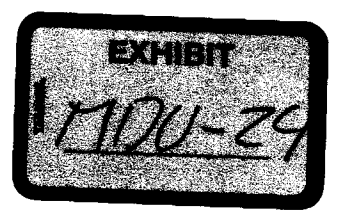


**MONTANA-DAKOTA UTILITIES CO.
ADVOCACY STAFF – MARC, LLC
DATA REQUEST DATED JULY 7, 2010
CASE NO. PU-10-124**



NDPSC-DR-025 Please provide copies of the Company's documents that define the methods for pay increases, overtime, compensatory time, incentives, awards, bonuses, stock options, 401-k contributions, etc. For each item, please provide the total payments, expensed amount, and capitalized amount for each year during the period 2007 through 2009 and projected 2010 test year, by FERC account for MDU.

Response:

Please see the following attachments for the copies of:

- Attachment A – Total Reward Philosophy
- Attachment B – 2010 Compensation Review
- Attachment C – Policy Statement – Overtime
- Attachment D – Employee Rewards
- Attachment E – Employee Incentive Plan 2010
- Attachment F – BETA Plan 2007-2009
- Attachment G – Mid-Management Incentive Compensation Plan 2007-2009
- Attachment H – Senior Management Incentive Plan 2010
- Attachment I – Management Incentive Compensation Plan
- Attachment J – Executive Incentive Compensation Plan
- Attachment K – 2010 Safety Recognition Program
- Attachment L – 401K Summary Plan Description

On September 9, 2010 Attachment M was provided in addition to the Attachments listed above.

**MONTANA-DAKOTA UTILITIES CO.
ADVOCACY STAFF – MARC, LLC
DATA REQUEST DATED JULY 7, 2010
CASE NO. PU-10-124**

NDPSC-DR-025 Please provide copies of the Company's documents that define the methods for pay increases, overtime, compensatory time, incentives, awards, bonuses, stock options, 401-k contributions, etc. For each item, please provide the total payments, expensed amount, and capitalized amount for each year during the period 2007 through 2009 and projected 2010 test year, by FERC account for MDU.

Response:

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- Attachment A – Total Reward Philosophy
- Attachment B – 2010 Compensation Review
- Attachment C – Policy Statement – Overtime
- Attachment D – Employee Rewards
- Attachment E – Employee Incentive Plan 2010
- Attachment F – BETA Plan 2007-2009
- Attachment G – Mid-Management Incentive Compensation Plan 2007-2009
- Attachment H – Senior Management Incentive Plan 2010
- Attachment I – Management Incentive Compensation Plan
- Attachment J – Executive Incentive Compensation Plan
- Attachment K – 2010 Safety Recognition Program
- Attachment L – 401K Summary Plan Description

Attachment A



MDU UTILITIES GROUP TOTAL REWARD PHILOSOPHY April 24, 2009

The MDU Utilities Group is committed to attracting, retaining, developing, and motivating employees who are committed to achieving our Company's mission: **“Utilizing existing expertise, safely provide value added products and services that exceed customer expectation”**.

This philosophy is achieved through integrated programs, processes, and practices that create a partnership between the organization, employees, and shareholders. We are committed to making the MDU Utilities Group a greater place to work; providing talented, innovative and customer focused people meaningful and challenging work. We believe people are our competitive advantage and are vital to achieving strategic initiatives in order to accomplish our vision and mission.

Our total reward program consists of three primary elements; base pay, benefits and work culture, and incentive compensation where applicable. The objectives of these total rewards elements may vary somewhat within our business units based on competitive industry practices and strategic business initiatives. The elements of total rewards are outlined below:

Base Pay

Attract and retain employees by providing a base pay opportunity that is established using the median or 50th percentile of our competitive labor market. We will provide market competitive compensation that is designed to attract and retain talent within the areas where we recruit employees. We are committed to performance-based pay and above average pay levels can be achieved through consistent above average performance.

Benefits and Work Culture

The financial security provided by benefits is a responsibility shared by the Company and employees. Benefits are designed to be cost-effective as well as attract and retain employees within the areas that we serve.

The Company strives to provide a work environment that reinforces the partnership between the Company and employees, where everyone takes the initiative to develop excellent customer service, productivity, process improvement, teamwork, and continuous learning. Practices that promote work/family balance are encouraged.

Incentive Compensation

Reward participating employees for their contribution to the financial and operating performance of our Company by sharing in the Company's success. Target incentive awards for each position are established based upon competitive practices.

Attachment B

INTERNAL CORRESPONDENCE

LOCATION: General Office
DATE: December 2, 2009
WRITER: Dave Goodin
SUBJECT: 2010 Compensation Review

Dennis Haider
John Renner
Frank Morehouse
Jon Stoltz

Andrea Stomberg
Garret Senger
Mike Gardner

Jay Skabo
Don Ball
Anne Jones

Eldon Book
Tim Clark
Scott Madison

2010 SALARY GRADE STRUCTURE

In 2010 all non-bargaining employees in each of the four utilities will migrate to a common salary grade structure that is the same structure The MDU Resources Group family of companies has followed in recent years. Implementation will be completed in stages.

- Most Utility Operations Support employees at each business unit in the IT, Administrative Services and Customer Service Groups will transition to be employees of Montana-Dakota Utilities effective December 21, 2009. This group will move to the MDU pay structure on that date and new job titles will be implemented.
- Human Resource and Finance Department employees will remain employed by their respective business units. All employees in these groups will move to the MDU pay structure on December 21 and new job titles will be implemented.
- Non-bargained employees of all other departments across the four utilities, including field operations, gas supply and regulatory affairs will be mapped to the MDU salary structure for salary review purposes. By the second quarter of 2010 job analysis and reviews along with market pricing will be completed for all utility jobs. We do not anticipate significant changes but information along with any applicable title or grade change will be communicated to employees and implemented at that time.

2010 MERIT INCREASE GUIDELINES

The budget for 2010 merit pay increases for non-bargained employees of MDU Utilities Group have been approved and worksheets for 2010 pay recommendations will be distributed by your Human Resources Department by early December.

It is important you know merit increase budgets across all MDU Resources Company's continue to reflect our current economic environment with some business units freezing base salaries in 2010. Employees in the utility group have taken on additional work and have made significant efforts to reduce our O&M costs to keep our companies financially strong. **I have approved a salary increase budget of 2.5%.** This is in line with other utilities across the United States.

The 2.5% budget authorized for our salary review process was calculated from current non-bargained employee salaries. Managers are expected to allocate any merit pay increases based on employee performance (merit) and equity (internal and external).

- Employees that are above the salary range maximum are considered "red-circled" and are not eligible for a base pay increase in 2010.

I expect each of you to work with your managers to stay within an overall 2.5% budget by VP rollup. Managers have been given information on their salary worksheets that provides guidance to help them stay within a 2.5% overall increase.

- You will be authorized additional dollars, beyond your approved salary budget, to bring any employee that

is below the salary range up to the salary range minimum.

To help you with the process, promote consistency and ultimately stay within budget, I suggest you use the following guidelines prepared by Human Resources. **I recognize there may be exceptions, but expect they will be kept to an absolute minimum and require supporting documentation and my approval.**

GUIDELINE FOR ALLOCATING 2010 MERIT INCREASE BUDGET

Performance Rating Description	Compa Ratio 80 - 92 %	Compa Ratio 93-106%	Compa Ratio 107-120%
Performance rating reserved for <u>outstanding performers</u> in the company.	3.0 – 3.5%	2.50 – 3.0%	2.0 – 2.5%
Performance rating indicating employee <u>performance meets or frequently exceeds expectations.</u>	2.25 – 2.75%	1.5 – 2.0%	1.0% <i>In very limited special circumstances for pay equity purposes- consider lump sum in lieu of base pay increase.</i>
Employee performance that is <u>below expectations or unsatisfactory.</u>	0% - <i>Employees are not eligible for an increase in base pay.</i>		

Compa ratio = employee base pay/salary range midpoint. The above table has been prepared as a guideline, assuming the job is paid competitively when employee pay is in the middle one-third of the salary range (93-106% compa ratio).

It is recognized some jobs must be paid closer to the salary range maximum (120% compa ratio) to maintain competitive pay.

Please be aware that you will be provided a listing of employees that are not eligible for a salary review in December because of a recent promotion, pay adjustment or hire date.

If you have any questions contact Jim Kaiser, Linda Murray or Bob Harris. Review and email your groups completed worksheets to Brooke Steffes no later than **5PM on Wednesday, December 9, 2009.**

2010 PAY STRUCTURE

Below is the 2010 MDU Utility Group pay structure. The structure is common to MDU Resources and their business units. It is reviewed and updated annually based on salary market studies.

Grade	Minimum	Midpoint	Maximum
29	\$19,600	\$24,500	\$29,400
30	\$21,800	\$27,250	\$32,700
31	\$25,040	\$31,300	\$37,560
32	\$28,960	\$36,200	\$43,440
33	\$34,200	\$42,750	\$51,300
34	\$40,000	\$50,000	\$60,000
35	\$45,200	\$56,500	\$67,800
36	\$52,200	\$65,250	\$78,300
37	\$61,000	\$76,250	\$91,500
38	\$70,000	\$87,500	\$105,000
39	\$78,800	\$98,500	\$118,200
40	\$88,800	\$111,000	\$133,200
41	\$100,000	\$125,000	\$150,000
42	\$112,400	\$140,500	\$168,600

SALARY REVIEW PROCESS STEPS FOR MANAGERS AND SUPERVISORS

1. Review Demographics

- Worksheets are based upon classification and pay level effective the first full pay period in November.
- Ensure all employees are listed; job titles, pay grades, performance ratings, and pay levels are accurate. Work with Brooke Steffes regarding any changes or updates to this information.

2. Merit Increases

- Recommend a pay adjustment by inputting a percentage in the Proposed Increase % column. The Salary Increase \$ Value, New 2010 Salary, Compa, and total dollars spent cells will automatically calculate and update.
- Exceptions to guidelines should be infrequent and require additional supporting documentation.

3. Lump Sum Bonuses

- Employees paid substantially above the prevailing labor market wage rate (typically mid-point) may be considered for a lump sum bonus in lieu of an increase to annual salary. However, these bonuses will be considered part of the budget dollars spent.
- Lump sum bonuses do not increase base salary. They normally are used to improve equity issues between employees in the same classification.
- Lump sum bonuses will be paid in a separate check on December 18, 2009 and will be included in 2009 wages.

4. Submit Spreadsheets

- Discuss salary recommendations with your Vice President and email completed spreadsheets to Brooke Steffes. Your help in returning recommendations no later than **5PM on Wednesday, December 9**, is greatly appreciated.

SALARY REVIEW TIMELINE

- **December 2** – Salary worksheets and guidelines distributed
- **December 9** – All salary recommendations reviewed by Vice Presidents and emailed to Brooke Steffes
- **December 14** – Final approval of recommendations by Dave Goodin
- **December 18** – Supervisors communicate salary increase information to employees

Effective Date of 2010 Increases (Corresponds with the Company's 2010 Pay Period Schedule)

- **December 20** –IGC employees
- **December 21** –MDU employees
- **December 24** –CNG employees

Pay Date Reflecting New 2010 Wage

- **January 8** – IGC
- **January 12** – CNG
- **January 15** – MDU

Attachment C

POLICY STATEMENTS
OVERTIME

I. PURPOSE

The purpose of this policy is to define the normal work week and methods used to record hours, including overtime hours. It will also explain the distinction between exempt and non-exempt jobs. The Fair Labor Standards Act (FLSA) and Company policy prescribe the rules that must be adhered to regarding compensation for overtime hours worked by employees.

II. SCOPE

This policy applies to all non-collective bargaining unit employees. Collective bargaining unit employees comply with the agreement.

III. DEFINITIONS

A. Exempt/Non-Exempt

The FLSA exempts certain jobs classified as executive, administrative, professional and outside sales from its overtime pay provisions. The determination of whether a job is exempt or non-exempt is made by the company, based on job duties and the FLSA guidelines. Jobs determined to be non-exempt are subject to the overtime pay provisions of the FLSA and this policy.

B. Work Week

For purposes of computing pay, the FLSA requires definition of a work week to be a fixed and regularly recurring period of 168 hours, seven consecutive 24-hour periods. For most employees, the company has defined that period as beginning at twelve midnight, Monday morning and ending 168 hours later at twelve midnight, Sunday night. Managers may work with the Human Resources Department to establish a different work week for some positions, including shift work weeks, that are consistent with FLSA guidelines and meet the Company's business needs.

C. Hours of Work

The standard hours of work are 8:00 a.m. to 12:00 noon and 1:00 p.m. to 5:00 p.m. Exceptions to those hours are prescribed for jobs requiring shift work and among employees or employee groups who work a flex time or alternative schedules as may be established and approved by management.

D. Overtime Guidelines

1. All non-exempt employees will be paid overtime at the rate of one and one-half times (1.5) their regular rate of pay for all hours compensated over forty (40) hours within a work week.
2. All non-exempt, regular full time employees shall be paid overtime at the rate of two (2) times their regular rate of pay for all hours required to be worked on Sunday or two and one-half times (2.5) a paid holiday. An employee who is requested to work overtime on a Saturday, but who has chosen to work on Sunday (at their preference), or on a holiday under similar circumstances, shall be paid one and one-half times (1.5) their regular rate if they so exercise their preference.

POLICY STATEMENTS
OVERTIME



- a. The supervisor approving the employee's time ticket shall indicate on the form whether the paid holiday or Sunday worked shall be paid at double time. Absent such notation, the pay assumption shall be one and one-half times the regular rate of pay.
3. All non-exempt regular full-time employees who work 14 hours or more in a 24 hour period will be released from work for an 8 hour rest period without loss of pay for any rest hours occurring during regular scheduled hours of work. If an employee can't be released after working 14 hours in a 24 hour period, the rate of pay will be double the employee's straight time rate of pay for hours worked beyond 14 hours until released for an 8 hour rest period. Time tickets must show, and supervisors approve, double time paid under this provision.
4. A non-exempt employee must obtain their manager's prior approval to work overtime hours. If a non-exempt employee performs work-related duties before and after normal working hours, the hours must be compensated for any in excess of 40 hours in any work week at the appropriate overtime rate. Supervisors and managers are obligated to ensure that non-exempt employees are not working unauthorized overtime.

IV. EXCEPTIONS

The Human Resources Department must be consulted involving questions arising from or for approval of exceptions to this policy.

V. ADMINISTRATION

The President and Chief Executive Officer (CEO) is responsible for establishing this policy. Administration of the policy is the responsibility of the Director of Human Resources. Requiring compliance with this policy is the responsibility of all officers, directors, managers and supervisors (management). It is also the responsibility of management to ensure that policies are accessible and understood by all employees.

REVIEWED:	 _____ DIRECTOR OF HUMAN RESOURCES	12/16/09	APPROVED:	 _____ PRESIDENT & CEO	12/16/09
		DATE			DATE

LABOR AGREEMENT

BETWEEN



MONTANA-DAKOTA

UTILITIES CO.

A Division of MDU Resources Group, Inc.

AND

SYSTEM COUNCIL U-13

of the

INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS



**Effective May 28, 2007
Through April 30, 2011**

seven (7) days per week shall be eight (8) consecutive hours per day and five (5) or more consecutive days, Sunday and holidays included.

Section 7 A shift worker is an employee who is normally required to work on jobs which are operated two or three consecutive eight (8) hour shifts per day or one shift per day, seven (7) days per week, throughout the year.

Article 9 OVERTIME COMPENSATION

Section 1 Overtime at the rate of one and one-half times the employee's straight time rate shall be paid as follows:

(a) For all hours compensated for in excess of eight (8) hours per day.

(b) For all hours compensated for in excess of forty (40) hours per week.

(c) For all hours worked on an employee's assigned day off.

(d) For all hours worked outside of scheduled hours.

Section 2 Overtime at the rate of two times the employee's straight time rate shall be paid as follows:

(a) For all hours worked on Sunday, except for regularly scheduled shift workers when their regular shift falls on Sunday.

(b) Shift worker Sunday is defined as second day of 2-day break while the middle two days of a 4-day break will be designated as Sundays. On 3-day breaks the middle day will be designated the Sunday.

Section 3

(a) Employees required to immediately report to work at irregular hours shall be allowed overtime, the time

being computed from the time they are called, and in addition to the time actually worked, shall be allowed such additional time as may be required to return to the place from which they were called. The employee called shall be allowed a minimum of one (1) hour at the overtime rate. If the time worked is in excess of one hour then they shall be compensated for the additional time worked at the overtime rate, computed to the nearest fifteen (15) minutes.

(b) Employees working assignments not continuous with their regular work day, shall be allowed a minimum of one (1) hour at the overtime rate. Such assignments exclude travel time when given a minimum of one hour advance notice. If the time worked is in excess of one hour then they shall be compensated for the additional time worked at the overtime rate, computed to the nearest fifteen (15) minutes.

Section 4 No employee shall be laid off to compensate for overtime that has been worked or is to be worked.

Section 5 (a) Scheduled overtime is to be distributed as is practicable over the course of a calendar year, except in an emergency, among the employees employed in the classification of work where such overtime is worked or is to be worked. Information on such scheduled overtime hours will be provided to any representative of the Union upon request.

(b) Emergency overtime shifts, within the operation line of progression in a power plant, may be filled using any qualified employee from any classification within such line of progression.

(c) Emergency overtime is defined as overtime that occurs with less than twenty-four (24) hours notice.

Attachment D

Employee Awards

Community Spirit A W A R D

The **Community Spirit Award** was established in 1995 to recognize and honor employees for their community involvement. Each year the Community Spirit Award is presented by MDU Resources to an individual employee who has been nominated by a co-worker for his or her spirit of volunteerism.

The winner of the award is honored at the annual Leadership Conference and receives a trophy and \$2,500. In addition, a \$500 check is given to a pre-approved charity of the winner's choice.



