commitment Act signed into law in May 2021 requires natural gas distribution companies to reduce overall GHG emissions 45 percent below 1990 levels by 2030, 70 percent below 1990 levels by 2040 and 95 percent below 1990 levels by 2050. As directed by the Climate Commitment Act, in September 2022 the Washington DOE published its final rule on the Climate Commitment Act, which was effective on October 30, 2022, and emissions compliance began on January 1, 2023. The Company must demonstrate that it has met GHG emissions reduction goals through a combination of on-site emissions reductions and the use of approved allowances and offsets. Emissions compliance may be achieved through increased energy efficiency and conservation measures, purchased allowances and offsets, and purchases of low carbon fuels. Emissions allowances are allocated by the Washington DOE to the Company at no cost and additional allowances are required to be purchased. The Company expects compliance costs for these regulations will be recovered through customer rates. Due to the timing of regulatory recovery, the purchase of allowances could impact the Company's operating cash flow. For more information about this rule and associated compliance costs, see Items 1 and 2 - Business Properties in the 2023 Annual Report.

Cascade's 2023 Washington integrated resource plan projects customer bills could increase substantially as a result of the legislation. On October 14, 2022, the Company filed a request for the use of deferred accounting for costs related to the rule and began deferring those costs. The WUTC approved the deferred accounting order on February 28, 2023. On May 13, 2024, the Company updated its initial March 1 filing with the WUTC requesting approval to collect \$20.6 million in compliance costs net of auction proceeds through 2024. The updated filing was approved by the WUTC on May 23, 2024 with a ten month recovery period of June 1, 2024 through March 31, 2025. The law creates three distinct categories of customers; known-low-income, locations served prior to July 25, 2021, and locations where service was established after July 25, 2021. Auction proceeds must be used first to ensure there is zero impact from the Climate Commitment Act on known-low-income residential customers. For customers where gas service was installed on or before July 25, 2021, the average residential customer will see a net increase of \$1.12 per month or 1.5 percent. Residential locations where gas was established after July 25, 2021 will see an average net monthly increase of \$15.80 or 20.6 percent. An initiative to repeal the Climate Commitment Act has been forwarded to the voters and was included on the November 2024 ballot in Washington.

- On April 22, 2022, the Washington State Building Code Council approved revisions to the state's commercial energy code that will significantly limit the use of natural gas for space and water heating in new and retrofitted commercial and multifamily buildings and proposed the review of similar restrictions in the future for residential buildings. On November 4, 2022, the Washington State Building Code Council adopted new residential codes requiring gas or electric heat pumps for most new space and water heating installations.

The Company, along with two other local natural gas distribution companies in Washington, filed a lawsuit on May 22, 2023, challenging these amendments which the Company believes will stifle innovation, increase the cost of housing and energy for our customers, and do not consider the limitations of electric heat pumps in colder climates. On June 1, 2023, the plaintiffs filed a motion for a preliminary injunction to preliminarily enjoin the challenged building code amendments. Oral arguments on the preliminary injunction were held on July 18, 2023. The court denied the preliminary injunction, finding no immediate harm and confirming the building code amendments were not yet in effect due to the stay of 120 days issued by the Washington State Building Code Council. On September 15, 2023, the Washington State Building Code Council voted to delay the implementation of the State Building and Energy Codes. On March 15, 2024, the State Building and Energy Codes became effective. On May 15, 2024, the Company filed a joint complaint seeking declaratory and injunctive relief under federal law against the Washington State Building Code Council's adoption of the Washington State Energy Code. Initiative Measure No. 2066 has been forwarded to the voters and was included on the November 2024 ballot in Washington. If passed, Initiative Measure 2066 would prohibit the Washington State Energy Code from "in any way prohibit, penalize, or discourage the use of gas for any form of heating, or for uses related to any appliance or equipment, in any building."

- On March 6, 2024, the SEC issued Final Rule 33-11275 - The Enhancement and Standardization of Climate-Related Disclosures for Investors. This rule requires registrants to provide standardized disclosures in Form 10-K related to climate-related risks, Scope 1 and 2 GHG emissions, as well as to include in a footnote to the consolidated financial statements the financial impact of severe weather events and other natural conditions. The rule requires implementation in phases between 2025 and 2033. In April 2024, the SEC announced that it would voluntarily stay its final climate disclosure rules pending judicial review. The Company is evaluating the rule.

Pipeline

Strategy and challenges The pipeline segment provides natural gas transportation, underground storage and non-regulated energy-related services, including cathodic protection, as discussed in Note 15. The segment focuses on utilizing its extensive expertise in the design, construction and operation of energy infrastructure and related services to increase market share and profitability through optimization of existing operations, organic growth and investments in energy-related assets within or in close proximity to its current operating areas. The segment focuses on the continual safety and reliability of its systems, which entails building, operating and maintaining safe natural gas pipelines and facilities. The segment continues to evaluate growth opportunities including the expansion of natural gas facilities; incremental pipeline projects; and expansion of energy-related services leveraging on its core competencies. In support of this strategy, the Company completed the following organic growth projects in 2023 and 2024:

- In November 2023, the Grasslands South Expansion project was placed in service. The project increased system capacity by 94 MMcf of natural gas per day.
- In November 2023, the Line Section 15 Expansion project was placed in service and increased system capacity by 25 MMcf of natural gas per day.
- In March 2024, the 2023 Line Section 27 Expansion project was placed in service and increased system capacity by 175 MMcf of natural gas per day.
- In July 2024, the Line Section 28 Expansion project was placed in service and increased system capacity by 137 MMcf of natural gas per day.

The segment is exposed to natural gas and oil price volatility including fluctuations in basis differentials. Legislative and regulatory initiatives on increased pipeline safety regulations and environmental matters such as the reduction of methane emissions could also impact the price and demand for natural gas.

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

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

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

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

	Three Months Ended			Nine Months Ended		
	September 30,			September 30,		
	2024	2023	Variance	2024	2023	Variance
	(In millions)					
Operating revenues	\$ 51.5	\$ 44.1	17 %	\$ 155.8	\$ 127.0	23 %
Operating expenses:						
Operation and maintenance	19.0	17.0	12 %	56.8	52.7	8 %
Depreciation and amortization	7.4	6.3	17 %	21.8	20.0	9 %
Taxes, other than income	3.0	3.0	— %	9.1	9.6	(5) %
Total operating expenses	29.4	26.3	12 %	87.7	82.3	7 %
Operating income	22.1	17.8	24 %	68.1	44.7	52 %
Other income	1.3	.9	44 %	5.3	2.3	130 %
Interest expense	3.6	3.3	9 %	11.4	9.5	20 %
Income before income taxes	19.8	15.4	29 %	62.0	37.5	65 %
Income tax expense	4.7	3.5	34 %	14.5	8.1	79 %
Income from continuing operations	15.1	11.9	27 %	47.5	29.4	62 %
Discontinued operations, net of tax*	—	—	— %	—	(.5)	(100) %
Net income	\$ 15.1	\$ 11.9	27 %	\$ 47.5	\$ 28.9	64 %

*Discontinued operations includes interest on debt facilities repaid in connection with the Knife River separation.