Einstein Award

The **Einstein Award** is a quarterly award which recognizes the best-of-the-best process improvement ideas that have contributed in a measurable way to improving the company's bottom line and that are vital to the company's success. The quarterly award winners are then eligible for the annual grand prize award which is given at MDU Resources' Leadership Conference in March.

The quarterly winners or winning teams will receive \$1,000. Winners from each business segment will then be eligible to win a grand prize at the MDU Resources Leadership Conference of \$2,000 and a trophy.



MDU RESOURCES Environmental Integrity Award

The MDU Resources **Environmental Integrity Award** was established in 1993 to recognize a successful employee program, project or activity that reflects the corporation's environmental policy and philosophy.

The award includes two categories - the Award for Reclamation and Habitat Enhancement and the Award for Environmental Stewardship.

All nominations must be received by December 31. Besides receiving companywide recognition, the winner of the award receives \$1,500 in their name and recognition award winners receive \$500 in their name to be donated to a qualified charity of their choice.

The winners will be presented an award at the MDU Resources Leadership Conference held annually in March.



Summit Award

The **Summit Award** honors individual employees or groups of employees who have achieved significant results in making their company better places to work. The purpose of the award is to recognize employees for their efforts and to serve as an incentive for employees to go the "extra mile" in making their workplace better.

Each company winner will be presented with an award and then move on to compete for the corporate award where they are eligible to win a grant of \$5,000.

Attachment E

Employee Incentive Plan

PLAN OVERVIEW

The Employee Incentive Plan (Plan) for Utility employees focuses attention on Company objectives and encourages continued improvement in standards for performance that leads to positive business results and benefit our customers.

The Plan is designed to:

- Establish a strong relationship between pay and Company performance
- Provide focus on Utility strategic initiatives that increase effectiveness and efficiency
- Promote superior customer service
- Deliver labor market competitive rewards that attract, retain and motivate talented employees to higher levels of performance

The efforts of employees, both individually and as team members, are key to this success. The Plan provides an opportunity for employees to receive additional compensation if pre-established financial results are achieved as well as the achievement of important organizational and customer satisfaction goals. The Plan year is January 1 through December 31.

ELIGIBILITY

1. Employees are eligible to participate in the Plan if they meet all of the following criteria:

- Classified as a regular full-time or regular part-time non bargaining employee of Cascade Natural Gas Corp. (CNG), Intermountain Gas Co. (IGC); or a regular full-time or regular part-time employee of Montana-Dakota Utilities Co. / Great Plains Natural Gas Co. (MDU/GPNG);
- They are not covered by any other Company annual incentive plan;
- Must receive an overall performance rating of Proficient/Meets Expectations or above;
- Must be employed through the end of the Plan year; and
- Required to have at least 1,000 compensated hours within MDU Resources Group, Inc. during the payroll W-2 year.

Temporary employees and interns are not eligible to participate in the Plan.

2. New employees or employees who transfer to or from any MDU Resources Group, Inc. Company during the Plan Year are eligible to participate in the Plan on a prorated basis.
3. Eligibility ceases with termination of employment from the Utility or any other MDU Resources Group, Inc. Company during the Plan year. However, there are three exceptions 1) termination due to death, 2) termination due to disability or 3) termination due to retirement. Individuals that meet the exceptions defined above will qualify for a Plan payout.

Exceptions to the above eligibility criteria must be authorized by the President & CEO of the Utility.

PLAN CONCEPT

The Plan is designed to payout at various levels based on the attainment of specific pre-established goals that have been established for each utility Company:

For an incentive payout to be awarded the Company must meet 85% of their Utility Financial Goal. The percentage of incentive awarded increases as higher levels of financial results are achieved, until the maximum potential payout is attained (115% of the Company Financial Goal). (See Table A)

Table A

Percentage of Company Financial Goal Achieved	Percentage of Target Incentive Payable
85%	25%
90%	50%
95%	75%
100%	100%
105%	112.5%
110%	125%
115%	150%

After 85% of the Financial Goal is met, achievement of the following goals will determine the percentage of the available incentive payout. Each goal is weighted equally at 33.3%.

1. Company Financial Goal (Earnings or Net Income less Taxes)

How do employees impact Company earnings goals?

- Spend dollars wisely – a responsible approach to operations and maintenance (O&M) expenditures
- Suggest and justify capital projects that will increase efficiencies and return more than the cost of capital over the life of the project
- Increase efficiencies in the methods used to perform daily tasks and eliminate redundant services across department or Utility segments.
- Work efficiently and safely
- Properly maintain equipment to extend its useful life
- Understand and contribute to achievement of the Utility Strategic Plan

Meeting or exceeding the Company Financial target will result in a payout under this goal.

2. Operations and Maintenance (O&M) Expense Goal

Employees are expected to work together to continuously seek efficiencies that control costs normally part of the budget process such as labor, benefits, collections, travel, supplies, office and plant maintenance.

Meeting or exceeding the Company O&M target will result in a payout under this goal.

3. Customer Service Satisfaction Goal

The Customer Service Satisfaction Goal is to heighten all employees' awareness in providing a positive customer experience. Feedback and results from the Utility customer service survey will be used to determine goal achievement.

Meeting or exceeding the Company Customer Satisfaction target will result is a payout under this goal.

PLAN PAYOUT

Employees meeting the eligibility criteria (Participants) will receive a payout under this Plan based on the percentage of financial results attained, achievement of the established Company goals (each goal is weighted at 33.3%), and pay grade.

The incentive payout percentage available to a participant varies based on pay grade group. If an employee moves to a new pay grade group; any payout will be based on the target incentive listed for the group the employee was part of for the greatest number of calendar days during the payroll W-2 year.

Exceptions to the above payout criteria must be authorized by the President & CEO of the Utility.

Table B
Target Incentive Payout at 100% of Financial Goal

Pay Grade	33.3%	33.3%	33.3%	Incentive Payout %
	Financial Goal 1	O&M Expense Goal 2	Customer Satisfaction Goal 3	
29-33 & Unclassified Jobs	1.50%	1.50%	1.50%	4.50%
34-37	2.16%	2.16%	2.16%	6.50%
38-40	3.16%	3.16%	3.16%	9.50%

Definitions

ELIGIBLE ANNUAL WAGES

For the purposes of this Plan, annual wages and hours are calculated based on the Utility W-2 year according to the following definitions:

- Non-Exempt employees (eligible for overtime compensation) – Definition of eligible wages includes straight time and premium wages, but not compensation, if any, for commission, bonuses or “other” pay such as moving expenses. Employee contributions to the K-Plan are included in wages eligible for bonus calculations.
- Exempt Employees – Definition of eligible wages includes straight time pay but not any compensation for bonuses, commission or “other”. Employee contributions to the K-Plan are included in wages eligible for bonus calculations.

Note: Incentive compensation does not qualify for or result in employee or employer contributions to the K-Plan

Uniformed Service Employment and Reemployment Rights Act (USERRA) and Company policy will determine eligible wages for employees on active military leave for exempt and non-exempt employees.

PAYMENT TIMING

Payments earned (less required tax withholdings) under this Plan shall be paid as soon as practicable following the Plan year, but in all events will be paid by March 10.

PLAN CONTINUATION

Major unforeseen changes in economic conditions or other factors beyond the control of management may require adjustment of target levels as related to the Plan. The decision on any adjustments as well as the payment of any and all incentive amounts rests with the President & CEO of the Utility, with the concurrence of the Managing Committee.

The decision to continue the Plan, change the Plan or to discontinue the Plan is solely at the discretion of the President & CEO of the Utility.

This Plan does not create an employment contract between the Company and any Participant nor is it a guarantee of employment by the Company to any Participant.

CONFIDENTIALITY

The Plan and the financial performance targets are designed for Company use only, are deemed confidential and are not to be discussed or shared outside the Company.

ADDENDUM

Employee Incentive Plan - 2010

Plan Goal Targets by Company

Individuals qualify for a plan payout based on the Company performance of which they are employed.

	Goal 1: Company Financial	Goal 2: O & M Expense	Goal 3: Customer Satisfaction
MDU/GPNG	\$ 38,919,000.00	\$ 109,523,000.00	4.5
CNG	\$ 13,653,000.00	\$ 47,093,000.00	4.5
IGC	\$ 13,870,000.00	\$ 41,102,000.00	4.5

ADDENDUM

Example Employee Payout Employee Incentive Plan

Assumptions: An IGC employee in pay grade 36 with \$50,000 in eligible wages:

Example 2010 Actual Results

		Goal 1: Company Financial	Goal 2: O & M Expense	Goal 3: Customer Satisfaction
IGC	\$	14,570,000.00	\$ 40,690,980.00	4.4

Step 1: Determine the percent of IGC's Financial Goal achieved:

$$\begin{array}{rclcl}
 \text{(Actual)} & + & \text{Target} & = & \% \text{ Achieved} \\
 \$ 14,570,000.00 & + & \$ 13,870,000.00 & = & 105\%
 \end{array}$$

(A)

The financial results achieved are greater than the threshold (85%) resulting in a 112.5% (Table A) of Target payout. Also, achieving this goal results in a 2.16% payout of eligible wages (Table B).

(B)

Step 2: Determine if IGC's O&M Goal was achieved:

(C)

The Actual O & M Expenses (\$40,690,980) are less than the Target (\$41,102,000) resulting in 2.16% payout of eligible wages (Table B).

Step 3: Determine if IGC's Customer Satisfaction Goal was achieved:

The Actual Customer Satisfaction score is 4.4, which does not meet the 4.5 Target resulting in no payout.

Step 4: Calculate Plan payout:

(Eligible wage X Target Payout X Goal Achievement Payout = Total Payout)

$$\begin{array}{rclclcl}
 \$50,000 & \times & 1.125 & \times & .0432 & = & \$2,430 \\
 & & \text{(A)} & & \text{(B) + (C)} & &
 \end{array}$$

Attachment F

The

B

2007

e

t

a

Plan

Bonus Earned
Through
Achievement

 **GREAT PLAINS**
NATURAL GAS CO.
A Division of MDU Resources Group, Inc.
In the Community to Serve®

 **MONTANA-DAKOTA**
UTILITIES CO.
A Division of MDU Resources Group, Inc.
In the Community to Serve®

2007 BETA Goals - Maximum Payout Percentages

Group	Utility		Individual		Operating Group										Maximum Payout	
	Financial Goal #1	Individual Safety & Motor Vehicle Goal #2	Group Safety Goal #3	Group Motor Vehicle Goal #4	Unregulated Activities Goal #5	Customer Service Satisfaction Goal #6	Sys Plan. & Ops Goal #7a	Sys Plan. & Ops Goal #7b	Elect. Gen. Heat Rate Goal #8a	Elect. Gen. Availability Goal #8b	Elect. Gen. Remote Start Goal #8c					
Dickinson	4.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%						7.0%
Glendive/Miles City	4.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%						7.0%
Minot	4.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%						7.0%
Williston	4.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%						7.0%
Wolf Point	4.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%						7.0%
Rapid City	4.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%						7.0%
Northern Hills	4.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%						7.0%
Bismarck	4.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%						7.0%
Devils Lake	4.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%						7.0%
Mobridge/Pierre	4.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%						7.0%
Jamestown	4.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%						7.0%
GPNG	4.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%						7.0%
Billings	4.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%						7.0%
Sheridan	4.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%						7.0%
General Office	4.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%						7.0%
Substation Tech & Comm. Specialists	4.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%						7.0%
Sys. Plan. & Ops Dept.	4.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%						7.0%
Heskett Unit #1	4.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%			0.25%	0.5%		7.0%
Heskett Unit #2	4.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%			0.25%	0.5%		7.0%
Lewis & Clark	4.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%			0.5%	1.0%		7.0%
Glendive Turb Unit #1	4.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%			0.25%	0.25%	0.25%	7.0%
Glendive Turb Unit #2	4.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%			0.25%	0.25%	0.25%	7.0%
Miles City Unit #1	4.0%	1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%			0.25%	0.25%	0.25%	7.0%

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From the President and CEO

Dear Employee:

Each MDU/GPNG (Utility) employee has an impact on the financial performance of the Utility. The 2007 BETA Plan rewards employee contributions and provides the opportunity to receive additional compensation when the Utility's financial performance threshold is achieved. This booklet outlines important information relating to individual, group, and Utility goals and explains how the payout is calculated. The overall maximum potential payout percentage remained unchanged at 7% of eligible wages.

Changes to the 2007 BETA Plan include:

UTILITY FINANCIAL PERFORMANCE GOAL: The measure for the financial performance goal has changed to align with all other Utility incentive plans. Utility financial performance is now measured equally on Utility earnings per share (EPS) and return on invested capital (ROIC).

INDIVIDUAL SAFETY GOAL: If the Utility reaches 85% of the pre-determined financial goal each eligible employee will automatically be given a 1% bonus. It is only lost by the employee if they have an OSHA recordable accident or a recordable/attributable motor vehicle accident.

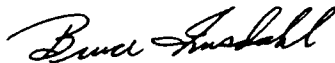
GROUP GOALS: Several group goals were updated to reflect appropriate targets for 2007.

PAYOUT PERCENTAGES:

- The opportunity for payout at the 85% achievement level of the Utility Financial Goal changed to 1%.
- Group goal(s) are now eligible for payout at the 100% achievement level of the Utility Financial Goal.
- The target payout opportunity has increased to 3% at 100% achievement of the Utility Financial Goal.

Please read this booklet carefully and address any questions to the Human Resources Department. Quarterly reports of progress will be provided to employees and posted on the Utility's Intranet. I want to thank you for your dedication to MDU/GPNG and the quality of service you provide our customers. Working together we can make 2007 another successful year!

Sincerely,



Bruce Imsdahl
President & Chief Executive Officer

BETA Plan Goals

The BETA Plan has three categories of goals, *Utility Financial Goal, Individual Safety and Motor Vehicle Goal, and Operating Group Goal(s)*. All employees participate in the Utility Financial Goal and the Individual Safety Goal. Operating group goals may vary by department as outlined in the plan.

1. Utility Financial Goal

Earnings per Share (EPS) - \$.52 and Return on Invested Capital (ROIC) - 7.1% Percentage achieved is determined by the weighted average of these two goals. Maximum payout is 4%.

How do employees impact utility financial goals?

- Spend Company dollars wisely - a responsible approach to operations and maintenance (O&M) expenditures.
- Increase non-utility earnings through projects and product sales efforts.
- Suggest and justify capital projects that will increase efficiencies and return more than the cost of capital over the life of the project.
- Increase efficiencies in the methods used to perform daily tasks.
- Work safely.

The *Utility Financial Goal* increases employee awareness of the importance of achieving earnings goals and acceptable returns on invested capital. **EPS** reflects the net income earned on each share of stock allocated to the utility. **ROIC** is a measure of value to the Company or shareholder when considering capital projects. It indicates how effectively a company uses the money provided by investors and lenders, to finance plant property and equipment. O&M expenditures impact ROIC in the current year while capital budget expenditures affect ROIC over the life of the project.

Payout Basis: As the level of Utility's financial performance increases, employees qualify for a higher payout percentage from the BETA Plan.

When the Utility attains 85% of the weighted average of the utility financial goal employees qualify for a 1% payout on individual goals and at 100% of the financial goal employees qualify for a total payout of 3%.

(cont. on next page)

Utility Financial Goal (Cont.)

Achievement of the weighted average Utility financial goal at 102 % and greater provides opportunity for additional compensation as outlined in the chart below.

Chart A

Utility Financial Goal Percentage Achieved	Maximum Payout Percentage			
	Financial Goals	Individual Goal	Group Goals	Total Payout
85	0	1	0	1
100	0	1	2	3
101	0	1	2	3
102	.5	1	2	3.5
103	1.0	1	2	4
104	1.5	1	2	4.5
105	2	1	2	5
106	2.5	1	2	5.5
107	3	1	2	6
108	3.5	1	2	6.5
109	4	1	2	7

2. Individual Safety and Motor Vehicle Goal

Work the entire calendar year with no OSHA recordable personal injury accident or recordable/attribution motor vehicle accident. Maximum payout is 1%.

The *Individual Safety and Motor Vehicle Goal* is automatically payable to BETA Plan participants when the Utility achieves 85% of the Utility Financial Goal.

Payout Basis: An employee with no OSHA recordable personal injury and no recordable/attribution motor vehicle accident within the calendar year qualifies for the payout. Employment for the entire plan year is required to be eligible.

Operating Group Goals

Group Goals are assigned by region, operating group, power production facility, or General Office affiliation. These goals are based on a calendar year from January 1 to December 31. The group you are part of on December 31 of the plan year, is the group that will be used for your BETA payout calculation.

3. Group Safety Recordable Personal Injury Goal

All operating groups are covered by this goal. General Office employees must end the year with an OSHA Recordable frequency rate of 0.9 or less. All other groups must end the year with an OSHA Recordable frequency rate of 2.3 or less. Payout percentage is 5%.

The *Group Recordable Personal Injury Goal* is designed to emphasize the Utility's commitment to safety and reinforce the importance of peer involvement in creating a safe work environment.

OSHA recordable cases include every occupational death; every occupational illness; and those occupational injuries which involve loss of consciousness, restriction of work or medical treatment other than first aid. The BETA goal targets all cases deemed serious enough by OSHA to be recorded on an OSHA 300 log.

The OSHA recordable frequency rate is calculated as follows:

$$\frac{\text{OSHA Recordable cases} \times 200,000}{\text{Productive hours worked}}$$

Payout Basis: A group cannot exceed the established frequency rate for payout of this goal. Accidents stay with the group even if the person who had the accident transfers out of the group within the plan year.

If a group makes this goal, any individual within the group who had a recordable personal injury accident will not receive a payout for this group goal.

4. Group Safety Motor Vehicle Goal

All operating groups are covered by this goal. General Office (GO) employees must end the year with an OSHA Recordable frequency rate of 0.9 or less. All other groups must end the year with an OSHA Recordable frequency rate of 2.1 or less. Payout percentage is .5%.

Motor vehicle accident goal is an established frequency rate calculated as follows:

$$\frac{\text{Recordable-Attributable} \times 1,000,000}{\text{Miles driven}}$$

Recordable motor vehicle accidents are defined in ANSI D 15.1. Attributability will be at the discretion of the Safety Director. Since most General Office employees do not have the same personal driving exposure as field personnel the GO goal has been set lower.

Payout Basis: A group cannot exceed the established frequency rate for payout of this goal. Accidents stay with the group even if the person who had the accident transfers out of the group within the plan year.

If a group makes this goal, any individual within the group who had a recordable/attribution motor vehicle accident will not receive a payout for this group goal.

5. Group Unregulated Activities Goal

General Office employees and Operating District employees must meet or exceed the established unregulated gross profit target. Payout percentage is .5%.

Unregulated activities goals for districts include revenues from transactions such as sales of appliances, installations, service and repair, Safe-n-Secure® and preferred service contracts. Revenue from fiber optic projects and pipeline construction projects are included in the General Office goal for budget reporting purposes. Region employees continue to be critical resources for successful attainment of construction project goals.

Each group's achievement of unregulated activities goals is important; but teamwork is key and will have a direct relationship to meeting the overall Utility Financial Goal for the 2007 BETA Plan.

<u>District</u>	<u>Annual Target</u>	<u>District</u>	<u>Annual Target</u>
Dickinson	\$353,220	Bismarck.....	\$536,827
Glendive/Miles City	\$410,403	Deville Lake	\$278,743
Minot	\$532,410	Mobridge/Pierre	\$115,109
Williston	\$243,681	Jamestown	\$234,231
Wolf Point.....	\$268,457	Billings	\$565,370
Rapid City	\$614,049	Sheridan	\$168,602
Northern Hills.....	\$338,500	GPNG	\$342,831
General Office.....	\$7,554,800		

Payout Basis: Individual district results will be used to determine goal achievement.

6. Group Customer Service Satisfaction Goal

Achieve a year-end company-wide customer service satisfaction average score of 92.5% or 4.625 on a 5 point scale. Payout percentage is .5%.

The *Customer Service Satisfaction Goal* is to heighten all employees' awareness and increase our positive interactions with customers, which also follows our Mission Statement, "***To...exceed customer expectations.***"

Payout Basis: Results from our customer service survey will be used to determine goal achievement.

7. System Planning and Operations Goals

Achieve pre-established department and facility goals. Maximum payout is 1%.

Sales of wholesale energy and key system planning and operations goals place focus on important responsibilities in this operational group.

- a. Year-end sales of wholesale energy of \$3.5 million.
- b. Maintain uninstructed deviations from MISO dispatch instructions within the greater of +/- 5 MW or +/-10 percent, 99 percent of the time.

8. Electric Generation Goals

Achieve pre-established department and facility goals. Maximum payout is 1.5%.

Electric Generation Goals are designed to ensure our units operate efficiently and are ready on demand to provide energy to our customers.

- a. Plant heat rate goals were determined by calculating the amount of heat energy used to produce one kilowatt of electricity. To set the goal, the prior year-end unit heat input is divided by the total net generation and then reduced by ¼ percent. By reducing each plant's heat rate it will result in fuel cost savings that will enhance the efficiency of the plant.
- b. Power production facilities availability goal is a percentage calculated according to the North American Electric Reliability Council guidelines. Plant availability goals were determined after reviewing each facility's past performance record.
- c. Remote start goals for the Gas Turbine take into account the number of times the units are normally required to be started throughout the year and the facilities past performance.

See next page for Electric Generation Goals.

Payout Basis: Plant heat rate is the average heat rate calculated over the entire year. Plant availability of facilities when online or, in the case of a reserve outage, are able to come online when requested. Remote start is based on a successful attempt by dispatch to start the unit as needed without the assistance of field personnel.

Electric Generation Goals

	<u>Payout %</u>
Heskett Station Unit #1	
• End year with average heat rate of 15,634.....	0.25%
Heskett Station Unit #1	
• End year with 92% availability	0.50%
Heskett Station Unit #2	
• End year with average heat rate of 12,895.....	0.25%
Heskett Station Unit #2	
• End year with 92% availability	0.50%
Lewis & Clark Station	
• End year with average heat rate of 12,663.....	0.50%
Lewis & Clark Station	
• End year with 88% availability	1.00%
Glendive Gas Turbine Unit #1	
• End year with 88% availability	0.25%
Glendive Gas Turbine Unit #2	
• End year with 96% availability	0.25%
Miles City Gas Turbine Unit #1	
• End year with 96% availability	0.25%
Glendive Gas Turbine Unit #1	
• End year with 90% remote start success rate.....	0.25%
Glendive Gas Turbine	
• End year with 90% remote start success rate.....	0.25%
Miles City Gas Turbine	
• End year with 90% remote start success rate.....	0.25%

Plan Specifications

Annual Wages

For the purposes of this plan, annual wages are defined as follows:

- **Non-Exempt Employees** are those employees who are covered by the provisions of the Fair Labor Standards Act (Wage and Hour Law). That includes bargaining unit members and non-bargaining unit members. For this group, wages means straight time and premium wages, but not compensation, if any, for commission, bonuses or "other" pay such as moving expenses or vacation donation. Employee contributions to the K-Plan are included in wages eligible for bonus calculations.
- **Exempt Employees** are those employees who are exempt from the provisions of the Fair Labor Standards Act. For this group, annual wages include any contributions the employee makes to the K-Plan, less any compensation for bonuses, commission or "other special compensation."

The annual wages, as explained above, will be for the W-2 year, which begins December 11, 2006, and ends December 9, 2007.

Employee Eligibility

The plan year is January 1, 2007, through December 31, 2007.

All Montana-Dakota Utilities Co. and Great Plains Natural Gas Co. (Utility) regular employees, defined as Employment Status 1, 2, 3, or 4, are eligible. New regular employees are eligible from their date of employment.

Also eligible are employees of the Utility on January 1, 2007, who transfer to another company in the MDU Resources family of companies prior to December 31, 2007, or employees who are employed at another company in the MDU Resources family of companies on December 31, 2006, and transfer to the Utility prior to December 31, 2007. In both transfer cases, annual wages for transferees are defined as their Utility wages only in accordance with the above definitions.

Eligibility ceases with termination of employment from the Utility or any other MDU Resources company during the plan year. However, there are two exceptions 1) termination due to death or 2) termination due to retirement.

In the event of retirement or death during the plan year, a payout will be made to the retiree or to the estate of the deceased employee. The annual wage for such persons will be wages earned to the day preceding the day of retirement or death, including wages for earned and unused vacation.

Those *not eligible* include employees with the Employment Status code of 6, 7, or 8, officers, region managers, and any others who are participants in any other management incentive compensation plan during the plan year. Eligibility will be prorated for employees who become eligible for any other management incentive compensation plan during the plan year.

Decisions on eligibility or payment adjustments made to a participant or group, and/or the payment of any and all incentive amounts is at the sole discretion of the Utility's Vice President of Human Resources.

Plan Payout

Goal Achievement Determination:

In accordance with the terms of this plan, payout will be made only if the plan threshold target is reached and only for goal(s) achieved. The Utility's President & CEO will determine goal achievement and any award must be approved by its managing committee. The achievement determination may include adjustments for significant circumstances at the sole discretion of the President & CEO.

How and when payout occurs:

If a payout is earned, it will be a cash award in the form of a lump sum check less applicable income taxes. The check will be separate from the regular paycheck. The payout will be made as soon as administratively possible once results can be determined and bonus amounts calculated. The anticipated payout, if any, will occur in late February following the plan year.

Taxes:

A 25% federal tax, applicable state tax, and FICA (Social Security) tax will be deducted from the bonus earned. The total payout will be reflected in the W-2 year earnings next year.

Relationship to K-Plan or Pension Benefit:

The plan payout does not constitute earnings eligible for K-Plan participation, nor does K-Plan participation negatively affect any payout from this plan. Additionally, the plan payout does not constitute earnings for calculation of pension benefits.

Plan Continuation

The future of the plan, in its present form or with alterations, is unknown at present and will depend on both the results achieved as well as employee response to the plan. The decision to continue the plan is solely at the discretion of the Utility's management.

BETA Payout Example

To help understand the 2007 BETA Plan better; here is an example of how a payout calculation is made. In our example, we will create an employee named Bill, a lineman living in Glendive, Montana.

Utility Financial Goal

Step 1: Utility President & CEO establishes EPS and ROIC target for 2007 and the weighted percentage for each.

Utility Performance Measure	Annual Target	Weight
Earnings Per Share (EPS)	\$.52	50%
Return On Invested Capital (ROIC)	7.1%	50%

Step 2: At the end of the year financial calculations are made to determine year-end Utility results.

Utility Performance Measure	Year-End Results	Weight
Earnings Per Share (EPS)	\$.60	50%
Return On Invested Capital (ROIC)	7.0%	50%

Step 3: Calculations are completed to determine the level of incentive payout for the #1-Utility Financial Goal. A BETA payout is possible once the Utility achieves 85% of the financial goal and the maximum payout is achieved when 109% of the weighted goal is achieved. According to Chart A, 107% achievement of the Utility Financial Goal qualifies Bill for a 3% payout.

	Achieved	Target	Achieved	Weight	% Target
EPS....	\$.60	/	\$.52	=	115.4%
				x	50%
				=	57.7%
ROIC	7.0%	/	7.1%	=	98.6%
				x	50%
				=	49.3%
					<u>107.0%*</u>

*Refer to Chart A on page 3.

Personal Safety Goal

Step 4: Determine the level of incentive payout for the #2-Individual Safety and Motor Vehicle Goal. Since the Utility exceeded the 85% threshold on financial performance, the safety goal is payable to all employees who do not have an OSHA recordable injury or a motor vehicle accident in 2007. Bill did not have any injuries or accidents this year so he qualifies for a 1% payout (Chart A on page 3 – Individual Goal).

Group Goals

Step 5: Bill is considered part of the Badlands Region and the Glendive/Miles City operating group. Since the Utility exceeded the 100% threshold on financial performance, Bill is eligible for payout on group goals achieved.

#3 – Group Safety Recordable Personal Injury Goal:

At year-end the Badlands Region had a frequency rate of 3.8 for personal injury accidents. The goal was a frequency rate of 2.3 or less for the plan year. Bill and other Badlands participants will not be eligible to receive the 0.5% payout for this goal.

#4 – Group Safety Motor Vehicle Goal:

The Badlands Region at year-end had a frequency rate of 1.8 for motor vehicle accidents. The goal was a frequency rate of 2.1 or less for the plan year, therefore Bill and other Badlands participants achieved this group goal and will receive a 0.5% payout.

#5 – Group Unregulated Activities Goal:

The planned goal for the Glendive/Miles City operating group in 2007 was \$410,403. During the plan year unregulated gross profits before overhead costs in the Glendive/Miles City operating group were \$480,000; exceeding the goal and qualifying for a payout of 0.5% for Bill and all other employees in the Glendive/Miles City operating group.

#6 – Group Customer Service Satisfaction Goal:

The planned goal for 2007 was to reach a customer satisfaction score of 92.5%. The year-end utility's customer service survey reached a score of 93.1%, resulting in a payout of 0.5%.

To summarize Bill's 2007 BETA payout calculation:

1. Utility Financial Goal	3.0%
2. Personal Safety and Motor Vehicle Goal.....	1.0%
3. Group Safety Goal	0.0%
4. Group Safety Motor Vehicle Goal.....	0.5%
5. Group Unregulated Activities Goal.....	0.5%
6. Group Customer Service Satisfaction Goal	<u>0.5%</u>
TOTAL	5.5%

Assuming Bill's annual eligible wage for 2007 was \$58,000
\$58,000 x 5.5% = \$3,190 before taxes.

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2008

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Plan

Bonus Earned
Through
Achievement

 **GREAT PLAINS**
NATURAL GAS CO.
A Division of MDU Resources Group, Inc.

In the Community to Serve®

 **MONTANA-DAKOTA**
UTILITIES CO.
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From the President and CEO

Dear Employee:

Each MDU/GPNG (Utility) employee has an impact on the financial performance of the Utility. The 2008 BETA Plan rewards employee contributions and provides the opportunity to receive additional compensation when the Utility's financial performance threshold is achieved. This booklet outlines important information relating to individual, group, and Utility goals and explains how the payout is calculated. The overall maximum potential payout percentage remained unchanged at 7% of eligible wages.

Changes to the 2008 BETA Plan include:

INDIVIDUAL SAFETY GOAL: If the Utility reaches 85% of the pre-determined financial goal each eligible employee will automatically receive a 2% bonus. This entire goal will be lost if an employee incurs an OSHA recordable personal injury or a recordable/attribution motor vehicle accident.

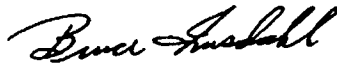
GROUP GOALS: Group Safety Goals #3 and #4 from 2007 have been removed from the plan. The results for safety are placed totally on the individual. The other 2008 group goals have been adjusted in conjunction with the safety goal.

PAYOUT PERCENTAGES:

- All employees are eligible for the new Individual Safety goal, which increased from 1% to 2%.
- The Group Safety and Motor Vehicle Goals have been removed, which resulted in an increased payout in the Individual Safety Goal.
- Please review your department's Operating Group goals since several have had minor percentage payout adjustments.

Please read this booklet carefully and address any questions to the Human Resources Department. Quarterly reports of progress will be provided to employees and posted on the Utility's Intranet. I want to thank you for your dedication to MDU/GPNG and the quality of service you provide our customers. As you can see, we have placed more emphasis on safety and working together we can make 2008 a successful year!

Sincerely,



Bruce Imsdahl
President & Chief Executive Officer

BETA Plan Goals

The BETA Plan has three categories of goals, *Utility Financial Goal, Individual Safety, and Operating Group Goal(s)*. All employees participate in the Utility Financial Goal and the Individual Safety Goal. Operating Group goals may vary by department as outlined in the plan.

1. Utility Financial Goal

Earnings per Share (EPS) - \$0.64 and Return on Invested Capital (ROIC) - 7.2%. Percentage achieved is determined by the weighted average of these two goals. Maximum payout is 4.0%.

How do employees impact utility financial goals?

- Spend Utility dollars wisely – a responsible approach to operations and maintenance (O&M) expenditures.
- Increase non-utility earnings through projects and product sales efforts.
- Suggest and justify capital projects that will increase efficiencies and return more than the cost of capital over the life of the project.
- Increase efficiencies in the methods used to perform daily tasks.
- Work efficiently and safely.

The *Utility Financial Goal* increases employee awareness of the importance of achieving earnings goals and acceptable returns on invested capital. **EPS** reflects the net income earned on each share of stock allocated to the utility. **ROIC** is a measure of value to the Utility or shareholder when considering capital projects. It indicates how effectively a company uses the money provided by investors and lenders, to finance plant property and equipment. O&M expenditures impact ROIC in the current year while capital budget expenditures affect ROIC over the life of the project. Everyone in the organization, including the President & CEO, receive incentive compensation based on these measurements.

Payout Basis: As the level of Utility's financial performance increases, employees qualify for a higher payout percentage from the BETA Plan. (See Chart A on next page)

When the Utility attains 85% of the weighted average of the utility financial goal (ROIC and EPS combined) employees qualify for a 2% payout on the individual safety goal and at 100% of the financial goal employees qualify for a total payout of 3%.

(cont. on next page)

Utility Financial Goal (Cont.)

Achievement of the weighted average Utility financial goal at 102% and greater provides opportunity for additional compensation to a maximum of 7% as outlined in the chart below.

Chart A

Utility Financial Goal Percentage Achieved	Maximum Payout Percentage			
	Financial Goals	Individual Safety Goal	Group Goals*	Total Payout
85	0	2	0	2.0
100	0	2	1	3.0
101	0	2	1	3.0
102	0.5	2	1	3.5
103	1.0	2	1	4.0
104	1.5	2	1	4.5
105	2.0	2	1	5.0
106	2.5	2	1	5.5
107	3.0	2	1	6.0
108	3.5	2	1	6.5
109	4.0	2	1	7.0

* Group Goals included Unregulated Activities, Customer Service Satisfaction, System Planning & Operations, and Electric Generation.

2. Individual Safety Goal

Work the entire calendar year without an OSHA recordable personal injury or recordable/attributionable motor vehicle accident. Payout is 2.0%.

The *Individual Safety Goal* is automatically payable to eligible BETA Plan participants when the Utility achieves 85% of the Utility Financial Goal.

Payout Basis: An employee with no OSHA recordable personal injury and no recordable/attributionable motor vehicle accident within the calendar year qualifies for the payout.

Operating Group Goals

Group Goals are assigned by region, operating group, power production facility, or General Office affiliation. These goals are based on a calendar year from January 1 to December 31. The group you are part of on December 31 of the plan year, is the group that will be used for your BETA payout calculation.

3. Group Unregulated Activities Goal

General Office employees and Operating District employees must meet or exceed the established unregulated gross profit target. Payout percentage is 0.5%.

Unregulated activities goals for districts include revenues from transactions such as sales of appliances, installations, service and repair, MDU Safe-n-Secure™, and preferred service contracts. Revenue from fiber optic projects and pipeline construction projects are included in the General Office goal for budget reporting purposes. Region employees continue to be critical resources for successful attainment of construction project goals.

Each group's achievement of unregulated activities goals is important; but teamwork is key and will have a direct relationship to meeting the overall Utility Financial Goal for the 2008 BETA Plan.