Operating statistics	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Transportation volumes (MMdk)	155.1	146.9	463.5	419.2
Customer natural gas storage balance (MMdk):				
Beginning of period	41.4	27.8	37.7	21.2
Net injection	13.2	15.0	16.9	21.6
End of period	54.6	42.8	54.6	42.8

Three Months Ended September 30, 2024, Compared to Three Months Ended September 30, 2023 Pipeline earnings increased \$3.2 million as a result of:

- Revenues increased \$7.4 million as a result of:
 - Increased transportation volumes and demand revenue, largely due to:
 - Organic growth projects placed in service in November 2023, March 2024, and July 2024 of \$5.8 million.
 - Higher storage-related revenues of \$1.2 million.
 - New transportation and storage rates effective August 1, 2023, of \$900,000.
- Operation and maintenance increased \$2.0 million.
 - Primarily from:
 - Higher payroll-related costs of \$1.4 million.
 - Higher other costs including materials and contract services.
- Depreciation and amortization increased \$1.1 million driven largely by higher property, plant and equipment balances related to organic growth projects placed in service as previously discussed.
- Taxes, other than income were comparable to the same period in the prior year.
- Other income increased \$400,000, primarily due to higher investment returns on the Company's non-qualified benefit plans.
- Interest expense increased \$300,000, primarily from higher debt balances to fund capital expenditures.
- Income tax expense increased \$1.2 million, largely due to higher income before taxes.

Nine Months Ended September 30, 2024, Compared to Nine Months Ended September 30, 2023 Pipeline earnings increased \$18.6 million as a result of:

- Revenues increased \$28.8 million as a result of:
 - Increased transportation volumes and demand revenue, largely due to:
 - Organic growth projects placed in service in November 2023, March 2024 and July 2024 of \$16.1 million.
 - New transportation and storage rates effective August 1, 2023, of \$6.7 million.
 - Higher storage-related revenues of \$5.2 million
- Operation and maintenance increased \$4.1 million.
 - Primarily from:
 - Higher payroll-related costs of \$3.3 million.
 - Higher other costs including materials and contract services.
 - Partially offset by lower legal and consulting costs, due to absence of rate case related expense.
- Depreciation and amortization increased \$1.8 million driven largely by higher property, plant and equipment balances of \$2.4 million related to organic growth projects placed in service as previously discussed, partially offset by fully depreciated assets.
- Taxes, other than income decreased \$500,000, primarily due to lower property tax valuations, largely in Montana.
- Other income increased \$3.0 million primarily due to proceeds received from a customer settlement of \$2.0 million and higher interest income.
- Interest expense increased \$1.9 million primarily from higher debt balances to fund capital expenditures.
- Income tax expense increased \$6.4 million, largely due to higher income before taxes.

Outlook The Company has continued to experience the effect of associated natural gas production in the Bakken, which has provided opportunities for organic growth projects and increased demand. The completion of organic growth projects has contributed to higher volumes of natural gas the Company transports through its system. Bakken natural gas production is currently at or near record levels and the outlook remains positive with continued growth expected due to new oil wells and increasing gas to oil ratios.

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

The Company continues to monitor, evaluate and implement additional GHG emissions reduction strategies, including increased monitoring frequency and emission source control technologies to minimize potential risk.

On March 8, 2024, the EPA published its final rule to update, strengthen and expand standards intended to significantly reduce GHG emissions and other air pollutants from emission sources in the oil and natural gas industries. The standards apply to various sources of GHG emissions including natural gas compressors, process controllers, natural gas driven pumps, storage vessels, natural gas wells, fugitive emissions components and super-emitter events. Additionally, the EPA is revising the current GHG reporting rules to improve the calculation, monitoring and reporting of GHG data and incorporate provisions from the IRA. On April 25 and May 14, 2024, the EPA finalized proposed amendments to the reporting rule including updating the global warming potentials, emissions factors, and emissions calculation methodologies, adding emissions sources to be reported on, and other changes to generally improve data being reported. Additionally, proposed regulations implementing the Waste Emissions Charge provisions in the IRA were published on January 26, 2024. The Company continues to monitor and assess these rulemakings and the potential impacts they may have on its business processes, current and future projects, results of operations and disclosures.

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

In July 2021, the Company announced plans for a natural gas pipeline expansion project in eastern North Dakota. The Wahpeton Expansion project consists of approximately 60 miles of pipe and ancillary facilities and is designed to increase capacity by 20 MMcf per day, which is supported by long-term customer agreements with Montana-Dakota and its utility customers. On May 27, 2022, the Company filed with FERC its application for the project and received FERC's approval on October 19, 2023. Construction began in the second quarter of 2024 with an estimated completion in the fourth quarter of 2024.

On November 1, 2024, the Company closed on the purchase of a 28-mile natural gas pipeline lateral in northwestern North Dakota. The lateral extends the Company's pipeline system to a natural gas processing plant in the Bakken.

See Capital Expenditures within this section for information on the expenditures related to these growth projects.

Construction Services

Strategy and challenges The construction services segment provides electrical and mechanical and transmission and distribution specialty contracting services, as discussed in Note 15. The construction services segment focuses on safely executing projects; providing a superior return on investment by building new and strengthening existing customer relationships; ensuring quality service; effectively managing costs; retaining, developing and recruiting talented employees; growing through organic and strategic acquisition opportunities; and focusing efforts on projects that will permit higher margins while properly managing risk. The growth experienced by the segment in recent years is due in part to the project awards in the markets served and the ability to support national customers in most of the regions in which it operates.

The construction services segment faces challenges, which are not under direct control of the business, in the markets in which it operates, including those described in Part I, Item 1A. Risk Factors in the 2023 Annual Report. These factors, and those noted below, have caused fluctuations in revenues, gross margins and earnings in the past and are likely to cause fluctuations in the future.