<u>District</u>	<u>Annual Target</u>	<u>District</u>	<u>Annual Target</u>
Dickinson	\$371,000	Bismarck.....	\$540,000
Glendive/Miles City	\$431,000	Devils Lake	\$296,100
Minot/AF Base	\$950,000	Mobridge/Pierre	\$116,000
Williston	\$275,000	Jamestown	\$251,500
Wolf Point.....	\$275,000	Billings.....	\$536,750
Rapid City	\$645,000	Sheridan	\$168,500
Northern Hills.....	\$355,000	GPNG	\$310,000
General Office.....	\$8,234,450		

Payout Basis: Individual district results will be used to determine goal achievement.

4. Group Customer Service Satisfaction Goal

Achieve a year-end Utility-wide customer service satisfaction average score of 92.5% or 4.625 on a 5 point scale. Payout percentage is 0.5%.

The *Customer Service Satisfaction Goal* is to heighten all employees' awareness and increase our positive interactions with customers, which also follows our Mission Statement, "**To...exceed customer expectations.**"

Payout Basis: Results from our customer service survey will be used to determine goal achievement.

5. System Planning and Operations Goals

Achieve pre-established department and facility goals. Maximum payout is 0.5%.

Sales of wholesale energy and key system planning and operations goals place focus on important responsibilities in this operational group.

- a. Year-end sales of wholesale energy of \$3.5 million. This goal will be prorated per the following schedule:
 - \$2.0 million in sales will result in a partial payout of 0.15%
 - \$3.0 million in sales will result in a partial payout of 0.20%
 - \$3.5 million in sales will result in a full payout of 0.25%
- b. Maintain no more than eight (8) uninstructed deviation violations (99.9% within the greater of +/- 5 MW or +/-10 percent) that incur a charge to MDU's generating units during 2008.

6. Electric Generation Goals

Achieve pre-established department and facility goals. Maximum payout is 1.0%.

Electric Generation Goals are designed to ensure our units operate efficiently and are ready on demand to provide energy to our customers.

- a. Plant heat rate goals were determined by calculating the amount of heat energy used to produce one kilowatt of electricity. To set the goal, the prior year-end unit heat input is divided by the total net generation and then reduced by ¼ percent. By reducing each plant's heat rate it will result in fuel cost savings that will enhance the efficiency of the plant.
- b. Power production facilities availability goal is a percentage calculated according to the North American Electric Reliability Council guidelines. Plant availability goals were determined after reviewing each facility's past performance record.
- c. Complete preventative maintenance requirements per the General Electric Maintenance Manual and checklist.

See next page for Electric Generation Goals.

Payout Basis: Plant heat rate is the average heat rate calculated over the entire year. Plant availability of facilities when online or, in the case of a reserve outage, are able to come online when requested. Remote start is based on a successful attempt by dispatch to start the unit as needed without the assistance of field personnel.

Electric Generation Goals

Payout %

Heskett Station Unit #1

- End year with average heat rate of 15,108.....0.25%

Heskett Station Unit #1

- End year with 87% availability0.25%

Heskett Station Unit #2

- End year with average heat rate of 12,746.....0.25%

Heskett Station Unit #2

- End year with 88% availability0.25%

Lewis & Clark Station

- End year with average heat rate of 12,701.....0.50%

Lewis & Clark Station

- End year with 92% availability0.50%

Glendive Gas Turbine Unit #1*

- End year with 96% availability0.33%

Glendive Gas Turbine Unit #2

- End year with 96% availability0.34%

Miles City Gas Turbine Unit #1

- End year with 96% availability0.33%

Diamond Willow Wind Farm**

- End year with 90% availability0.50%
- Complete preventative maintenance requirements.....0.50%

** Excludes potential outage per engine depot visit.*

*** Availability goal will begin on the first day of the month following the commercial operation of the last wind turbine.*

Plan Specifications

Annual Wages

For the purposes of this plan, annual wages are defined as follows:

- **Non-Exempt Employees** are those employees who are covered by the provisions of the Fair Labor Standards Act (Wage and Hour Law). That includes bargaining unit members and non-bargaining unit members. For this group, wages means straight time, and premium wages, but not compensation, if any, for commission, bonuses or "other" pay such as moving expenses or vacation donation. Employee contributions to the K-Plan are included in wages eligible for bonus calculations.
- **Exempt Employees** are those employees who are exempt from the provisions of the Fair Labor Standards Act. For this group, annual wages include any contributions the employee makes to the K-Plan, less any compensation for bonuses, commission or "other special compensation."

Uniformed Service Employment and Reemployment Rights Act (USERRA) and Company policy will determine eligible wages for employees on active military leave for exempt and non-exempt employees.

The annual wages, as explained above, will be for the W-2 year, which begins December 10, 2007, and ends December 7, 2008.

Employee Eligibility

The plan year is January 1, 2008, through December 31, 2008.

All Montana-Dakota Utilities Co. and Great Plains Natural Gas Co. (Utility) regular employees, defined as Employment Status 1, 2, 3, or 4, are eligible. New regular employees are eligible from their date of employment.

Also eligible are employees of the Utility on January 1, 2008, who transfer to another company in the MDU Resources family of companies prior to December 31, 2008, or employees who are employed at another company in the MDU Resources family of companies on December 31, 2007, and transfer to the Utility prior to December 31, 2008. In both transfer cases, annual wages for transferees are defined as their Utility wages only in accordance with the above definitions.

Eligibility ceases with termination of employment from the Utility or any other MDU Resources company during the plan year. However, there are two exceptions 1) termination due to death or 2) termination due to retirement.

In the event of retirement or death during the plan year, a payout will be made to the retiree or to the estate of the deceased employee. The annual

wage for such persons will be wages earned to the day preceding the day of retirement or death, including wages for earned and unused vacation.

Those ***not eligible*** include employees with the Employment Status code of 6, 7, or 8, officers, region managers, and any others who are participants in any other management incentive compensation plan during the plan year. Eligibility will be prorated for employees who become eligible for any other management incentive compensation plan during the plan year.

Decisions on eligibility or payment adjustments made to a participant or group, and/or the payment of any and all incentive amounts is at the sole discretion of the Utility's Vice President of Human Resources.

Plan Payout

Goal Achievement Determination:

In accordance with the terms of this plan, payout will be made only if the plan threshold target is reached and only for goal(s) achieved. The Utility's President & CEO will determine goal achievement and any award must be approved by its managing committee. The achievement determination may include adjustments for significant circumstances at the sole discretion of the President & CEO.

How and when payout occurs:

If a payout is earned, it will be a cash award in the form of a lump sum check less applicable taxes. The check will be separate from the regular paycheck. The payout will be made as soon as administratively possible once results can be determined and bonus amounts calculated. The anticipated payout, if any, will occur no later than March 10th following the plan year.

Taxes:

A 25% federal tax, applicable state tax, and FICA (Social Security) tax will be deducted from the bonus earned. The total payout will be reflected in the W-2 year earnings following the plan year.

Relationship to K-Plan or Pension Benefit:

The plan payout does not constitute earnings eligible for K-Plan participation, nor does K-Plan participation negatively affect any payout from this plan. Additionally, the plan payout does not constitute earnings for calculation of pension benefits.

Plan Continuation

The future of the plan, in its present form or with alterations, is unknown at present and will depend on both the results achieved as well as employee response to the plan. The decision to continue the plan is solely at the discretion of the Utility's President & CEO.

BETA Payout Example

To help understand the 2008 BETA Plan better; here is an example of how a payout calculation is made. In our example, we will create an employee named Bill, a lineman living in Glendive, Montana.

Utility Financial Goal

Step 1: Utility President & CEO establishes EPS and ROIC target and the weighted percentage for each.

Utility Performance Measure	Annual Target	Weight
Earnings Per Share (EPS)	\$0.64	50%
Return On Invested Capital (ROIC)	7.2%	50%

Step 2: At the end of the year financial calculations are made to determine year-end Utility results.

Utility Performance Measure	Year-End Results	Weight
Earnings Per Share (EPS)	\$0.713	50%
Return On Invested Capital (ROIC)	7.1%	50%

Step 3: Calculations are completed to determine the level of incentive payout for the **Utility Financial Goal**. A BETA payout is possible once the Utility achieves 85% of the financial goal and the maximum payout is achieved when 109% of the weighted goal is achieved. According to Chart A, 105% achievement of the Utility Financial Goal qualifies Bill for a 2% payout.

	Achieved	Target	Achieved	Weight	
EPS	\$0.713	/\$0.64	= 111.4%	x 50%	= 55.7%
ROIC	7.1%	/ 7.2%	= 98.6%	x 50%	= 49.3%
					105.0%*

*Refer to Chart A on page 3.

Individual Safety Goal

Step 4: Determine the level of incentive payout for the **Individual Safety Goal**. Since the Utility exceeded the 85% threshold on financial performance, the safety goal is payable to all employees who do not have an OSHA recordable personal injury or a motor vehicle accident in 2008. Bill did not have any injuries or accidents this year so he qualifies for a 2% payout (Chart A – Individual Safety Goal).

Group Goals

Step 5: Determine the eligibility of incentive payout for **Group Unregulated Activities Goals**. The planned goal for the Glendive/Miles City operating group was \$431,000. During the plan year unregulated gross profits before overhead costs in the Glendive/Miles City operating group were \$480,000; exceeding the goal and qualifying for a payout of 0.5% for Bill and all other employees in the Glendive/Miles City operating group.

Step 6: The planned goal was to reach a **Group Customer Service Satisfaction** score of 92.5%. The year-end customer service survey reached a score of 93.1%, resulting in a payout of 0.5%.

To summarize Bill's 2008 BETA payout calculation is:

1. Utility Financial Goal	2.0%
2. Individual Safety Goal.....	2.0%
3. Group Unregulated Activities Goal.....	0.5%
4. Group Customer Service Satisfaction Goal	0.5%
	TOTAL 5.0%

Assuming Bill's annual eligible wage for 2008 was \$58,000

\$58,000 x 5.0% = \$2,900 before taxes.

2008 BETA Goals - Maximum Payout Percentages

Group	Utility		Individual										Maximum Payout
	Financial Goal #1	Individual Safety Goal #2	Unregulated Activities Goal #3	Cust. Service Satisfaction Goal #4	Sys. Plan. & Ops Goal #5a	Sys. Plan. & Ops Goal #5b	Elect. Gen. Heat Rate Goal #6a	Elect. Gen. Availability Goal #6b	Elect. Gen. Maintenance Goal #6c				
Dickinson	4.0%	2.0%	0.5%	0.5%								7.0%	
Glendive/Miles City	4.0%	2.0%	0.5%	0.5%								7.0%	
Minot	4.0%	2.0%	0.5%	0.5%								7.0%	
Williston	4.0%	2.0%	0.5%	0.5%								7.0%	
Wolf Point	4.0%	2.0%	0.5%	0.5%								7.0%	
Rapid City	4.0%	2.0%	0.5%	0.5%								7.0%	
Northern Hills	4.0%	2.0%	0.5%	0.5%								7.0%	
Bismarck	4.0%	2.0%	0.5%	0.5%								7.0%	
Devils Lake	4.0%	2.0%	0.5%	0.5%								7.0%	
Mobridge/Pierre	4.0%	2.0%	0.5%	0.5%								7.0%	
Jamestown	4.0%	2.0%	0.5%	0.5%								7.0%	
GPNG	4.0%	2.0%	0.5%	0.5%								7.0%	
Billings	4.0%	2.0%	0.5%	0.5%								7.0%	
Sheridan	4.0%	2.0%	0.5%	0.5%								7.0%	
General Office	4.0%	2.0%	0.5%	0.5%								7.0%	
Substation Tech & Comm. Specialists	4.0%	2.0%	0.5%	0.5%								7.0%	
Sys. Plan. & Ops	4.0%	2.0%		0.5%	0.25%	0.25%						7.0%	
Heskett Unit #1	4.0%	2.0%					0.25%	0.25%				7.0%	
Heskett Unit #2							0.25%	0.25%					
Lewis & Clark	4.0%	2.0%					0.5%	0.5%				7.0%	
Glendive Turb Unit #1	4.0%	2.0%						0.33%					
Glendive Turb Unit #2								0.34%					
Miles City Unit #1								0.33%					
Wind Turbine	4.0%	2.0%						0.5%	0.5%			7.0%	

2009

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Plan

Bonus Earned
Through
Achievement

 **GREAT PLAINS**
NATURAL GAS CO.
A Division of MDU Resources Group, Inc.
In the Community to Serve®

 **MONTANA-DAKOTA**
UTILITIES CO.
A Division of MDU Resources Group, Inc.
In the Community to Serve®

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From the President and CEO

Dear Employee:

Each MDU/GPNG (Utility) employee has an impact on the financial performance of the Utility. The 2009 BETA Plan rewards employee contributions and provides the opportunity to receive additional compensation when the Utility's financial performance threshold is achieved. This booklet outlines important information relating to individual, group, and Utility goals and explains how the payout is calculated. The overall maximum potential payout percentage continues at 7% of eligible wages.

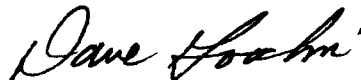
Changes to the 2009 BETA Plan include:

- ✓ **GROUP UNREGULATED ACTIVITIES GOAL:** Annual margin targets were updated for all Districts and the General Office.
- ✓ **SHARED GOAL FOR SYSTEM PLANNING AND OPERATIONS AND ELECTRIC GENERATION:** A new shared goal was established for 2009, intended to minimize variances between the energy signal sent to a plant from MISO and the actual generation value attained. Achievement of this goal emphasizes good planning and communications to reduce the number of deviations from MISO.
- ✓ **EMPLOYEE ELIGIBILITY:** Added language to this section of the BETA Plan to clarify employees with marginal or other performance concerns may not be eligible for BETA payout.

Please read this booklet carefully and address any questions to the Human Resources Department. Quarterly reports of progress will be provided to employees and posted on the Utility's Intranet. I want to thank you for your dedication to MDU/GPNG and the quality of service you provide our customers. You have proven in the past, with attention to safety we can make work and home a safe place.

I look forward to working with you as we all strive to make 2009 another successful year!

Sincerely,



Dave Goodin
President & Chief Executive Officer

BETA Plan Goals

The BETA Plan has three categories of goals, *Utility Financial Goal, Individual Safety, and Operating Group Goal(s)*. All employees participate in the Utility Financial Goal and the Individual Safety Goal. Operating Group goals may vary by department as outlined in the plan.

1. Utility Financial Goal

**Earnings per Share (EPS) - \$0.75 and Return on Invested Capital (ROIC) - 7.3%.
Percentage achieved is determined by the weighted average of these two goals.
Maximum payout is 4.0%.**

How do employees impact utility financial goals?

- ✓ Spend Utility dollars wisely – a responsible approach to operations and maintenance (O&M) expenditures.
- ✓ Suggest and justify capital projects that will increase efficiencies and return more than the cost of capital over the life of the project.
- ✓ Increase efficiencies in the methods used to perform daily tasks and eliminate redundant services across department or utility segments.
- ✓ Work efficiently and safely

The *Utility Financial Goal* increases employee awareness of the importance of achieving earnings goals and acceptable returns on invested capital. **EPS** reflects the net income earned on each share of stock allocated to the utility. **ROIC** is a measure of value to the Utility or shareholder when considering capital projects. It indicates how effectively a company uses the money provided by investors and lenders, to finance plant, property and equipment. O&M expenditures impact ROIC in the current year while capital budget expenditures affect ROIC over the life of the project. Everyone in the organization, including the President & CEO, receive incentive compensation based on these measurements.

Payout Basis: As the level of Utility's financial performance increases, employees qualify for a higher payout percentage from the BETA Plan. (See Chart A below)

When the Utility attains 85% of the weighted average of the utility financial goal (ROIC and EPS combined) employees qualify for a 2% payout on individual goals and at 100% of the financial goal employees qualify for a total payout of 3%. Achievement of the weighted average Utility financial goal at 102 % and greater provides opportunity for additional compensation to a maximum of 7% as outlined in the chart below.

Chart A

Utility Financial Goal – Percentage Achieved	Maximum Payout Percentage			
	Financial Goals	Individual Safety Goal	Group Goals*	Total Payout
85	0	2	0	2.0
100	0	2	1	3.0
101	0	2	1	3.0
102	0.5	2	1	3.5
103	1.0	2	1	4.0
104	1.5	2	1	4.5
105	2.0	2	1	5.0
106	2.5	2	1	5.5
107	3.0	2	1	6.0
108	3.5	2	1	6.5
109	4.0	2	1	7.0

* Group Goals include Unregulated Activities, Customer Service Satisfaction, System Planning & Operations, and Electric Generation.

2. Individual Safety Goal

**Work the entire calendar year without an OSHA recordable personal injury or recordable/attributable motor vehicle accident.
Payout is 2.0%.**

The *Individual Safety Goal* is automatically payable to eligible BETA Plan participants when the Utility achieves 85% of the Utility Financial Goal.

Payout Basis: An employee with no OSHA recordable personal injury and no recordable/attributable motor vehicle accident within the calendar year qualifies for the payout.

Operating Group Goals

Group Goals are assigned by region, operating group, power production facility, or General Office affiliation. These goals are based on a calendar year from January 1 to December 31. The group you are part of on December 31 of the plan year, is the group that will be used for your BETA payout calculation.

3. Group Unregulated Activities Goal

General Office employees and Operating District employees must meet or exceed the established unregulated gross profit target. Payout is 0.5%.

Unregulated activities goals for districts include margins from transactions such as sales of appliances, installations, service and repair, Safe-n-Secure®, and Preferred Service. Margins from fiber optic projects and pipeline construction projects are included in the General Office goal for budget reporting purposes. Region employees continue to be critical resources for successful attainment of construction project goals.

Each group's achievement of unregulated activities goals is important; but teamwork is key and will have a direct relationship to meeting the overall Utility Financial Goal for the 2009 BETA Plan.

<u>District</u>	<u>Annual Target</u>	<u>District</u>	<u>Annual Target</u>
Dickinson	\$240,000	Bismarck	\$550,000
Glendive/Miles City	\$327,000	Devils Lake	\$223,000
Minot/AF Base	\$675,000	Mobridge/Pierre	\$50,000
Williston	\$240,000	Jamestown	\$188,000
Wolf Point	\$185,000	Billings	\$420,000
Rapid City	\$550,000	Sheridan	\$144,000
Northern Hills	\$227,000	GPNG	\$285,000
General Office	\$ 6,004,000		

Payout Basis: Individual district results will be used to determine goal achievement.

4. Group Customer Service Satisfaction Goal

Achieve a year-end Utility-wide customer service satisfaction average score of 92.5% or 4.625 on a 5 point scale. Payout percentage is 0.5%.

The Customer Service Satisfaction Goal is to heighten all employees' awareness and increase our positive interactions with customers, which also follows our Mission Statement, "To.....*exceed customer expectations.*"

Payout Basis: Results from our customer service survey will be used to determine goal achievement.

5. System Planning and Operations Goals

Achieve pre-established department and facility goals. Maximum payout is 1.0%.

Sales of wholesale energy and key system planning and operations goals place focus on important responsibilities in this operational group.

- a. Year-end sales of wholesale energy margins of \$3.5 million. This goal will be prorated per the following schedule:
 - \$2.0 million in sales margins will result in a partial payout of 0.15%
 - \$3.0 million in sales margins will result in a partial payout of 0.20%
 - \$3.5 million in sales margins will result in a full payout of 0.25%
- b. Maintain a generation to energy dispatch accuracy rate at 99% or greater. This will be determined by the percentage of time a plant correctly follows the hourly MISO generation set point adjusted for deviations that are identified by an “Uninstructed Deviation Exemption Flag”.

6. Electric Generation Goals

Achieve pre-established department and facility goals. Maximum payout is 1.0%.

Electric Generation Goals are designed to ensure our units operate efficiently and are ready on demand to provide energy to our customers.

- a. Maintain a generation to energy dispatch accuracy rate at 99% or greater. This will be determined by the percentage of time a plant correctly follows the hourly MISO generation set point adjusted for deviations that are identified by an “Uninstructed Deviation Exemption Flag”.
- b. Power production facilities availability goal is a percentage calculated according to the North American Electric Reliability Council guidelines. Plant availability goals were determined after reviewing each facility's past performance record.
- c. Complete preventative maintenance requirements per the General Electric Maintenance Manual and checklist.

Electric Generation Goals

Payout %

Heskett Station Unit #1

- End year with -99% generation to energy dispatch accuracy 0.25%

Heskett Station Unit #1

- End year with 85% availability 0.25%

Heskett Station Unit #2

- End year with -99% generation to energy dispatch accuracy 0.25%

Heskett Station Unit #2

- End year with 92% availability 0.25%

Lewis & Clark Station

- End year with average -99% generation to energy dispatch accuracy 0.50%

Lewis & Clark Station

- End year with 92% availability 0.50%

***Glendive Gas Turbine Unit #1**

- End year with 96% availability 0.33%

Glendive Gas Turbine Unit #2

- End year with 96% availability 0.34%

Miles City Gas Turbine Unit #1

- End year with 96% availability 0.33%

****Diamond Willow Wind Farm**

- End year with 90% availability 0.50%
- Complete preventative maintenance requirements 0.50%

Payout Basis: Generation to energy dispatch is calculated over the entire year. Availability of plant facilities is calculated based on when online or, in the case of a reserve outage, are able to come online when requested.

Plan Specifications

Annual Wages

For the purposes of this plan, annual wages are defined as follows:

- ✓ Non-Exempt Employees are those employees who are covered by the provisions of the Fair Labor Standards Act (Wage and Hour Law). That includes bargaining unit members and non-bargaining unit members. For this group, wages means straight time, and premium wages, but not compensation, if any, for commission, bonuses or "other" pay such as moving expenses or vacation donation. Employee contributions to the K-Plan are included in wages eligible for bonus calculations.
- ✓ Exempt Employees are those employees who are exempt from the provisions of the Fair Labor Standards Act. For this group, annual wages include any contributions the employee makes to the K-Plan, less any compensation for bonuses, commission or "other special compensation."

Uniformed Service Employment and Reemployment Rights Act (USERRA) and Company policy will determine eligible wages for employees on active military leave for exempt and non-exempt employees.

The annual wages, as explained above, will be for the W-2 year, which begins December 8, 2008, and ends December 20, 2009.

Employee Eligibility

The plan year is January 1, 2009, through December 31, 2009.

All Montana-Dakota Utilities Co. and Great Plains Natural Gas Co. (Utility) regular employees, defined as Employment Status 1, 2, 3, or 4, are eligible. New regular employees are eligible from their date of employment.

Also eligible are employees of the Utility on January 1, 2009, who transfer to another company in the MDU Resources family of companies prior to December 31, 2009, or employees who are employed at another company in the MDU Resources family of companies on December 31, 2008, and transfer to the Utility prior to December 31, 2009. In both transfer cases, annual wages for transferees are defined as their Utility wages only in accordance with the above definitions.

Eligibility ceases with termination of employment from the Utility or any other MDU Resources company during the plan year. However, there are two exceptions 1) termination due to death or 2) termination due to retirement.

In the event of retirement or death during the plan year, a payout will be made to the retiree or to the estate of the deceased employee. The annual wage for such persons will be wages earned to the day preceding the day of retirement or death, including wages for earned and unused vacation.

Those *not eligible* include employees with the Employment Status code of 6, 7, or 8, officers, region managers, and any others who are participants in any other management incentive

compensation plan during the plan year. Eligibility will be prorated for employees who become eligible for any other management incentive compensation plan during the plan year. Decisions on eligibility or payment adjustments made to a participant or group, and/or the payment of any and all incentive amounts is at the sole discretion of the Utility's President and CEO. This may include but is not limited to issues such as marginal employee performance, code of conduct concerns or appropriate representation of the Company.

Plan Payout

Goal Achievement Determination:

In accordance with the terms of this plan, payout will be made only if the plan threshold target is reached and only for goal(s) achieved. The Utility's President & CEO will determine goal achievement and any award must be approved by its managing committee. The achievement determination may include adjustments for significant circumstances at the sole discretion of the President & CEO.

How and when payout occurs:

If a payout is earned, it will be a cash award in the form of a lump sum check less applicable taxes. The check will be separate from the regular paycheck. The payout will be made as soon as administratively possible once results can be determined and bonus amounts calculated. The anticipated payout, if any, will occur no later than March 10th following the plan year.

Taxes:

A 25% federal tax, applicable state tax, and FICA (Social Security) tax will be deducted from the bonus earned. The total payout will be reflected in the W-2 year earnings following the plan year.

Relationship to K-Plan or Pension Benefit:

The plan payout does not constitute earnings eligible for K-Plan participation, nor does K-Plan participation negatively affect any payout from this plan. Additionally, the plan payout does not constitute earnings for calculation of pension benefits.

Plan Continuation

The future of the plan, in its present form or with alterations, is unknown at present and will depend on both the results achieved as well as efforts to provide consistent plans across the utility segment of the business. The decision to continue the plan is solely at the discretion of the Utility's President & CEO.

BETA Payout Example

To help understand the 2009 BETA Plan better; here is an example of how a payout calculation is made. In our example, we will create an employee named Bill, a lineman living in Glendive, Montana.

Utility Financial Goal

Step 1: Utility President & CEO establishes EPS and ROIC target and the weighted percentage for each.

Utility Performance Measure	Annual Target	Weight
Earnings Per Share (EPS)	\$0.75	50%
Return On Invested Capitol (ROIC)	7.3%	50%

Step 2: At the end of the year financial calculations are made to determine year-end Utility results.

Utility Performance Measure	Year-End Results	Weight
Earnings Per Share (EPS)	\$0.80	50%
Return On Invested Capitol (ROIC)	7.4%	50%

Step 3: Calculations are completed to determine the level of incentive payout for the **Utility Financial Goal**. A BETA payout is possible once the Utility achieves 85% of the financial goal and the maximum payout is achieved when 109% of the weighted goal is achieved. According to Chart A (page 2), 104% achievement of the Utility Financial Goal qualifies Bill for a 1.5% payout.

	Achieved		Target		% Target Achieved		Weight		
EPS	\$0.80	/	\$0.75	=	106.67%	x	50%	=	53.3%
ROIC	7.4%	/	7.3%	=	101.37%	x	50%	=	50.7%

104%*

*Refer to Chart A on page 2.

Individual Safety Goal

Step 4: Determine the level of incentive payout for the **Individual Safety Goal**. Since the Utility exceeded the 85% threshold on financial performance, the safety goal is payable to all employees who do not have an OSHA recordable personal injury or a motor vehicle accident in 2009. Bill did not have any injuries or accidents this year so he qualifies for a 2% payout (Chart A – Individual Safety Goal).

Group Goals

Step 5: Determine the eligibility of incentive payout for the **Group Unregulated Activities Goals**. The planned goal for the Glendive/Miles City operating group was \$327,000. During the plan year unregulated gross profits before overhead costs in the Glendive/Miles City operating group were \$350,000; exceeding the goal and qualifying for a payout of 0.5% for Bill and all other employees in the Glendive/Miles City operating group.

Step 6: The planned goal was to reach a **Group Customer Service Satisfaction** score of 92.5%. The year-end customer service survey reached a score of 93.1%, resulting in a payout of 0.5%.

To summarize Bill's BETA payout calculation is:

1. Utility Financial Goal	1.5%
2. Individual Safety Goal	2.0%
3. Group Unregulated Activities Goal	0.5%
4. Group Customer Service Satisfaction Goal	<u>0.5%</u>
TOTAL	4.5%

Assuming Bill's annual eligible wage for 2009 was \$60,000
 $\$60,000 \times 4.5\% = \$2,700$ before taxes.

2009 BETA Goals - Maximum Payout Percentages

Group	Utility		Individual										Maximum Payout
	Financial Goal #1	Individual Safety Goal #2	Unregulated Activities Goal #3	Cust. Service Satisfaction Goal #4	Sys. Plan. & Ops Goal #5a	Sys. Plan. & Ops Goal #5b	Elect. Gen. Disp. Acc. Goal #6a	Elect. Gen. Availability Goal #6b	Elect. Gen. Maintenance Goal #6c				
Dickinson	4.0%	2.0%	0.5%	0.5%								7.0%	
Glendive/Miles City	4.0%	2.0%	0.5%	0.5%								7.0%	
Minot	4.0%	2.0%	0.5%	0.5%								7.0%	
Williston	4.0%	2.0%	0.5%	0.5%								7.0%	
Wolf Point	4.0%	2.0%	0.5%	0.5%								7.0%	
Rapid City	4.0%	2.0%	0.5%	0.5%								7.0%	
Northern Hills	4.0%	2.0%	0.5%	0.5%								7.0%	
Bismarck	4.0%	2.0%	0.5%	0.5%								7.0%	
Devils Lake	4.0%	2.0%	0.5%	0.5%								7.0%	
Mobridge/Pierre	4.0%	2.0%	0.5%	0.5%								7.0%	
Jamestown	4.0%	2.0%	0.5%	0.5%								7.0%	
GPNG	4.0%	2.0%	0.5%	0.5%								7.0%	
Billings	4.0%	2.0%	0.5%	0.5%								7.0%	
Sheridan	4.0%	2.0%	0.5%	0.5%								7.0%	
General Office	4.0%	2.0%	0.5%	0.5%								7.0%	
Substation Tech & Comm. Specialists	4.0%	2.0%	0.5%	0.5%								7.0%	
Sys. Plan. & Ops	4.0%	2.0%		0.5%	0.25%	0.25%						7.0%	
Heskett Unit #1	4.0%	2.0%					0.25%	0.25%				7.0%	
Heskett Unit #2							0.25%	0.25%					
Lewis & Clark	4.0%	2.0%					0.5%	0.5%				7.0%	
Glendive Turb Unit #1	4.0%	2.0%						0.33%				7.0%	
Glendive Turb Unit #2								0.34%					
Miles City Unit #1								0.33%					
Wind Turbine	4.0%	2.0%						0.5%	0.5%			7.0%	

Attachment G

2007

**MID-MANAGEMENT INCENTIVE COMPENSATION PLAN
MONTANA-DAKOTA UTILITIES CO. AND
GREAT PLAINS NATURAL GAS COMPANY**

I. PURPOSE

The purpose of the Mid-Management Incentive Compensation Plan (“**Plan**”) is to focus attention on specific objectives and provide incentives and rewards for contributions to positive business results of Montana-Dakota and Great Plains Natural Gas (“**Utility**”) employees classified at a salary grade 38 through 43. The Plan is designed to reward successful Utility performance as measured against specified Utility performance goals as well as achievement of pre-established individual performance goals. Performance goals will be reviewed to determine the level of success employees attain. Utility performance must reach or exceed pre-determined performance targets before any incentive compensation can be paid from the plan.

II. ELIGIBILITY

Regular full-time and regular part-time employees with a salary grade of 38 through 43 are eligible to participate in the Plan if they meet all of the following criteria:

1. The Plan year is January 1 through December 31.
2. An eligible employee must have worked continuously through December 31 of the plan year. However, a payout may be made on a pro-rated basis in the event of retirement, death, disability or other special circumstances that may occur during the plan year with approval by the President & CEO.
3. Eligible employees may not participate in any other company incentive compensation program.

Employees, who are new hires, are promoted during the Plan year within the Utility, or employees who transfer during the Plan year to or from another company within the MDU Resources Group Inc. family of companies, may be eligible to participate on a pro-rated basis with approval of the President & CEO, if they meet the rest of these eligibility requirements. The payout will be pro-rated based on the hours worked for the Utility, using the wage the employee received when they transferred into their position within the Utility, or the wage they received when they were promoted into an eligible salary class covered by this Plan. The Utility President & CEO must authorize exceptions to the eligibility criteria and has the final determination of any situation that may arise from the administration of this Plan.

The Mid-Management Incentive Compensation Plan will remain in effect until the President & CEO of the Utility, in their sole discretion, changes or discontinues the plan.

III. BASIC PLAN CONCEPT

The Plan participants have an opportunity to earn annual incentive compensation based on the achievement of Utility performance targets as well as the achievement of individual performance goals. A target incentive award of 10% of the employee's base salary will be set for each eligible employee in salary grades 38 and above. The employee has an opportunity to earn from 0 to 150% of this target incentive award. When the threshold of Company performance achievement levels are met the individual incentive award payment will be based on two parts; 50% on the performance of the Utility based on performance targets set and 50% payout based on the accomplishment of individual performance goals.

IV. INCENTIVE AWARD PAYOUT METHODOLOGY

For an incentive payout to be awarded, the Utility must meet the established performance thresholds. These thresholds are a combination of earnings per share (EPS) and return on invested capital (ROIC) and are set at the beginning of the performance cycle. The EPS value is weighted at 50% and ROIC is weighted 50% in establishing and measuring achievement of the performance threshold.

If 85% of the Utility performance threshold is exceeded at the end of the performance cycle, an incentive pool is established that pays out 5% for every 1% above threshold to 90%. At 90% of threshold a 25% payout would be made. The payout increases in 7.5% increments for every 1% performance measure to 100%. If 100% of measures are achieved the payout pool will be set at 100%, also referred to as "target." The maximum incentive pool available through the Plan is 150% if 115% or greater of the measures are achieved. Exhibit I shows the percent of target earned for each value from 85% through 115%.

Once it is determined that Utility performance thresholds have been met, achievement of individual incentive goals are determined and factored into the amount of payout each employee will receive.

Example Payout Calculation

Step 1: Utility President & CEO establishes EPS and ROIC target and the weighted percentage for each.

Utility Performance Measure	Annual Target (Example)	Weight
Earnings Per Share (EPS)	\$.61	50%
Return On Invested Capital (ROIC)	6.42%	50%

Step 2: At the end of the performance cycle financial calculations are made to determine if an incentive pool will be established.

Utility Performance Measure	Year-End Results (Example)	Weight
Earnings Per Share (EPS)	\$.65	50%
Return On Invested Capital (ROIC)	6.80%	50%

Step 3: If it is determined a pool will be established, calculations are completed to determine dollar amount of incentive pool.

Use Exhibit I to interpolate percent of target payout achieved.

<u>EPS</u>	$\$.65/\$.61 = 106.6\% = 116.50\%$ (From Exhibit 1) X 50% = 58.25%
<u>ROIC</u>	$6.80/6.42 = 105.9\% = 114.75\%$ (From Exhibit 1) X 50% = 57.38%
	% of Target Payout Achieved 115.63%

Step 4: Determine maximum payout for each employee eligible. In this example assume employee has an annual salary of \$75,000.

The employee will receive 50% of the maximum payout based on achieving the corporate performance factor and will receive up to another 50% based upon achievement of individual goals. In this example the employee had three goals, two weighted at 20% and one at 10%. The employee achieved the two goals weighted at 20% and did not meet the one at 10%. Total achievement of personal goals would equal 40%.

The complete incentive payout calculation for the example is shown in the following table:

(Col 1)	(Col 2)	(Col 3)	(Col 4)	(Col 5)	(Col 6)	(Col 7)	(Col 8)
Base Salary	Target Incentive (Col 1*10%)	Percent of Target Payout	Maximum Bonus (Col 2*3)	Utility Profitability Payout %	Individual Goals Achieved	Total EE Payout % (Col 5+6)	Total Bonus Amount (Col 4*7)
\$75,000	\$7,500	115.63%	\$8,672	50.0%	40.0%	90.0%	\$7,805

It is recognized that during the Plan year, major unforeseen changes in economic and environmental conditions or significant factors beyond the control of management may

substantially affect the ability of the Plan participants to achieve the specified performance goals. Therefore, at the discretion of the President & CEO for the Utility, performance targets may be modified. However, it is contemplated that such target modifications will be necessary only in years of unusually adverse or favorable external conditions or to equitably reflect the event of an acquisition.