- **Revenue mix and impact on gross profit.** The mix of revenues based on the types of services the segment provides can impact gross profit as certain industries and services provide higher gross profit opportunities. Larger or more complex projects typically result in higher gross profit opportunities since the segment assumes a higher degree of performance risk and there is greater utilization of the segment's resources for longer construction timelines. However, larger or more complex projects can have a higher risk of regulatory and seasonal or cyclical delay. Project schedules fluctuate, which can affect the amount of work performed in a given period. Smaller or less complex projects typically have a greater number of companies competing for them, and competitors at times may be more aggressive on pricing when pursuing available work. A greater percentage of smaller scale or less complex work in a given period could negatively impact margins due to the inefficiency of transitioning between a greater number of smaller projects versus continuous production on a few larger projects.
- **Project variability and performance.** Gross profit for a single project may fluctuate period to period due to changes in the volume or type of work performed, the pricing structure under the project contract or job productivity. Productivity and performance on a project can vary period to period based on a number of factors, including unexpected project difficulties; unexpected project site conditions; project location, including locations with challenging operating conditions or difficult geographic characteristics; whether the work is on an open or encumbered right of way; inclement weather or severe weather events; environmental restrictions or regulatory delays; political or legal challenges related to a project; and the performance of third parties. In addition, the type of contract can impact the gross profit on a project. Under fixed-price contracts, which are more common with larger or more complex projects, the segment assumes risk related to project estimates versus actual execution. Revenues under this type of contract can vary, sometimes significantly, from original projects due to additional project complexity; timing uncertainty or extended bidding; extended regulatory or permitting processes; and other factors, which can result in a reduction in profit or losses on a project.
- **Subcontractor work and provision of materials.** Some work under project contracts is subcontracted out to other companies and gross profit on subcontractor work is generally lower than work performed by the Company. Increased subcontractor work in a given period may therefore result in lower gross profit. In addition, inflationary or other pressures may increase the cost of materials under fixed-price contracts and may result in decreased gross profit on the project. The Company has worked to implement provisions in project contracts to allow for the pass-through of inflationary costs to customers where feasible and will continue to do so to mitigate the impacts.

The segment's management continually monitors its operating income and has been proactive in attempting to mitigate the inflationary impacts seen across the United States. The segment is currently experiencing continued labor constraints and impacts from delays in the national supply chain. The segment is working with suppliers and providers of goods and services in advance of construction to secure pricing and reduce delays for goods and services. The inflationary costs and national supply chain challenges experienced by the segment have increased costs but have not had significant impacts to the procurement of project materials. Such volatility and inflationary pressures may continue to have an impact on the segment's operating income, including fixed-price construction contracts that are particularly vulnerable to the volatility of energy and material prices. These increases are partially offset by mitigation measures implemented by the Company, including escalation clauses in contracts, pre-purchased materials and other cost savings initiatives.

In addition, the segment has experienced increased insurance costs and anticipates continued increases in insurance costs. Premiums in the insurance industry have risen due to many factors, such as economic inflation and a rise in insurance carriers' losses, in particular for wildfire risks. The segment completed its renewal process of its insurance lines, which will be on a stand-alone basis in connection with the separation from the Company, and saw these impacts as a part of its renewal process. The segment is focused on strategies to minimize these costs and/or ensuring these costs are built into its bidding opportunities.

The Company's ability to provide adequate specialized labor for projects is critical to maintaining customer relationships and project margins. The aging workforce and the increasing complexity and duration of customers' projects puts strain on labor availability. The Company has experienced labor shortages in certain markets, which has increased labor-related costs in some cases. The Company continues to monitor the labor markets and expects overall demand for labor to continue to rise. Based on this increasing demand as well as terms of collective bargaining agreements and, to a lesser extent, recent inflationary pressures, the Company expects labor-related costs to continue to increase. The Company plans to meet its labor needs by increasing recruiting efforts, continuing to develop and retain its workforce, and promoting specialized labor opportunities for those entering the workforce. Accordingly, operating results in any particular period may not be indicative of the results that can be expected for any other period.

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Variance	2024	2023	Variance
(In millions)						
Operating revenues	\$ 761.0	\$ 717.4	6 %	\$ 2,090.0	\$ 2,218.7	(6)%
Cost of sales:						
Operation and maintenance	646.8	607.9	6 %	1,762.4	1,891.1	(7)%
Depreciation and amortization	5.1	4.7	9 %	14.7	13.6	8 %
Taxes, other than income	19.2	19.9	(4)%	59.7	71.9	(17)%
Total cost of sales	671.1	632.5	6 %	1,836.8	1,976.6	(7)%
Gross profit	89.9	84.9	6 %	253.2	242.1	5 %
Selling, general and administrative expense:						
Operation and maintenance	33.6	32.6	3 %	100.7	94.9	6 %
Depreciation and amortization	1.3	1.2	8 %	3.8	3.7	3 %
Taxes, other than income	1.3	1.0	30 %	4.8	3.9	23 %
Total selling, general and administrative expense	36.2	34.8	4 %	109.3	102.5	7 %
Operating income	53.7	50.1	7 %	143.9	139.6	3 %
Other income	4.9	2.0	145 %	11.5	7.5	53 %
Interest expense	2.8	4.7	(40)%	8.8	6.6	33 %
Income before income taxes	55.8	47.4	18 %	146.6	140.5	4 %
Income tax expense	14.0	11.4	23 %	37.6	34.5	9 %
Income from continuing operations	41.8	36.0	16 %	109.0	106.0	3 %
Discontinued operations, net of tax*	—	—	— %	—	(5.2)	(100)%
Net income	\$ 41.8	\$ 36.0	16 %	\$ 109.0	\$ 100.8	8 %

*Discontinued operations includes interest on debt facilities repaid in connection with the Knife River separation.

Operating Statistics	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(In millions)				
Operating revenues:				
Electrical & Mechanical	\$ 536.9	\$ 516.9	\$ 1,481.7	\$ 1,680.2
Transmission & Distribution	228.5	204.5	623.8	549.5
Intrasegment eliminations	(4.4)	(4.0)	(15.5)	(11.0)
Total revenues	\$ 761.0	\$ 717.4	\$ 2,090.0	\$ 2,218.7
Operating income:				
Electrical & Mechanical	\$ 34.9	\$ 31.1	\$ 100.8	\$ 100.3
Transmission & Distribution	25.3	23.0	60.1	51.3
Corporate and other	(6.5)	(4.0)	(17.0)	(12.0)
Total operating income	\$ 53.7	\$ 50.1	\$ 143.9	\$ 139.6

Three Months Ended September 30, 2024, Compared to Three Months Ended September 30, 2023 Construction services earnings increased \$5.8 million as a result of:

- Revenues increased \$43.6 million.
 - Electrical and mechanical revenues increased by \$20.0 million as a result of higher revenues for the commercial and institutional end markets, partially offset by lower revenues for the industrial, service and renewables end markets.
 - Commercial revenues increased due to submarket activity, including higher data center workloads, partially offset by softening hospitality activity from completion of large projects.
 - Higher institutional workloads were driven by workload activity across submarkets, including increases for education and government, partially offset by dips in healthcare.
 - Lower industrial revenues, due to softening in the general industrial, high tech and government submarkets, partially offset by higher workloads in manufacturing.
 - Service & other and renewables had lower revenues due to decreased repair and maintenance demand and the timing of projects, respectively.
 - Transmission and distribution revenues increased by \$24.0 million, due to higher utility and transportation end-market revenues.
 - Utility revenues increased from higher workloads and submarket activity across transmission, underground, telecommunication and substation, partially offset by lower distribution workloads due to timing of project availability.
 - Transportation revenues were higher due to increased submarket workloads, such as project timing in traffic signalization and street lighting.
- Cost of sales increased \$38.6 million.
 - The increase primarily relates to higher operating costs from increased electrical and mechanical and transmission and distribution workloads, partially offset by project efficiencies.
 - Subcontractor costs, material costs and other job expenses increased \$25.2 million, \$10.0 million and \$6.4 million, respectively, partially offset by lower labor costs of \$3.0 million.
- Selling, general and administrative expense increased \$1.4 million.
 - Primarily due to:
 - Increased expenses associated with professional services of \$1.5 million.
 - Increased general expenses of \$2.6 million including office, rent and insurance expense.
 - Partially offsetting these increases was lower provision for expected credit losses of \$1.6 million and lower payroll-related costs of \$1.1 million.
- Operating income increased \$3.6 million, primarily from increased gross profit, partially offset by increased selling, general and administrative expense discussed above. Operating income as a percentage of revenue remained relatively consistent as a result of project efficiencies.
- Other income increased \$2.9 million, primarily related to the Company's joint ventures activity.
- Interest expense decreased \$1.9 million due to lower average debt balances for working capital needs in the current period compared to the prior period in connection with the Company's cash management program.
- Income tax expense increased \$2.6 million, primarily resulting from an increase in income before income taxes and a higher effective tax rate.

Nine Months Ended September 30, 2024, Compared to Nine Months Ended September 30, 2023 Construction services earnings increased \$8.2 million as a result of:

- Revenues decreased \$128.7 million.
 - Electrical and mechanical revenues decreased by \$198.4 million as a result of lower revenues for the commercial, industrial, service and renewables end markets, partially offset by higher revenues from the institutional end market.
 - Commercial had revenue shifts within the hospitality submarket from completion of large projects during 2023, partially offset by higher data center activity due to increased workloads.
 - Softening industrial revenues from lower workloads in the general industrial, high tech and government submarkets were partially offset by higher workloads in manufacturing.
 - Service & other and renewables had lower revenues due to decreased repair and maintenance demand and the timing of projects, respectively.
 - Partially offsetting these decreases were increased institutional revenues, driven from higher workloads in the government, education and healthcare submarkets.

- Transmission and distribution revenues increased by \$74.3 million, due to increases in both the utility and transportation end markets.
 - Utility had higher revenues due to submarket activity, such as increased workloads in the transmission, telecommunication and substation submarkets, partially offset by lower workloads due to timing of projects and availability in storm and government.
 - Transportation had higher revenues due to submarket activity, such as higher workloads in traffic signalization and street lighting.
- Cost of sales decreased \$139.8 million.
 - Largely due to:
 - Lower operating costs from decreased electric and mechanical workloads and project efficiencies, partially offset by higher transmission and distribution operating costs from increased workloads.
 - Labor and material costs decreased by \$143.9 million and \$77.9 million, respectively, partially offset by higher subcontractor costs of \$66.9 million and other job expenses of \$15.1 million.
- Selling, general and administrative expense increased \$6.8 million.
 - Primarily due to:
 - Increased payroll-related costs of \$1.8 million to support the operational growth of the business.
 - Increased expenses associated with professional services of \$4.2 million.
 - Increased general expenses of \$5.2 million including office, rent and insurance expense.
 - Partially offsetting these increases was lower provision for expected credit losses of \$4.4 million.
- Operating income increased \$4.3 million, primarily from increased gross profit, partially offset by increased selling, general and administrative expense discussed above. Operating income as a percentage of revenue increased as a result of project efficiencies.
- Other income increased \$4.0 million, primarily related to the Company's joint ventures activity.
- Interest expense increased \$2.2 million due to interest on debt facilities repaid in connection with the Knife River separation in 2023 being included in discontinued operations.
- Income tax expense increased \$3.1 million, primarily resulting from an increase in income before income taxes and a higher effective tax rate.

Outlook On October 31, 2024, the Company completed the separation of Everus, its construction services business, resulting in Everus becoming an independent, publicly-traded company. The Company's board of directors approved the distribution of all the outstanding shares of Everus common stock to the Company's stockholders. Stockholders of the Company received one share of Everus common stock for every four shares of the Company's common stock held as of the close of business on October 21, 2024, the record date for the distribution. The distribution is expected to be tax-free to the Company's stockholders for U.S. federal income tax purposes, except for cash received in lieu of fractional shares. More information on the separation and distribution can be found within Everus' Form 10, which is not incorporated by reference herein.

Other

	Three Months Ended			Nine Months Ended		
	September 30,			September 30,		
	2024	2023	Variance	2024	2023	Variance
	(In millions)					
Operating revenues	\$ 1.4	\$ 1.7	(18)%	\$ 4.3	\$ 6.4	(33)%
Operating expenses:						
Operation and maintenance	3.3	(2.6)	227 %	16.3	19.4	(16)%
Depreciation and amortization	.5	1.0	(50)%	1.7	3.2	(47)%
Total operating expenses	3.8	(1.6)	338 %	18.0	22.6	(20)%
Operating income (loss)	(2.4)	3.3	(173)%	(13.7)	(16.2)	(15)%
Unrealized gain on retained shares in Knife River	—	30.2	(100)%	—	170.2	(100)%
Other income	4.2	5.8	(28)%	13.4	10.0	34 %
Interest expense	3.5	8.6	(59)%	10.2	12.3	(17)%
Income (loss) before income taxes	(1.7)	30.7	(106)%	(10.5)	151.7	(107)%
Income tax (benefit) expense	(.2)	3.6	(106)%	(2.3)	49.3	(105)%
Income (loss) from continuing operations	(1.5)	27.1	(106)%	(8.2)	102.4	(108)%
Discontinued operations, net of tax	2.4	\$ (3.3)	173 %	2.3	(60.0)	104 %
Net income	\$.9	\$ 23.8	(96)%	\$ (5.9)	\$ 42.4	(114)%

On May 31, 2023, the Company completed the separation of Knife River, its former construction materials and contracting business, into a new publicly-traded company. As a result of the separation, the historical results of operations for Knife River are shown in discontinued operations, except for allocated general corporate overhead costs of the Company, which do not meet the criteria for discontinued operations. Also included in discontinued operations are strategic initiative costs associated with the separation of Knife River.