V. INDIVIDUAL INCENTIVE GOAL GUIDELINES

- Goals must be focused on business need and align with the Utility Strategic Plan.
- Accomplishment of the incentive goals should produce results that will improve profitability or improve the operating efficiency of the Utility or an affiliated company.

Revised: 10/27/05

Exhibit I

**MID-MANAGEMENT INCENTIVE COMPENSATION PLAN
MONTANA-DAKOTA UTILITIES CO. AND
GREAT PLAINS NATURAL GAS COMPANY**

PERFORMANCE TARGETS

Percent of Utility Performance Target <u>Achieved</u>	Percent of Target Payout <u>Amount</u>
<85%	0%
86%	5%
87%	10%
88%	15%
89%	20%
90%	25%
91%	32.5%
92%	40%
93%	47.5%
94%	55%
95%	62.5%
96%	70%
97%	77.5%
98%	85%
99%	92.5%
100%	100%
101%	102.5%
102%	105%
103%	107.5%
104%	110%
105%	112.5%
106%	115%
107%	117.5%
108%	120%
109%	122.5%
110%	125%
111%	130%
112%	135%
113%	140%
114%	145%
115%	150%

2008

**MID-MANAGEMENT INCENTIVE COMPENSATION PLAN
MONTANA-DAKOTA UTILITIES CO. AND
GREAT PLAINS NATURAL GAS COMPANY**

I. PURPOSE

The purpose of the Mid-Management Incentive Compensation Plan (“**Plan**”) is to focus attention on specific objectives and provide incentives and rewards for contributions to positive business results of Montana-Dakota and Great Plains Natural Gas (“**Utility**”) employees classified at a salary grade 38 through 43. The Plan is designed to reward successful Utility performance as measured against specified Utility performance goals as well as achievement of pre-established individual performance goals. Performance goals will be reviewed to determine the level of success employees attain. Utility performance must reach or exceed pre-determined performance targets before any incentive compensation can be paid from the plan.

II. ELIGIBILITY

Regular full-time and regular part-time employees with a salary grade of 38 through 43 are eligible to participate in the Plan if they meet all of the following criteria:

1. The Plan year is January 1 through December 31.
2. An eligible employee must have worked continuously through December 31 of the plan year. However, a payout may be made on a pro-rated basis in the event of retirement, death, disability or other special circumstances that may occur during the plan year with approval by the President & CEO.
3. Eligible employees may not participate in any other company incentive compensation program.

Employees, who are new hires, are promoted during the Plan year within the Utility, or employees who transfer during the Plan year to or from another company within the MDU Resources Group Inc. family of companies, may be eligible to participate on a pro-rated basis with approval of the President & CEO, if they meet the rest of these eligibility requirements. The payout will be pro-rated based on the hours worked for the Utility, using the wage the employee received when they transferred into their position within the Utility, or the wage they received when they were promoted into an eligible salary class covered by this Plan. The Utility President & CEO must authorize exceptions to the eligibility criteria and has the final determination of any situation that may arise from the administration of this Plan.

The Mid-Management Incentive Compensation Plan will remain in effect until the President & CEO of the Utility, in their sole discretion, changes or discontinues the plan.

III. BASIC PLAN CONCEPT

The Plan participants have an opportunity to earn annual incentive compensation based on the achievement of Utility performance targets as well as the achievement of individual performance goals. A target incentive award of 10% of the employee's base salary will be set for each eligible employee in salary grades 38 and above. The employee has an opportunity to earn from 0 to 150% of this target incentive award. When the threshold of Company performance achievement levels are met the individual incentive award payment will be based on two parts; 50% on the performance of the Utility based on performance targets set and 50% payout based on the accomplishment of individual performance goals.

IV. INCENTIVE AWARD PAYOUT METHODOLOGY

For an incentive payout to be awarded, the Utility must meet the established performance thresholds. These thresholds are a combination of earnings per share (EPS) and return on invested capital (ROIC) and are set at the beginning of the performance cycle. The EPS value is weighted at 50% and ROIC is weighted 50% in establishing and measuring achievement of the performance threshold.

If 85% of the Utility performance threshold is exceeded at the end of the performance cycle, an incentive pool is established that pays out 5% for every 1% above threshold to 90%. At 90% of threshold a 25% payout would be made. The payout increases in 7.5% increments for every 1% performance measure to 100%. If 100% of measures are achieved the payout pool will be set at 100%, also referred to as "target." The maximum incentive pool available through the Plan is 150% if 115% or greater of the measures are achieved. Exhibit I shows the percent of target earned for each value from 85% through 115%.

Once it is determined that Utility performance thresholds have been met, achievement of individual incentive goals are determined and factored into the amount of payout each employee will receive. Payments earned under this plan shall be paid as soon as practicable, but in all events will be paid prior to March 10 following the plan year.

Example Payout Calculation

Step 1: Utility President & CEO establishes EPS and ROIC target and the weighted percentage for each.

Utility Performance Measure	Annual Target (Example)	Weight
Earnings Per Share (EPS)	\$.61	50%
Return On Invested Capital (ROIC)	6.42%	50%

Step 2: At the end of the performance cycle financial calculations are made to determine if an incentive pool will be established.

Utility Performance Measure	Year-End Results (Example)	Weight
Earnings Per Share (EPS)	\$.65	50%
Return On Invested Capital (ROIC)	6.80%	50%

Step 3: If it is determined a pool will be established, calculations are completed to determine dollar amount of incentive pool.

Use Exhibit I to interpolate percent of target payout achieved.

<u>EPS</u>	$\$.65/\$.61 = 106.6\% = 116.50\%$ (From Exhibit 1) X 50% = 58.25%
<u>ROIC</u>	$6.80/6.42 = 105.9\% = 114.75\%$ (From Exhibit 1) X 50% = 57.38%
	% of Target Payout Achieved 115.63%

Step 4: Determine maximum payout for each employee eligible. In this example assume employee has an annual salary of \$75,000.

The employee will receive 50% of the maximum payout based on achieving the corporate performance factor and will receive up to another 50% based upon achievement of individual goals. In this example the employee had three goals, two weighted at 20% and one at 10%. The employee achieved the two goals weighted at 20% and did not meet the one at 10%. Total achievement of personal goals would equal 40%.

The complete incentive payout calculation for the example is shown in the following table:

(Col 1)	(Col 2)	(Col 3)	(Col 4)	(Col 5)	(Col 6)	(Col 7)	(Col 8)
Base Salary	Target Incentive (Col 1*10%)	Percent of Target Payout	Maximum Bonus (Col 2*3)	Utility Profitability Payout %	Individual Goals Achieved	Total EE Payout % (Col 5+6)	Total Bonus Amount (Col 4*7)
\$75,000	\$7,500	115.63%	\$8,672	50.0%	40.0%	90.0%	\$7,805

It is recognized that during the Plan year, major unforeseen changes in economic and environmental conditions or significant factors beyond the control of management may substantially affect the ability of the Plan participants to achieve the specified performance goals. Therefore, at the discretion of the President & CEO for the Utility, performance targets may be modified. However, it is contemplated that such target modifications will be necessary only in years of unusually adverse or favorable external conditions or to equitably reflect the event of an acquisition.

V. INDIVIDUAL INCENTIVE GOAL GUIDELINES

- Goals must be focused on business need and align with the Utility Strategic Plan.
- Accomplishment of the incentive goals should produce results that will improve profitability or improve the operating efficiency of the Utility or an affiliated company.

Revised: 11/26/2007

Exhibit I

**MID-MANAGEMENT INCENTIVE COMPENSATION PLAN
MONTANA-DAKOTA UTILITIES CO. AND
GREAT PLAINS NATURAL GAS COMPANY**

PERFORMANCE TARGETS

Percent of Utility Performance Target <u>Achieved</u>	Percent of Target Payout <u>Amount</u>
<85%	0%
86%	5%
87%	10%
88%	15%
89%	20%
90%	25%
91%	32.5%
92%	40%
93%	47.5%
94%	55%
95%	62.5%
96%	70%
97%	77.5%
98%	85%
99%	92.5%
100%	100%
101%	102.5%
102%	105%
103%	107.5%
104%	110%
105%	112.5%
106%	115%
107%	117.5%
108%	120%
109%	122.5%
110%	125%
111%	130%
112%	135%
113%	140%
114%	145%
115%	150%

**2009 MID-MANAGEMENT INCENTIVE COMPENSATION PLAN
MONTANA-DAKOTA UTILITIES CO. AND
GREAT PLAINS NATURAL GAS COMPANY**

I. PURPOSE

The purpose of the Mid-Management Incentive Compensation Plan (“**Plan**”) is to focus attention on specific objectives and provide incentives and rewards for contributions to positive business results of Montana-Dakota and Great Plains Natural Gas (“**Utility**”) employees classified at a salary grade 38 through 43. The Plan is designed to reward successful Utility performance as measured against specified Utility performance goals as well as achievement of pre-established individual performance goals. Performance goals will be reviewed to determine the level of success employees attain. Utility performance must reach or exceed pre-determined performance targets before any incentive compensation can be paid from the plan.

II. ELIGIBILITY

Regular full-time and regular part-time employees with a salary grade of 38 through 43 are eligible to participate in the Plan if they meet all of the following criteria:

1. The Plan year is January 1 through December 31.
2. An eligible employee must have worked continuously through December 31 of the plan year. However, a payout may be made on a pro-rated basis in the event of retirement, death, disability or other special circumstances that may occur during the plan year with approval by the President & CEO.
3. Eligible employees may not participate in any other company incentive compensation program.

Employees, who are new hires, are promoted during the Plan year within the Utility, or employees who transfer during the Plan year to or from another company within the MDU Resources Group Inc. family of companies, may be eligible to participate on a pro-rated basis with approval of the President & CEO, if they meet the rest of these eligibility requirements. For new entrants, the payout will be pro-rated based on the hours worked for the Utility, using the wage the employee received when they transferred into their position within the Utility, or the wage they received when they were promoted into an eligible salary class covered by this Plan.

The Utility President & CEO must authorize exceptions to the plan or eligibility criteria and has the final determination of any situation (which is not limited to but may include employee performance, code of conduct or appropriate representation of the Company) that may arise from the administration of this Plan.

The Mid-Management Incentive Compensation Plan will remain in effect until the President & CEO of the Utility, in their sole discretion, changes or discontinues the plan.

III. BASIC PLAN CONCEPT

The Plan participants have an opportunity to earn annual incentive compensation based on the achievement of Utility performance targets as well as the achievement of individual performance goals. A target incentive award of 10% of the employee's base salary will be set for each eligible employee in salary grades 38 and above. The employee has an opportunity to earn from 0 to 150% of this target incentive award. When the threshold of Company performance achievement levels are met the individual incentive award payment will be based on two parts;

1. 50% on the performance of the Utility based on performance targets set
2. 50% payout based on the accomplishment of individual performance goals. Participants must achieve at least 20% of individual goals to qualify for the 50% Utility performance payout.

IV. INCENTIVE AWARD PAYOUT METHODOLOGY

For an incentive payout to be awarded, the Utility must meet the established performance thresholds. These thresholds are a combination of earnings per share (EPS) and return on invested capital (ROIC) and are set at the beginning of the performance cycle. The EPS value is weighted at 50% and ROIC is weighted 50% in establishing and measuring achievement of the performance threshold.

If 85% of the Utility performance threshold is exceeded at the end of the performance cycle, an incentive pool is established that pays out 5% for every 1% above threshold to 90%. At 90% of threshold a 25% payout would be made. The payout increases in 7.5% increments for every 1% performance measure to 100%. If 100% of measures are achieved the payout pool will be set at 100%, also referred to as "target." The maximum incentive pool available through the Plan is 150% if 115% or greater of the measures are achieved. Exhibit I shows the percent of target earned for each value from 85% through 115%.

Once it is determined that Utility performance thresholds have been met, achievement of individual incentive goals are determined and factored into the amount of payout each employee will receive. Payments earned under this plan shall be paid as soon as practicable, but in all events will be paid prior to March 10 following the plan year.

Example Payout Calculation

Step 1: Utility President & CEO establishes EPS and ROIC target and the weighted percentage for each.

Utility Performance Measure	Annual Target (Example)	Weight
Earnings Per Share (EPS)	\$.75	50%
Return On Invested Capital (ROIC)	7.3%	50%

Step 2: At the end of the performance cycle financial calculations are made to determine if an incentive pool will be established.

Utility Performance Measure	Year-End Results (Example)	Weight
Earnings Per Share (EPS)	\$.80	50%
Return On Invested Capital (ROIC)	7.4%	50%

Step 3: If it is determined a pool will be established, calculations are completed to determine dollar amount of incentive pool.

Use Exhibit I to interpolate percent of target payout achieved.

<u>EPS</u>	$\$.80/$.75 = 106.7\% = 116.75\%$ (From Exhibit 1) X 50% = 58.38%
<u>ROIC</u>	$7.4/7.3 = 101.4\% = 103.5\%$ (From Exhibit 1) X 50% = 51.75%
	% of Target Payout Achieved 110.1%

Step 4: Determine maximum payout for each employee eligible. In this example assume employee has an annual salary of \$85,000.

The employee will receive 50% of the maximum payout based on achieving the corporate performance factor and will receive up to another 50% based upon achievement of individual goals. In this example the employee had three goals, two weighted at 20% and one at 10%. The employee achieved the two goals weighted at 20% and did not meet the one at 10%. Total achievement of personal goals would equal 40%.

The complete incentive payout calculation for the example is shown in the following table:

(Col 1)	(Col 2)	(Col 3)	(Col 4)	(Col 5)	(Col 6)	(Col 7)	(Col 8)
Base Salary	Target Incentive (Col 1*10%)	Percent of Target Payout	Maximum Bonus (Col 2*3)	Utility Profitability Payout %	Individual Goals Achieved	Total EE Payout % (Col 5+6)	Total Bonus Amount (Col 4*7)
\$85,000	\$8,500	110.1%	\$9,359	50.0%	40.0%	90.0%	\$8,423

It is recognized that during the Plan year, major unforeseen changes in economic and environmental conditions or significant factors beyond the control of management may substantially affect the ability of the Plan participants to achieve the specified performance goals. Therefore, at the discretion of the President & CEO for the Utility, performance targets may be modified. However, it is contemplated that such target modifications will be necessary only in years of unusually adverse or favorable external conditions or to equitably reflect the event of an acquisition.

V. INDIVIDUAL INCENTIVE GOAL GUIDELINES

- Goals must be focused on business need and align with the Utility Strategic Plan.
- Accomplishment of the incentive goals should produce results that will improve profitability or improve the operating efficiency of the Utility or an affiliated company.

Exhibit I

**MID-MANAGEMENT INCENTIVE COMPENSATION PLAN
MONTANA-DAKOTA UTILITIES CO. AND
GREAT PLAINS NATURAL GAS COMPANY**

PERFORMANCE TARGETS

Percent of Utility Performance Target <u>Achieved</u>	Percent of Target Payout <u>Amount</u>
<85%	0%
86%	5%
87%	10%
88%	15%
89%	20%
90%	25%
91%	32.5%
92%	40%
93%	47.5%
94%	55%
95%	62.5%
96%	70%
97%	77.5%
98%	85%
99%	92.5%
100%	100%
101%	102.5%
102%	105%
103%	107.5%
104%	110%
105%	112.5%
106%	115%
107%	117.5%
108%	120%
109%	122.5%
110%	125%
111%	130%
112%	135%
113%	140%
114%	145%
115%	150%

Attachment H

Senior Management Incentive Plan

PLAN OVERVIEW

The Senior Management Incentive Plan (Plan) for Utility employees focuses attention on Company objectives and encourages continued improvement in standards for performance that leads to positive business results and benefit our customers.

The Plan is designed to:

- Establish a strong relationship between pay and Company performance
- Provide focus on Utility strategic initiatives that increase effectiveness and efficiency
- Promote superior customer service
- Deliver labor market competitive rewards that attract, retain and motivate talented employees to higher levels of performance

The efforts of employees, both individually and as team members, are key to this success. The Plan provides an opportunity for employees to receive additional compensation if pre-established financial results are achieved as well as the achievement of important organizational and customer satisfaction goals. The Plan year is January 1 through December 31.

ELIGIBILITY

1. Employees are eligible to participate in the Plan if they meet all of the following criteria:

- Classified in Pay Grade 41 – 42 and a regular full-time or regular part-time non bargaining employee of Cascade Natural Gas Corp. (CNG), Intermountain Gas Co. (IGC); or a regular full-time or regular part-time non-bargaining employee of Montana-Dakota Utilities Co./ Great Plains Natural Gas Co. (MDU/GPNG);
- They are not covered by any other Company annual incentive plan;
- Must receive an overall performance rating of Proficient/Meets Expectations or above;
- Must be employed through the end of the Plan year; and
- Required to have at least 1,000 compensated hours within MDU Resources Group, Inc. during the payroll W-2 year.

Temporary employees and interns are not eligible to participate in the Plan.

2. New employees or employees who transfer to or from any MDU Resources Group, Inc. Company during the Plan Year are eligible to participate in the Plan on a prorated basis.
3. Eligibility ceases with termination of employment from the Utility or any other MDU Resources Group, Inc. Company during the Plan year. However, there are three exceptions 1) termination due to death, 2) termination due to disability or 3) termination due to retirement. Individuals that meet the exceptions defined above will qualify for a Plan payout.

Exceptions to the above eligibility criteria must be authorized by the President & CEO of the Utility.