Three Months Ended September 30, 2024, Compared to Three Months Ended September 30, 2023, respectively.

Other earnings decreased \$22.9 million. The decrease was primarily due to the absence of the 2023 \$22.8 million, net of tax, unrealized gain on the Company's retained interest in Knife River and higher operation and maintenance expense related to higher insurance claims experience at the captive insurer. Partially offsetting this decrease was lower interest expense due to decreased borrowings and an income tax benefit in discontinued operations.

Nine Months Ended September 30, 2024, Compared to Nine Months Ended September 30, 2023, respectively.

Other earnings decreased \$48.3 million. The decrease was primarily due to the absence of the 2023 \$113.6 million, net of tax, unrealized gain on the Company's retained interest in Knife River. Partially offsetting this decrease was lower operation and maintenance expense, largely a result of corporate overhead costs classified as continuing operations allocated to the construction materials business in 2023, which are not included in Other in 2024. Other also experienced increased interest income, lower interest expense and an income tax benefit in discontinued operations, which partially offset the decrease.

Also included in Other are annualized effective income tax adjustments of the holding company primarily associated with corporate functions and general and administrative costs and interest expense previously allocated to the exploration and production and refining businesses that do not meet the criteria for discontinued operations.

Intersegment Transactions

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
	(In millions)			
Intersegment transactions:				
Operating revenues	\$ 5.5	\$ 5.5	\$ 48.3	\$ 44.6
Operation and maintenance	\$ 1.6	\$ 1.9	\$ 5.3	\$ 7.1
Purchased natural gas sold	\$ 3.9	\$ 3.6	\$ 43.0	\$ 37.5
Other income	\$ 4.0	\$ 5.9	\$ 12.9	\$ 8.5
Interest expense	\$ 4.0	\$ 5.9	\$ 12.9	\$ 8.5

For more information on intersegment eliminations, see Note 15.

Liquidity and Capital Commitments

At September 30, 2024, the Company had cash, cash equivalents and restricted cash of \$104.0 million and available borrowing capacity of \$514.4 million under the outstanding credit facilities of the Company and its subsidiaries. The Company expects to meet its obligations for debt maturing within one year and its other operating and capital requirements from various sources, including internally generated funds; credit facilities and commercial paper of the Company and its subsidiaries, as described in Capital resources; and issuance of debt and equity securities if necessary.

Cash flows

	Nine Months Ended	
	September 30,	
	2024	2023
	(In millions)	
Net cash provided by (used in):		
Operating activities	\$ 441.8	\$ 174.9
Investing activities	(392.5)	(415.7)
Financing activities	(22.3)	192.8
Increase (decrease) in cash, cash equivalents and restricted cash	27.0	(48.0)
Cash, cash equivalents and restricted cash -- beginning of year	77.0	80.5
Cash, cash equivalents and restricted cash -- end of period	\$ 104.0	\$ 32.5

Operating activities

	Nine Months Ended		
	September 30,		
	2024	2023	Variance
	(In millions)		
Components of net cash provided by operating activities:			
Net income	\$ 225.9	\$ 244.0	\$ (18.1)
Less: income (loss) from discontinued operations, net of tax	2.3	(65.7)	68.0
Income from continuing operations	223.6	309.7	(86.1)
Adjustments to reconcile net income to net cash provided by operating activities	154.2	52.8	101.4
Changes in current assets and liabilities, net of acquisitions:			
Receivables	14.5	161.4	(146.9)
Inventories	(6.3)	(19.7)	13.4
Other current assets	37.0	(68.2)	105.2
Accounts payable	7.2	(132.3)	139.5
Other current liabilities	47.1	42.3	4.8
Pension & postretirement benefit plan contributions	(2.6)	(7.5)	4.9
Other noncurrent changes	(35.2)	(3.4)	(31.8)
Net cash provided by operating activities	439.5	335.1	104.4
Net cash provided by (used in) discontinued operations	2.3	(160.2)	162.5
Net cash provided by operating activities	\$ 441.8	\$ 174.9	\$ 266.9

The changes in cash flows from operating activities generally follow the results of operations, as discussed in Business Segment Financial and Operating Data, and are affected by changes in working capital. The increase in cash provided by adjustments to reconcile net income is driven by the absence of the 2023 unrealized gain on the Company's retained interest in Knife River, with the offset reflected in the decrease in income from continuing operations. The increase in cash flows provided by operating activities in the previous table was largely driven by the absence of cash used in discontinued operations in 2023, primarily cash used at Knife River and associated separation costs. Also contributing was lower cash used in accounts payable, primarily related to the payment of natural gas costs at the natural gas distribution business and higher 2024 payable balances at the construction services business, largely due to timing of job activity, payments, and billing fluctuations. An increase in cash from other current assets, primarily the collection of purchased gas cost and fuel cost adjustment balances at the natural gas distribution and electric businesses further drove the increase. Partially offsetting these items was a decrease of cash from accounts receivable, largely due to lower gas costs in 2024 compared to 2023 at the natural gas distribution business and higher 2024 receivable balances at the construction services business, primarily the result of lower cash collections and timing of billing activity.

Investing activities

	Nine Months Ended		
	September 30,		
	2024	2023	Variance
	(In millions)		
Components of net cash used in investing activities:			
Capital expenditures	\$ (401.0)	\$ (370.6)	\$ (30.4)
Net proceeds from sale or disposition of property	9.6	12.5	(2.9)
Cost of removal, net of salvage value	(6.2)	0.7	(6.9)
Investments	(3.9)	(3.3)	(.6)
Proceeds from investment cost basis withdrawal	9.0	—	9.0
Net cash used in continuing operations	(392.5)	(360.7)	(31.8)
Net cash used in discontinued operations	—	(55.0)	55.0
Net cash used in investing activities	\$ (392.5)	\$ (415.7)	\$ 23.2

The cash used in investing activities decreased as compared to 2023, primarily due to the absence of cash used in discontinued operations in 2023 and the receipt of proceeds from the withdrawal of cost basis from insurance policies in 2024. This was partially offset by increased capital expenditures at the natural gas distribution businesses, net costs incurred for removal in 2024 at the electric and natural gas distribution businesses, primarily the absence of a net receipt of cash for salvage in 2023, and lower proceeds received from the sale of property at the construction services business in 2024 compared to prior year.

Financing activities

	Nine Months Ended		
	September 30,		
	2024	2023	Variance
	(In millions)		
Components of net cash (used in) provided by financing activities:			
Issuance of short-term borrowings	\$ —	\$ 461.4	\$ (461.4)
Repayment of short-term borrowings	(95.0)	(193.5)	98.5
Issuance of long-term debt	302.4	411.9	(109.5)
Repayment of long-term debt	(147.7)	(435.0)	287.3
Debt issuance costs	(2.4)	(1.8)	(.6)
Costs of issuance of common stock	(.1)	—	(.1)
Dividends paid	(76.9)	(135.9)	59.0
Repurchase of common stock	—	(4.8)	4.8
Tax withholding on stock-based compensation	(2.6)	(3.0)	.4
Net cash (used in) provided by continuing operations	(22.3)	99.3	(121.6)
Net cash provided by discontinued operations	—	93.5	(93.5)
Net cash (used in) provided by financing activities	\$ (22.3)	\$ 192.8	\$ (215.1)

The variance in cash used in financing activities in 2024 compared to cash provided from financing activities in 2023 was primarily due to the absence of the 2023 issuance of short-term borrowings at the natural gas distribution business used to fund higher natural gas costs, and also at the Company to replace Centennial debt that was refinanced due to the spinoff of Knife River. Also contributing to decreased cash was lower issuance of long-term debt, primarily the absence of the 2023 issuances by the Company, largely used to replace the Centennial debt, which was partially offset by 2024 issuances by the electric and natural gas businesses. Further driving the decrease was the absence of cash provided by discontinued operations. Partially offsetting these items was the absence of higher repayments in 2023 of long-term and short-term borrowings, as Centennial repaid all of its outstanding debt in the second quarter of 2023 due to the Knife River separation. In addition, lower dividends were paid in 2024 due to a change in the targeted dividend payout ratio after the Knife River separation.

Capital expenditures

Capital expenditures for the first nine months of 2024 and 2023 were \$405.9 million and \$374.0 million, respectively. Capital expenditures allocated to the Company's business segments are estimated to be approximately \$541.7 million for 2024. Capital expenditure estimates have been updated from what was previously reported in the 2023 Annual Report to accommodate project timeline and scope changes made thus far in 2024.

The Company has included in the estimated capital expenditures for 2024 multiple growth projects at the pipeline business, as previously discussed in Business Segment Financial and Operating Data, as well as system upgrades; routine replacements; service extensions; routine equipment maintenance and replacements; buildings, land and building improvements; pipeline and natural gas storage projects; power generation and transmission opportunities, environmental upgrades; and other growth opportunities.

The Company continues to evaluate potential future acquisitions and other growth opportunities that would be incremental to the outlined capital program; however, they are dependent upon the availability of economic opportunities and, as a result, capital expenditures may vary significantly from the estimate previously discussed. The Company continuously monitors its capital expenditures for project delays and changes in economic viability and adjusts as necessary. It is anticipated that all of the funds required for capital expenditures for 2024 will be funded by various sources, including internally generated funds; credit facilities and commercial paper of the Company and its subsidiaries, as described later; and issuance of debt and equity securities if necessary.

Capital resources

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

Debt resources

Certain debt instruments of the Company and its subsidiaries contain restrictive and financial covenants and cross-default provisions. In order to borrow under the respective debt instruments, the Company and its subsidiaries must be in compliance with the applicable covenants and certain other conditions, all of which the Company and its subsidiaries, as applicable, were in compliance with at September 30, 2024. In the event the Company and its subsidiaries do not comply with the applicable covenants and other conditions, alternative sources of funding may need to be pursued. As of September 30, 2024, the Company had investment grade credit ratings at all entities issuing debt. For more information on the covenants, certain other conditions and cross-default provisions, see Part II, Item 6 in this document and Part II, Item 8 in the 2023 Annual Report.

The following table summarizes the outstanding revolving credit facilities of the Company and its subsidiaries at September 30, 2024:

Company	Facility	Facility Limit	Amount Outstanding	Letters of Credit	Expiration Date
(In millions)					
Montana-Dakota Utilities Co.	Commercial paper/Revolving credit agreement (a)	\$ 200.0	\$ 57.8	\$ —	10/18/28
Cascade Natural Gas Corporation	Revolving credit agreement	\$ 175.0 (b)	\$ 82.6	\$ 2.2 (c)	6/20/29
Intermountain Gas Company	Revolving credit agreement	\$ 175.0 (b)	\$ 80.9	\$ —	6/20/29
MDU Resources Group, Inc.	Revolving credit agreement	\$ 200.0 (d)	\$ —	\$ 12.1 (c)	5/31/28

(a) The commercial paper program is supported by a revolving credit agreement with various banks (provisions allow for increased borrowings, at the option of Montana-Dakota on stated conditions, up to a maximum of \$250.0 million).

(b) Certain provisions allow for increased borrowings, up to a maximum of \$225.0 million.

(c) Outstanding letter(s) of credit reduce the amount available under the credit agreement.

(d) Certain provisions allow for increased borrowings, up to a maximum of \$250.0 million.

The Montana-Dakota commercial paper program is supported by a revolving credit agreement. While the amount of commercial paper outstanding does not reduce available capacity under the revolving credit agreement, Montana-Dakota does not issue commercial paper in an aggregate amount exceeding the available capacity under the credit agreement. The commercial paper and revolving credit agreement borrowings may vary during the period, largely the result of fluctuations in working capital requirements due to the seasonality of certain operations of Montana-Dakota.

Total equity as a percent of total capitalization was 56 percent at September 30, 2024. The Company's total equity as a percentage of total capitalization was 51 percent at September 30, 2023, and 55 percent at December 31, 2023. This ratio is calculated as the Company's total equity, divided by the Company's total capital. Total capital is the Company's total debt, including short-term borrowings and long-term debt due within 12 months, plus total equity. Management believes this ratio is an indicator of how the Company is financing its operations, as well as its financial strength.

Cascade On January 20, 2023, Cascade entered into a \$150.0 million term loan agreement with a SOFR-based variable interest rate and a maturity date of January 19, 2024. On December 5, 2023, Cascade paid down \$100.0 million of the outstanding balance. On January 19, 2024, Cascade made the final \$50.0 million repayment on the \$150.0 million term loan agreement.

On June 20, 2024, Cascade amended and restated its revolving credit agreement to increase the borrowing capacity from \$100.0 million to \$175.0 million and extend the maturity date to June 20, 2029. Any borrowings under the revolving credit agreement are classified as long-term debt as they are intended to be refinanced on a long-term basis through continued borrowings. The credit agreement contains customary covenants and provisions, including a covenant of Cascade not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent. Other covenants include restrictions on the sale of certain assets, limitations on indebtedness and the making of certain investments.