PLAN CONCEPT

The Plan is designed to payout at various levels based on the attainment of specific pre-established goals that have been established for each utility Company:

For an incentive payout to be awarded the Company must meet 85% of their Utility Financial Goal. The percentage of incentive awarded increases as higher levels of financial results are achieved, until the maximum potential payout is attained (115% of the Company Financial Goal). (See Table A)

Table A

Percentage of Company Financial Goal Achieved	Percentage of Target Incentive Payable
85%	25%
90%	50%
95%	75%
100%	100%
105%	133.3%
110%	166.7%
115%	200%

After 85% of the Financial Goal is met, achievement of the following goals will determine the percentage of the available incentive payout. Each goal is weighted equally at 33.3%.

1. Company Financial Goal (Earnings or Net Income less Taxes)

How do employees impact Company earnings goals?

- Spend dollars wisely – a responsible approach to operations and maintenance (O&M) expenditures
- Suggest and justify capital projects that will increase efficiencies and return more than the cost of capital over the life of the project
- Increase efficiencies in the methods used to perform daily tasks and eliminate redundant services across department or Utility segments.
- Work efficiently and safely
- Properly maintain equipment to extend its useful life
- Understand and contribute to achievement of the Utility Strategic Plan

Meeting or exceeding the Company Financial target will result in a payout under this goal.

2. Operations and Maintenance (O&M) Expense Goal

Employees are expected to work together to continuously seek efficiencies that control costs normally part of the budget process such as labor, benefits, collections, travel, supplies, office and plant maintenance.

Meeting or exceeding the Company O&M target will result in a payout under this goal.

3. Customer Service Satisfaction Goal

The Customer Service Satisfaction Goal is to heighten all employees' awareness in providing a positive customer experience. Feedback and results from the Utility customer service survey will be used to determine goal achievement.

Meeting or exceeding the Company Customer Satisfaction target will result is a payout under this goal.

PLAN PAYOUT

Employees meeting the eligibility criteria (Participants) will receive a payout under this Plan based on the percentage of financial results attained, achievement of the established Company goals (each goal is weighted at 33.3%), and pay grade.

The incentive payout percentage available to a participant varies based on pay grade group. If an employee moves to a new pay grade group; any payout will be based on the target incentive listed for the group the employee was part of for the greatest number of calendar days during the payroll W-2 year.

Exceptions to the above payout criteria must be authorized by the President & CEO of the Utility.

Table B
Target Incentive Payout at 100% of Financial Goal

Pay Grade	33.3%	33.3%	33.3%	Incentive Payout %
	Financial Goal 1	O&M Expense Goal 2	Customer Satisfaction Goal 3	
41	3.33%	3.33%	3.33%	10%
42	5%	5%	5%	15%

Definitions

ELIGIBLE ANNUAL WAGES

For the purposes of this Plan, annual wages and hours are calculated based on the Utility W-2 year according to the following definitions:

- Non-Exempt employees (eligible for overtime compensation) – Definition of eligible wages includes straight time and premium wages, but not compensation, if any, for commission, bonuses or “other” pay such as moving expenses. Employee contributions to the K-Plan are included in wages eligible for bonus calculations.
- Exempt Employees – Definition of eligible wages includes straight time pay but not any compensation for bonuses, commission or “other”. Employee contributions to the K-Plan are included in wages eligible for bonus calculations.

Note: Incentive compensation does not qualify for or result in employee or employer contributions to the K-Plan

Uniformed Service Employment and Reemployment Rights Act (USERRA) and Company policy will determine eligible wages for employees on active military leave for exempt and non-exempt employees.

PAYMENT TIMING

Payments earned (less required tax withholdings) under this Plan shall be paid as soon as practicable following the Plan year, but in all events will be paid by March 10.

PLAN CONTINUATION

Major unforeseen changes in economic conditions or other factors beyond the control of management may require adjustment of target levels as related to the Plan. The decision on any adjustments as well as the payment of any and all incentive amounts rests with the President & CEO of the Utility, with the concurrence of the Managing Committee.

The decision to continue the Plan, change the Plan or to discontinue the Plan is solely at the discretion of the President & CEO of the Utility.

This Plan does not create an employment contract between the Company and any Participant nor is it a guarantee of employment by the Company to any Participant.

CONFIDENTIALITY

The Plan and the financial performance targets are designed for Company use only, are deemed confidential and are not to be discussed or shared outside the Company.

ADDENDUM

Senior Management Incentive Plan - 2010

Plan Goal Targets by Company

Individuals qualify for a plan payout based on the Company performance of which they are employed.

	Goal 1: Company Financial	Goal 2: O & M Expense	Goal 3: Customer Satisfaction
MDU/GPNG	\$ 38,919,000.00	\$ 109,523,000.00	4.5
CNG	\$ 13,653,000.00	\$ 47,093,000.00	4.5
IGC	\$ 13,870,000.00	\$ 41,102,000.00	4.5

ADDENDUM

Example Employee Payout Senior Management Incentive Plan

Assumptions: An IGC employee in pay grade 42 with \$100,000 in eligible wages:

Example: 2010 Actual Results			
	Goal 1:	Goal 2:	Goal 3:
	Company Financial	O & M Expense	Customer Satisfaction
IGC	\$ 14,570,000.00	\$ 40,690,980.00	4.4

Step 1: Determine the percent of IGC's Financial Goal achieved:

$$\begin{aligned}
 & \text{(Actual} \quad \div \quad \text{Target} \quad = \quad \% \text{ Achieved)} \\
 & \$ 14,570,000.00 \div \$ 13,870,000.00 = 105\%
 \end{aligned}$$

The financial results achieved are greater than the threshold (85%) resulting in a 133.3% (Table A) of Target payout. Also, achieving this goal results in a 5% payout of eligible wages (Table B). (A)

(B)

Step 2: Determine if IGC's O&M Goal was achieved:

The Actual O & M Expenses (\$40,690,980) are less than the Target (\$41,102,000) resulting in 5% payout of eligible wages (Table B). (C)

Step 3: Determine if IGC's Customer Satisfaction Goal was achieved:

The Actual Customer Satisfaction score is 4.4, which does not meet the 4.5 Target resulting in no payout.

Step 4: Calculate Plan payout:

(Eligible wage X Target Payout X Goal Achievement Payout = Total Payout)

$$\begin{aligned}
 & \$100,000 \quad X \quad 1.333 \quad X \quad .10 \quad = \quad \$13,330 \\
 & \qquad \qquad \qquad \text{(A)} \qquad \qquad \qquad \text{(B) + (C)}
 \end{aligned}$$

Attachment I

MONTANA-DAKOTA UTILITIES CO.

MANAGEMENT INCENTIVE COMPENSATION PLAN

I. PURPOSE

The purpose of the Management Incentive Compensation Plan (the "Plan") is to provide an incentive for senior managers and other key employees of Montana-Dakota Utilities Co. (the "Utility Company") to focus their efforts on the achievement of challenging and demanding corporate objectives. The Plan is designed to reward successful corporate performance as measured against specified performance goals as well as exceptional individual performance. When utility performance reaches or exceeds the performance targets and individual performance is exemplary, incentive compensation awards, in conjunction with salaries, will provide a level of compensation which recognizes the skills and efforts of the senior managers and other key employees. In this Plan, the MDU Resources Group, Inc. is defined as (the "Company") while Montana-Dakota Utilities Co. is defined as the "Utility Company."

II. DEFINITIONS

Capitalized terms not otherwise defined herein shall have the meanings given them in the Utility Company's Management Incentive Compensation Plan Rules and Regulations.

III. BASIC PLAN CONCEPT

The Plan provides an opportunity to earn annual incentive compensation based on the achievement of specified annual performance objectives. A target incentive award for each individual within the Plan is established based on the position level and actual base salary, provided, however, that the Managing Committee of the Utility Company (the "Committee") in its sole

discretion, may, instead of actual base salary, use the assigned salary grade market value (midpoint) ("Salary"). The target incentive award represents the amount to be paid, subject to the achievement of the performance objective targets established each year. Larger incentive awards than target may be authorized when performance exceeds targets; lesser or no amounts may be paid when performance is below target.

It is recognized that during a Plan Year major unforeseen changes in economic and environmental conditions or other significant factors beyond the control of management may substantially affect the ability of the Plan Participants to achieve the specified performance goals. Therefore, in its review of corporate performance the Committee, in consultation with the Chief Executive Officer of MDU Resources Group, Inc., may modify the performance targets. However, it is contemplated that such target modifications will be necessary only in years of unusually adverse or favorable external conditions.

IV. ADMINISTRATION

The Plan shall be administered by the Committee with the assistance of the Chief Executive Officer of the Company. The Committee shall approve annually, prior to the beginning of each Plan Year, the list of eligible Participants, and the target incentive award level for each position within the Plan. The Plan's performance targets for the year shall be approved by the Committee no later than its regularly scheduled February meeting during that Plan Year. The Committee shall have final discretion to determine actual award payment levels, method of payment, and whether or not payments shall be made for any Plan Year.

The Committee may, at any time and from time to time, alter, amend, supersede or terminate the Plan in whole or in part, provided that no termination, amendment or modification of the Plan shall adversely affect in any material way an award that has

met all requirements for payment without the written consent of the Participant holding such award, unless such termination, modification or amendment is required by applicable law.

V. ELIGIBILITY

Senior managers and other key employees who are determined by the Committee to have a key role in both the establishment and achievement of Utility Company objectives shall be eligible to participate in the Plan.

Nothing in the Plan shall interfere with or limit in any way the right of the Utility Company to terminate any Participant's employment at any time, for any reason or no reason in the Utility Company's sole discretion, or confer upon any Participant any right to continue in the employment of the Utility Company. No executive shall have the right to be selected to receive an award under the Plan, or, having been so selected, to be selected to receive a future award.

VI. PLAN PERFORMANCE MEASURES

Performance measures shall be established that consider shareholder and customer interests. These measures shall be evaluated annually based on achievement of specified goals.

The performance measure reflective of shareholder's interest will be the percentage attainment of corporate goals, as determined each year by the Committee. This measure may be applied at the corporate level for individuals whose major or sole impact is Company-wide, or at the business unit level for individuals whose major or sole impact is on business unit results.

Individual performance will be assessed based on the achievement of annually established individual objectives.

Threshold, target and maximum award levels will be established annually for each performance measure and business

unit. The Committee will retain the right to make all interpretations as to the actual attainment of the desired results and will determine whether any circumstances beyond the control of management need to be considered.

VII. TARGET INCENTIVE AWARDS

Target incentive awards will be expressed as a percentage of each Participant's Salary. These percentages shall vary by position and reflect larger reward opportunity for positions having greater effect on the establishment and accomplishment of the Company's or business unit's objectives. An exhibit showing the target awards as a percentage of Salary for eligible positions will be attached to this Plan at the beginning of each Plan Year.

VIII. INCENTIVE FUND DETERMINATION

The target incentive fund is the sum of the individual target incentive awards for all eligible Participants. Once the incentive targets have been determined by the Committee, a target incentive fund shall be established and accrued ratably by the Company. The incentive fund and accruals may be adjusted during the year.

At the close of each Plan Year, the Chief Executive Officer of the Company will prepare an analysis showing the Utility Company's or business unit's performance in relation to each of the performance measures employed. This will be provided to the Committee for review and comparison to threshold, target and maximum performance levels. In addition, any recommendations of the Chief Executive Officer will be presented at this time. The Committee will then determine the amount of the target incentive fund earned.

IX. INDIVIDUAL AWARD DETERMINATION

Each individual Participant's award will be based first upon the level of performance achieved by the Utility Company or business unit and secondly based upon the individual's performance. The performance measures applicable for assessing individual performance will be established at the beginning of each Plan Year. The assessment by the Committee, after consultation with the Chief Executive Officer, of achievement relative to the established performance measures, as determined by a percentage from 0 percent to 200 percent, will be applied to the Participant's target incentive award which has been first adjusted for Utility Company or business unit performance.

X. PAYMENT OF AWARDS

Except as provided below or as otherwise determined by the Committee, in order to achieve an award under the Plan, the Participant must remain in the employment of the Company or business unit for the entire Service Year. If a Participant terminates employment with MDU Resources Group, Inc. pursuant to Section 5.01 of the Company's Bylaws which provides for mandatory retirement for certain officers on their 65th birthday (or terminates employment with a subsidiary of the Company pursuant to a similar subsidiary Bylaw provision) and if the Participant's 65th birthday occurs during the Service Year, determination of whether the performance measures have been met will be made at the end of the Service Year, and to the extent met, payment of the award will be made to the Participant, prorated. Proration of awards shall be based upon the number of full months elapsed from and including January to and including the month in which the Participant's 65th birthday occurs.

An individual Participant who transfers between the Company and business units may receive a prorated award at the discretion of the Committee. Payments made under this Plan will not be

considered part of compensation for pension purposes. Payments will be made in cash as soon as practicable in the year following the Service Year, but in all events between January 1 and March 10.

Incentive awards relating to Service Years 2008 and thereafter may not be deferred by a Participant. Deferral of incentive awards relating to Service Years prior to 2008 was permitted. Any such deferrals shall be subject to the provisions of the Plan and the Rules and Regulations, as amended, and, to the extent not inconsistent therewith, the deferral election forms pursuant to which the amounts were deferred. Amounts deferred will accrue interest at a rate determined annually by the Committee and specified in the Rules and Regulations.

In the event of a "Change in Control" (as defined by the Committee in its Rules and Regulations) then any award deferred by each Participant shall become immediately payable to the Participant in cash, together with accrued interest thereon to the date of payment. In the event the Participant files suit to collect the Participant's deferred award then all of the court costs, other expenses of litigation, and attorneys' fees shall be paid by the Company in the event the Participant prevails upon any of the Participant's claims for payment of a deferred award.

Plan adopted November 4, 1982

Plan amended November 6, 1986

Plan amended May 15, 1996, effective January 1, 1996

Plan amended November 13, 1996, effective January 1, 1997

Plan amended February 6, 1998, effective January 1, 1998

Plan amended August 6, 1999, effective January 1, 1999

Plan amended November 7, 2001, effective January 1, 2001

Plan amended by Written Consent February 25, 2002, effective
January 1, 2002

Plan amended by Written Consent November 17, 2003, effective
January 1, 2003

Plan amended by Written Consent August 24, 2004, effective
January 1, 2004, per Written Consent dated December 29, 2004

Plan amended May 15, 2008, effective January 1, 2008

MONTANA-DAKOTA UTILITIES CO.

MANAGEMENT INCENTIVE COMPENSATION PLAN

I. PURPOSE

The purpose of the Management Incentive Compensation Plan (the "Plan") is to provide an incentive for senior managers and other key employees of Montana-Dakota Utilities Co. (the "company") to focus their efforts on the achievement of challenging and demanding corporate objectives. The Plan is designed to reward successful corporate performance as measured against specified performance goals as well as exceptional individual performance. When utility performance reaches or exceeds the performance targets and individual performance is exemplary, incentive compensation awards, in conjunction with salaries, will provide a level of compensation which recognizes the skills and efforts of the senior managers and other key employees. In this Plan, the MDU Resources Group, Inc. is defined as (the "Company") while Montana-Dakota Utilities Co. is defined as the "Utility Company."

II. BASIC PLAN CONCEPT

The Plan provides an opportunity to earn annual incentive compensation based on the achievement of specified annual performance objectives. A target incentive award for each individual within the Plan is established based on the position level and actual base salary, provided, however, that the Compensation Committee of the Board of Directors (the "Committee") in its sole discretion, may, instead of actual base salary, use the assigned salary grade market value (midpoint) ("Salary"). The target incentive award represents the amount to be paid, subject to the achievement of the performance objective targets established each year. Larger incentive awards than target may be

authorized when performance exceeds targets; lesser or no amounts may be paid when performance is below target.

It is recognized that during a Plan Year major unforeseen changes in economic and environmental conditions or other significant factors beyond the control of management may substantially affect the ability of the Plan Participants to achieve the specified performance goals. Therefore, in its review of corporate performance the Committee, in consultation with the Chief Executive Officer of MDU Resources Group, Inc., may modify the performance targets. However, it is contemplated that such target modifications will be necessary only in years of unusually adverse or favorable external conditions.

III. ADMINISTRATION

The Plan shall be administered by the Committee with the assistance of the Chief Executive Officer of the Company. The Committee shall approve annually, prior to the beginning of each Plan Year, the list of eligible Participants, and the target incentive award level for each position within the Plan. The Plan's performance targets for the year shall be approved by the Committee no later than its regularly scheduled February meeting during that Plan Year. The Committee shall have final discretion to determine actual award payment levels, method of payment, and whether or not payments shall be made for any Plan Year.

The Board of Directors of the Company may, at any time and from time to time, alter, amend, supersede or terminate the Plan in whole or in part, provided that no termination, amendment or modification of the Plan shall adversely affect in any material way an award that has met all requirements for payment without the written consent of the Participant holding such award, unless such termination, modification or amendment is required by applicable law.

IV. ELIGIBILITY

Senior managers and other key employees who are determined by the Committee to have a key role in both the establishment and achievement of Utility Company objectives shall be eligible to participate in the Plan.

Nothing in the Plan shall interfere with or limit in any way the right of the Utility Company to terminate any Participant's employment at any time, for any reason or no reason in the Utility Company's sole discretion, or confer upon any Participant any right to continue in the employment of the Utility Company. No executive shall have the right to be selected to receive an award under the Plan, or, having been so selected, to be selected to receive a future award.

V. PLAN PERFORMANCE MEASURES

Performance measures shall be established that consider shareholder and customer interests. These measures shall be evaluated annually based on achievement of specified goals.

The performance measure reflective of shareholder's interest will be the percentage attainment of corporate goals, as determined each year by the Committee. This measure may be applied at the corporate level for individuals whose major or sole impact is Company-wide, or at the business unit level for individuals whose major or sole impact is on business unit results.

Individual performance will be assessed based on the achievement of annually established individual objectives.

Threshold, target and maximum award levels will be established annually for each performance measure and business unit. The Committee will retain the right to make all interpretations as to the actual attainment of the desired results and will determine whether any circumstances beyond the control of management need to be considered.