Intermountain On January 20, 2023, Intermountain entered into a \$125.0 million term loan agreement with a SOFR-based variable interest rate and a maturity date of January 19, 2024. In March, April, and May 2023, Intermountain paid down \$20.0 million, \$30.0 million, and \$30.0 million, respectively, of the outstanding balance. On January 19, 2024, Intermountain made the final \$45.0 million repayment on the \$125.0 million term loan agreement.

On June 20, 2024, Intermountain amended and restated its revolving credit agreement to increase the borrowing capacity from \$100.0 million to \$175.0 million and extend the maturity date to June 20, 2029. Any borrowings under the revolving credit agreement are classified as long-term debt as they are intended to be refinanced on a long-term basis through continued borrowings. The credit agreement contains customary covenants and provisions, including a covenant of Intermountain not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent. Other covenants include restrictions on the sale of certain assets, limitations on indebtedness and the making of certain investments.

Montana-Dakota On July 11, 2024, Montana-Dakota issued \$125.0 million of senior notes under a note purchase agreement with maturity dates ranging from July 11, 2039 to July 11, 2054, at a weighted average interest rate of 5.96 percent. The agreement contains customary covenants and provisions, including a covenant of Montana-Dakota not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent. The covenants also include certain restrictions on the sale of certain assets, loans and investments.

WBI Energy Transmission On April 1, 2024, WBI Energy Transmission entered into a \$60.0 million term loan agreement with an interest rate of 4.52 percent and a maturity date of April 1, 2039, with the principal to be repaid in equal annual installments of \$4.0 million each, beginning March 2025 and continuing through the maturity date. The agreement contains customary covenants and provisions, including a covenant of WBI Energy Transmission not to permit, at any time, the ratio of total debt to total capitalization to be greater than 65 percent. The covenants also include certain restrictions on the sale of certain assets, loans and investments.

MDU Resources Group, Inc. On November 1, 2024, the Company repaid its outstanding balance of \$190.0 million on its \$375.0 million term loan agreement which the Company entered into on May 31, 2023, with a SOFR-based variable interest rate and a maturity date of May 31, 2025. The Company's repayment was facilitated by the repayment of debt proceeds from Everus in connection with the separation and the term loan agreement was subsequently terminated.

Material cash requirements

There were no material changes in the Company's remaining contractual obligations related to estimated interest payments, asset retirement obligations and uncertain tax positions for 2024 from those reported in the 2023 Annual Report. For more information on the Company's contractual obligations on long-term debt, operating leases and purchase commitments, see Part II, Item 7 in the 2023 Annual Report.

Material short-term cash requirements of the Company include repayment of outstanding borrowings and interest payments on those agreements, payments on operating lease agreements, payment of obligations on purchase commitments and asset retirement obligations.

Material long-term cash requirements of the Company include repayment of outstanding borrowings and interest payments on those agreements, payments on operating lease agreements, payment of obligations on purchase commitments and asset retirement obligations.

Defined benefit pension plans

The Company has noncontributory qualified defined benefit pension plans for certain employees. Various actuarial assumptions are used in calculating the benefit expense (income) and liability (asset) related to these plans, as such costs of providing these benefits bear the risk of changes as they are dependent upon assumptions of future conditions.

There were no other material changes to the Company's noncontributory qualified defined benefit pension plans from those reported in the 2023 Annual Report. The Company contributed approximately \$2.9 million to its pension plans in 2024 due to minimum funding requirements. For more information, see Note 16 and Part II, Item 7 in the 2023 Annual Report.

New Accounting Standards

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

Critical Accounting Estimates

The Company's critical accounting estimates include impairment testing of goodwill; regulatory assets expected to be recovered in rates charged to customers; revenue recognized using the cost-to-cost measure of progress for contracts; actuarially determined benefit costs; and tax provisions. There were no material changes in the Company's critical accounting estimates from those reported in the 2023 Annual Report. For more information on critical accounting estimates, see Part II, Item 7 in the 2023 Annual Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to the impact of market fluctuations associated with interest rates and commodity prices. The Company has policies and procedures to assist in controlling these market risks and from time to time has utilized derivatives to manage a portion of its risk. Market risk sensitive instruments were not entered into for trading purposes.

Interest rate risk

Higher interest rates have resulted in and will likely continue to result in higher borrowing costs on new debt and existing variable interest rate debt. As of September 30, 2024, approximately 16.7 percent of the outstanding debt recorded on the balance sheet consisted of variable interest rate facilities (which uses SOFR as the benchmark rate). An increase of 1 percent in the interest rate on the Company's outstanding variable interest rate facilities as of September 30, 2024, would result in an estimated \$4.1 million pre-tax annual increase in interest expense.

At September 30, 2024, the Company had no outstanding interest rate hedges.

Commodity price risk

There were no material changes to commodity price risk faced by the Company from those reported in the 2023 Annual Report.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. The Company's disclosure controls and other procedures are designed to provide reasonable assurance that information required to be disclosed in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The Company's disclosure controls and other procedures are designed to provide reasonable assurance that information required to be disclosed is accumulated and communicated to management, including the Company's chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure. The Company's management, with the participation of the Company's chief executive officer and chief financial officer, has evaluated the effectiveness of the Company's disclosure controls and other procedures as of the end of the period covered by this report. Based upon that evaluation, the chief executive officer and the chief financial officer have concluded that, as of the end of the period covered by this report, such controls and procedures were effective at a reasonable assurance level.

Changes in internal controls

No change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the three months ended September 30, 2024, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II -- Other Information

Item 1. Legal Proceedings

There were no material changes to the Company's legal proceedings in Part 1, Item 3 - Legal Proceedings in the 2023 Annual Report.

Item 1A. Risk Factors

Please refer to the Company's risk factors that are disclosed in Part I, Item 1A. Risk Factors in the 2023 Annual Report that could be materially harmful to the Company's business, prospects, financial condition or financial results if they occur. At September 30, 2024, there were no material changes to the Company's risk factors provided in Part I, Item 1A. Risk Factors in the 2023 Annual Report other than as set forth below.

The separation of Everus into an independent, publicly-traded company is subject to various risks and uncertainties.

The separation of Everus was completed on October 31, 2024, and resulted in two independent, publicly-traded companies. The execution of the separation has required significant time and attention from the Company's senior management and employees and several of the Company's employees transferred to Everus, which could cause disruption in business processes.

The Company's insurance has limits and exclusions that may not fully indemnify the Company against certain claims or losses, including claims resulting from wildfires or other natural disasters, and an increase in cost, or the unavailability or cancellation of third-party insurance coverages would increase the Company's overall risk exposure and subject the Company to increased liabilities that could negatively affect its business, financial condition, results of operations and cash flows.

The Company maintains insurance coverages from third party insurers as part of its overall risk management strategy and most of its customer contracts require the Company to maintain specific insurance coverage limits. The Company maintains insurance policies with respect to workers' compensation, auto liability, general liability, excess liability, contractors pollution liability, legal liability, professional liability, directors and officers liability, employment practices liability, cyber policy, terrorism, property and other types of coverages, but these policies are subject to deductibles and the Company is self-insured up to the amount of those deductibles. Insurance losses are accrued based upon the Company's estimates of the ultimate liability for claims reported and an estimate of claims incurred but not yet reported. Insurance liabilities are difficult to assess and estimate due to unknown factors, including the frequency and severity of injuries, the magnitude of damage to or loss of property or the environment, the determination of the Company's liability in proportion to other parties, estimates of incidents not reported and the effectiveness of the Company's safety programs, and as a result, the Company's actual losses may exceed its estimates. There can be no assurance that the Company's current or past insurance coverages will be sufficient or effective under all circumstances or against all claims and liabilities to which the Company may be subject.

The Company generally renews its insurance policies on an annual basis; therefore, deductibles and levels of insurance coverages may change in future periods. There can be no assurance that any of the Company's existing insurance coverages will be renewed upon the expiration of the coverage period or that future coverage will be available at reasonable and competitive rates or at the required limits. The cost of the Company's insurance has significantly increased over time and may continue to increase in the future. In addition, insurers may fail, cancel the Company's coverage, increase the cost of coverage, determine to exclude certain items from coverage, or otherwise be unable to provide the Company with adequate insurance coverage. The Company may not be able to obtain certain types of insurance or incremental levels of insurance in scope or amount sufficient to cover liabilities it may incur. For example, due to the increase in wildfire losses and related insurance claims, insurers have reduced coverage availability and increased the cost of insurance coverage for such events in recent years, and the Company's current levels of coverage may not be sufficient to cover potential losses. If the Company's risk exposure increases as a result of adverse changes in its insurance coverage, the Company could be subject to increased liabilities that could negatively affect its business, financial condition, results of operations and cash flows.

In addition, the Company performs work in hazardous environments and its employees are exposed to a number of hazards. Incidents can occur, regardless of fault, that may be catastrophic and adversely impact the Company's employees and third parties by causing serious personal injury, loss of life, damage to property or the environment, and interruption of operations. In locations or environments where claims have become more frequent or severe in recent years, insurance may become difficult or impossible to obtain. The Company's contracts may require it to indemnify its customers, project owners and other parties for injury, damage or loss arising out of the Company's presence at its customers' location, or in the performance of the Company's work, in both cases regardless of fault, and provide for warranties of materials and workmanship. The Company also may be required to name the customer and others as an additional insured party under its insurance policies. The Company maintains limited insurance coverage against these and other risks associated with its business. This insurance may not protect the Company against liability for certain events, and the Company cannot guarantee that its insurance will be adequate in risk coverage or policy limits to cover all losses or liabilities that it may incur. Any future damages caused by the Company's services that are not covered by insurance or are in excess of policy limits could negatively affect its business, financial condition, results of operations and cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended September 30, 2024, no equity securities that are registered by the Company pursuant to Section 12 of the Securities and Exchange Act of 1934 were purchased by or on behalf of the Company or any of the Company's affiliated purchasers.

Item 5. Other Information

During the three months ended September 30, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

See the index to exhibits immediately preceding the signature page to this report.

Exhibits Index

Incorporated by Reference

Exhibit Number	Exhibit Description	Filed Herewith	Form	Period Ended	Exhibit	Filing Date	File Number
2.1	Separation and Distribution Agreement, dated as of October 31, 2024, by and between MDU Resources Group, Inc. and Everus Construction Group, Inc.†		8-K		2.1	11/1/24	1-03480
3(a)	Amended and Restated Certificate of Incorporation of MDU Resources Group, Inc.		8-K		3.2	5/8/19	1-03480
3(b)	Amended and Restated Bylaws of MDU Resources Group, Inc.		8-K		3.1	2/15/19	1-03480
10.1	Transition Services Agreement, dated as of October 31, 2024, by and between MDU Resources Group, Inc. and Everus Construction Group, Inc.†		8-K		10.1	11/1/24	1-03480
10.2	Tax Matters Agreement, dated as of October 31, 2024, by and between MDU Resources Group, Inc. and Everus Construction Group, Inc.		8-K		10.2	11/1/24	1-03480
10.3	Employee Matters Agreement, dated as of October 31, 2024, by and between MDU Resources Group, Inc. and Everus Construction Group, Inc.		8-K		10.3	11/1/24	1-03480
31(a)	Certification of Chief Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X					
31(b)	Certification of Chief Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X					
32	Certification of Chief Executive Officer and Chief Financial Officer furnished pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X					
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document						
101.SCH	XBRL Taxonomy Extension Schema Document						
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document						
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document						
101.LAB	XBRL Taxonomy Extension Label Linkbase Document						
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document						
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)						

† Certain schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish supplementally a copy of any omitted schedule or exhibit to the SEC upon its request.

Signatures

Pursuant to the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MDU RESOURCES GROUP, INC.

DATE: November 7, 2024

BY: /s/ Jason L. Vollmer
Jason L. Vollmer
Vice President, Chief Financial Officer
and Treasurer

BY: /s/ Stephanie A. Sievert
Stephanie A. Sievert
Vice President, Chief Accounting Officer
and Controller

CERTIFICATION

I, Nicole A. Kivisto, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MDU Resources Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2024

/s/ Nicole A. Kivisto

Nicole A. Kivisto

President and Chief Executive Officer

CERTIFICATION

I, Jason L. Vollmer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MDU Resources Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2024

/s/ Jason L. Vollmer

Jason L. Vollmer

Vice President, Chief Financial Officer and Treasurer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

Each of the undersigned, Nicole A. Kivisto, the President and Chief Executive Officer, and Jason L. Vollmer, the Vice President, Chief Financial Officer and Treasurer of MDU Resources Group, Inc. (the "Company"), DOES HEREBY CERTIFY that:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 (the "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHERE OF, each of the undersigned has executed this statement this 7th day of November, 2024.

/s/ Nicole A. Kivisto
Nicole A. Kivisto
President and Chief Executive Officer

/s/ Jason L. Vollmer
Jason L. Vollmer
Vice President, Chief Financial Officer and Treasurer

A signed original of this written statement required by Section 906 has been provided to MDU Resources Group, Inc. and will be retained by MDU Resources Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.