VI. TARGET INCENTIVE AWARDS

Target incentive awards will be expressed as a percentage of each Participant's Salary. These percentages shall vary by position and reflect larger reward opportunity for positions having greater effect on the establishment and accomplishment of the Company's or business unit's objectives. An exhibit showing the target awards as a percentage of Salary for eligible positions will be attached to this Plan at the beginning of each Plan Year.

VII. INCENTIVE FUND DETERMINATION

The target incentive fund is the sum of the individual target incentive awards for all eligible Participants. Once the incentive targets have been determined by the Committee, a target incentive fund shall be established and accrued ratably by the Company. The incentive fund and accruals may be adjusted during the year.

At the close of each Plan Year, the Chief Executive Officer of the Company will prepare an analysis showing the Utility Company's or business unit's performance in relation to each of the performance measures employed. This will be provided to the Committee for review and comparison to threshold, target and maximum performance levels. In addition, any recommendations of the Chief Executive Officer will be presented at this time. The Committee will then determine the amount of the target incentive fund earned.

VIII. INDIVIDUAL AWARD DETERMINATION

Each individual Participant's award will be based first upon the level of performance achieved by the Utility Company or business unit and secondly based upon the individual's performance. The performance measures applicable for assessing individual performance will be established at the beginning of each Plan Year. The assessment by the Committee, after consultation with the Chief Executive Officer, of achievement

relative to the established performance measures, as determined by a percentage from 0 percent to 200 percent, will be applied to the Participant's target incentive award which has been first adjusted for Utility Company or business unit performance.

IX. PAYMENT OF AWARDS

Except as provided below or as otherwise determined by the Committee, in order to achieve an award under the Plan, the Participant must remain in the employment of the Company or business unit for the entire Plan Year. If a Participant terminates employment with MDU Resources Group, Inc. pursuant to Section 5.01 of the Company's Bylaws which provides for mandatory retirement for certain officers on their 65th birthday (or terminates employment with a subsidiary of the Company pursuant to a similar subsidiary Bylaw provision) and if the Participant's 65th birthday occurs during the Plan Year, determination of whether the performance measures have been met will be made at the end of the Plan Year, and to the extent met, payment of the award will be made to the Participant, prorated. Proration of awards shall be based upon the number of full months elapsed from and including January to and including the month in which the Participant's 65th birthday occurs.

An individual Participant who transfers between the Company and business units may receive a prorated award at the discretion of the Committee. Payments made under this Plan will not be considered part of compensation for pension purposes. Payments when made will be in cash. Incentive awards may be deferred if the appropriate elections have been executed prior to the end of the Plan Year. Deferred amounts will accrue interest at a rate determined annually by the Committee.

In the event of a "Change in Control" (as defined by the Committee in its Rules and Regulations) then any award deferred by each Participant shall become immediately payable to the Participant in cash, together with accrued interest thereon to

the date of payment. In the event the Participant files suit to collect the Participant's deferred award then all of the court costs, other expenses of litigation, and attorneys' fees shall be paid by the Company in the event the Participant prevails upon any of the Participant's claims for payment of a deferred award.

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January 1, 2002

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January 1, 2003

Plan amended by Written Consent August 24, 2004, effective
January 1, 2004, per Written Consent dated December 29, 2004

MONTANA-DAKOTA UTILITIES CO.

MANAGEMENT INCENTIVE COMPENSATION PLAN

RULES AND REGULATIONS

The Compensation Committee of the Board of Directors of MDU Resources Group, Inc. (the "Company") adopted Rules and Regulations for the administration of the Management Incentive Compensation Plan (the "Plan") on February 9, 1983, following adoption of the Plan by the Board of Directors of the Company on November 4, 1982.

I. DEFINITIONS

The following definitions shall be used for purposes of these Rules and Regulations and for the purposes of administering the Plan:

1. The "Committee" shall be the Compensation Committee of the Board of Directors of the Company.
2. The "Company" shall refer to MDU Resources Group, Inc. alone and shall not refer to its utility division or to any of its subsidiary corporations.
3. The "Utility Company" shall refer to Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc.
4. "Participants" for any Plan Year shall be those senior managers and other key employees who have been approved by the Committee as eligible for participation in the Plan for such Plan Year.
5. "Payment Date" shall be the date set by the Committee for payment of awards, other than those awards deferred pursuant to Section IX of the Plan and Section VII of these Rules and Regulations.
6. The "Plan" shall refer to the Management Incentive Compensation Plan.
7. The "Plan Year" shall be the calendar year.

8. "Change in control" shall mean the earlier of the following to occur: (a) the public announcement by the Company or by any person (which shall not include the Company, any subsidiary of the Company or any employee benefit plan of the Company or of any subsidiary of the Company) ("Person") that such Person, who or which, together with all Affiliates and Associates (within the meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (17 C.F.R. 240.12b-2)) of such Person, shall be the beneficial owner of twenty percent (20%) or more of the voting stock of the Company then outstanding; (b) the commencement of, or after the first public announcement of any Person to commence, a tender or exchange offer the consummation of which would result in any Person becoming the beneficial owner of voting stock aggregating thirty percent (30%) or more of the then outstanding voting stock of the Company; (c) the announcement of any transaction relating to the Company required to be described pursuant to the requirements of Item 6(e) of Schedule 14A of Regulation 14A of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (17 C.F.R. 240.14a-101, item 6(e)); (d) a proposed change in the constituency of the Board of Directors of the Company such that, during any period of two (2) consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company cease for any reason to constitute at least a majority thereof, unless the election or nomination for election by the shareholders of the Company of each new Director was approved by a vote of at least two-thirds (2/3) of the directors then still in office who were members of the Board of Directors of the Company at the beginning of the period; (e) the sale or other disposition of all or substantially all of the assets of the Utility Company, other than to a subsidiary of the Company; or (f) any other event which shall be deemed by a majority of the Compensation Committee of the Board of Directors of the Company to constitute a "change in control."
9. The "Prime Rate" shall be the base rate on corporate loans posted by at least 75 percent

of the nation's largest banks as reported in *The Wall Street Journal*.

10. "Retirement" means the later of the day the participant attains age 55 or the day the Participant ceases to be an employee of the Company, its utility division or any of its subsidiary corporations.

II. ADMINISTRATION

1. The Committee shall have the full power to construe and interpret the Plan and to establish and to amend these Rules and Regulations for its administration.
2. No member of the Committee shall participate in a decision as to their own eligibility for, or award of, an incentive award payment.
3. Prior to the beginning of each Plan Year, the Committee shall approve a list of eligible senior managers and other key employees and notify those so approved that they are eligible to participate in the Plan for such Plan Year.
4. Prior to the beginning of each Plan Year, the Committee and Chief Executive Officer of MDU Resources Group, Inc. shall approve an Annual Operating Plan. The Annual Operating Plan shall include the Plan's performance measures and target incentive award levels for each salary grade covered by the Plan for the following Plan Year. The Plan's performance targets for the year shall be approved by the committee no later than its regularly scheduled February meeting during the Plan Year. The Annual Operating Plan, insofar as it is relevant to each individual Participant, shall be made available by the Committee to each Participant in the Plan at the beginning of each Plan Year.
5. The Committee shall have final discretion to determine actual award payment levels, method of payment, and whether or not payments shall be made for any Plan Year. However, unless the Plan's performance objectives are met for the Plan Year, no award shall be made for that Plan Year. Performance targets modified pursuant to Section II of the Plan will be deemed performance targets for purposes of determining whether or not these targets have been met.

III. PLAN PERFORMANCE MEASURES

1. The Committee shall establish the percentage attainment of corporate performance measure and the percentage attainment of individual goals measure. The Committee may establish more or fewer performance measures as it deems necessary.
2. The corporate performance measure may be set by reference to earnings, return on invested capital or any other measure or combination of measures deemed appropriate by the Committee. It may be established for the Company or for the individual business unit.
3. Individual performance will be assessed based on the achievement of annually established individual objectives.
4. Plan performance measures may be applied at the corporate level for individuals whose major or sole impact is Company-wide, or at the business unit level for individuals whose major or sole impact is on the business unit results. The Annual Operating Plan shall contain a list of individuals to whom the Plan performance measures will be applied at the corporate level and a list of those individuals for whom the Plan performance measures will be applied at the business unit level. The relevant business unit for each individual will be identified.
5. The Committee shall set threshold, target and maximum award levels for the performance measures, for each business unit, and for the Company. Those levels shall be included in the Annual Operating Plan.
6. The Committee will retain the authority to determine whether or not the actual attainment of these measures has been made.

IV. TARGET INCENTIVE AWARDS

1. Target incentive awards will be a percentage of each Participant's Salary, as defined in the Plan.
2. Target incentive awards shall be set by the Committee annually and will be included in the Annual Operating Plan.

V. INCENTIVE FUND DETERMINATION

1. The target incentive fund is the sum of the individual target incentive awards for all eligible Participants.
2. Once individual incentive targets have been determined, a target incentive fund shall be established and accrued ratably by the company. The incentive fund and accruals may be adjusted during the year.
3. As soon as practicable following the close of each Plan Year, the Chief Executive Officer will provide the Committee with an analysis showing the Utility Company's and each relevant business unit's performance in relation to the performance measures. The Committee will review the analysis and determine, in its sole discretion, the amount of the actual incentive fund.
4. In determining the actual incentive fund, the Committee may consider any recommendations of the Chief Executive Officer.

VI. INDIVIDUAL AWARD DETERMINATION

1. The Committee shall have the sole discretion to determine each individual Participant's award. The Committee's decision will be based first upon the level of performance achieved by the Utility Company or business unit and second upon the individual's performance.
2. The Committee, after consultation with the Chief Executive Officer, shall set the award as a percentage from 0 percent to 200 percent of the Participant's target incentive award, adjusted for Utility Company or business unit performance.

VII. PAYMENT OF AWARDS

1. On the date the Committee determines the awards to be made to individual Participants, it shall also establish the Payment Date.
2. Except as provided below or as the Committee otherwise determines, in order to receive an award under the Plan, a Participant must remain employed by the Company or one of its business units for the entire Plan Year.

3. Payment of the awards shall be made in cash. Payments shall be made on the Payment Date unless the Participant has deferred, in whole or in part, the receipt of the award by making an election on the deferral form attached hereto, prior to the end of the Plan Year immediately preceding the Payment Date.
4. In the event a Participant has elected to defer receipt of all or a portion of the award, the Utility Company shall set up an account in the Participant's name. The amount of the Participant's award to the extent deferred will be credited to the Participant's account on the Payment Date.
5. The balance credited to an account of a Participant who has elected to defer receipt of an award will be an unsecured, unfunded obligation of the Utility Company.
6. Interest shall accrue on the balance credited to a Participant's account from the date the balance is credited. The rate of interest shall be the Prime Rate plus 1 percentage point as reported on the last business day of the preceding year to be effective on January 1 of each new Plan Year.
7. Interest shall be compounded and credited to the account monthly.
8. A Participant may elect to defer any percentage, not to exceed 100, of an annual award.
9. A Participant electing to defer any part of an award must elect one of the following dates for payment:
 - (1) Payment Date next following termination of employment with the Utility Company or an affiliated company; or
 - (2) Payment Date of the fifth year following the year in which the award may be made.
10. A Participant may elect to receive the deferred amounts accumulated in the Participant's account in monthly installments, not to exceed

120. In the event the Participant elects to receive the amounts in the Participant's account in more than one installment, interest shall continue to accrue on the balance remaining in their account at the applicable rate or rates determined annually by the Committee.

11. In the event of the death of a Participant in whose name a deferred account has been set up, the Utility Company shall, within six months thereafter, pay to the Participant's estate or the designated beneficiary the entire amount in the deferred account.
12. In the event of a "change in control" then any award deferred by each Participant shall become immediately payable to the Participant. In the event the Participant files suit to collect a deferred award then all of the Participant's court costs, other expenses of litigation, and attorneys' fees shall be paid by the Utility Company in the event the Participant prevails upon any of the Participant's claims for payment.

Rules and Regulations adopted November 4, 1982

Rules and Regulations amended August 5, 1987

Rules and Regulations amended February 9, 1989

Rules and Regulations amended May 15, 1996, effective January 1, 1996

Rules and Regulations amended November 13, 1996, effective January 1, 1997

Rules and Regulations amended January 30, 1997, effective January 1, 1997

Rules and Regulations amended February 6, 1998, effective January 1, 1998

Rules and Regulations amended August 6, 1999, effective January 1, 1999

Rules and Regulations amended November 7, 2001, effective January 1, 2001

Rules and Regulations amended by Written Consent February 25, 2002, effective January 1, 2002

Rules and Regulations amended by Written Consent November 17, 2003,
effective January 1, 2003

Rules and Regulations amended by Written Consent August 24, 2004,
effective January 1, 2004, per Written Consent dated December 29, 2004

Rules and Regulations amended by Written Consent February 26, 2007,
effective January 1, 2007

Attachment J

MONTANA-DAKOTA UTILITIES CO.

EXECUTIVE INCENTIVE COMPENSATION PLAN

I. PURPOSE

The purpose of the Executive Incentive Compensation Plan (the "Plan") is to provide an incentive for key executives of Montana-Dakota Utilities Co. to focus their efforts on the achievement of challenging and demanding corporate objectives. The Plan is designed to reward successful corporate performance as measured against specified performance goals as well as exceptional individual performance. When utility performance reaches or exceeds the performance targets and individual performance is exemplary, incentive compensation awards, in conjunction with salaries, will provide a level of compensation which recognizes the skills and efforts of the key executives. In this Plan, MDU Resources Group, Inc. is defined as the "Company" while Montana-Dakota Utilities Co. is defined as the "Utility Company."

II. DEFINITIONS

Capitalized terms not otherwise defined herein shall have the meanings given them in the Utility Company's Executive Incentive Compensation Plan Rules and Regulations.

III. BASIC PLAN CONCEPT

The Plan provides an opportunity to earn annual incentive compensation based on the achievement of specified annual performance objectives. A target incentive award for each individual within the Plan is established based on the position level and actual base salary, provided, however, that the Compensation Committee of the Board of Directors of the Company (the "Committee") in its sole discretion, may, instead of actual base salary, use the assigned salary grade market value (midpoint) ("Salary"). The target incentive award represents the amount to be paid, subject to the achievement of the performance

objective targets established each year. Larger incentive awards than target may be authorized when performance exceeds targets; lesser or no amounts may be paid when performance is below target.

It is recognized that during a Plan Year major unforeseen changes in economic and environmental conditions or other significant factors beyond the control of management may substantially affect the ability of the Plan Participants to achieve the specified performance goals. Therefore, in its review of corporate performance the Committee, in consultation with the Chief Executive Officer of the Company, may modify the performance targets. However, it is contemplated that such target modifications will be necessary only in years of unusually adverse or favorable external conditions.

IV. ADMINISTRATION

The Plan shall be administered by the Committee with the assistance of the Chief Executive Officer of the Company. The Committee shall approve annually, prior to the beginning of each Plan Year, the list of eligible Participants, and the target incentive award level for each position within the Plan. The Plan's performance targets for the year shall be approved by the Committee no later than its regularly scheduled February meeting during that Plan Year. The Committee shall have final discretion to determine actual award payment levels, method of payment, and whether or not payments shall be made for any Plan Year.

The Board of Directors of the Company may, at any time and from time to time, alter, amend, supersede or terminate the Plan in whole or in part, provided that no termination, amendment or modification of the Plan shall adversely affect in any material way an award that has met all requirements for payment without the written consent of the Participant holding such award, unless

such termination, modification or amendment is required by applicable law.

V. ELIGIBILITY

Executives who are determined by the Committee to have a key role in both the establishment and achievement of Utility Company objectives shall be eligible to participate in the Plan.

Nothing in the Plan shall interfere with or limit in any way the right of the Utility Company to terminate any Participant's employment at any time, for any reason or no reason in the Utility Company's sole discretion, or confer upon any Participant any right to continue in the employment of the Utility Company. No executive shall have the right to be selected to receive an award under the Plan, or, having been so selected, to be selected to receive a future award.

VI. PLAN PERFORMANCE MEASURES

Performance measures shall be established that consider shareholder and customer interests. These measures shall be evaluated annually based on achievement of specified goals.

The performance measure reflective of shareholder's interest will be the percentage attainment of corporate goals, as determined each year by the Committee. This measure may be applied at the corporate level for individuals whose major or sole impact is Utility Company-wide, or at the business unit level for individuals whose major or sole impact is on business unit results.

Individual performance will be assessed based on the achievement of annually established individual objectives.

Threshold, target and maximum award levels will be established annually for each performance measure and business unit. The Committee will retain the right to make all interpretations as to the actual attainment of the desired

results and will determine whether any circumstances beyond the control of management need to be considered.

VII. TARGET INCENTIVE AWARDS

Target incentive awards will be expressed as a percentage of each Participant's Salary. These percentages shall vary by position and reflect larger reward opportunity for positions having greater effect on the establishment and accomplishment of the Utility Company's or business unit's objectives. An exhibit showing the target awards as a percentage of Salary for eligible positions will be attached to this Plan at the beginning of each Plan Year.

VIII. INCENTIVE FUND DETERMINATION

The target incentive fund is the sum of the individual target incentive awards for all eligible Participants. Once the incentive targets have been determined by the Committee, a target incentive fund shall be established and accrued ratably by the Utility Company. The incentive fund and accruals may be adjusted during the year.

At the close of each Plan Year, the Chief Executive Officer of the Company will prepare an analysis showing the Utility Company's and business unit's performance in relation to each of the performance measures employed. This will be provided to the Committee for review and comparison to threshold, target and maximum performance levels. In addition, any recommendations of the Chief Executive Officer will be presented at this time. The Committee will then determine the amount of the target incentive fund earned.

IX. INDIVIDUAL AWARD DETERMINATION

Each individual Participant's award will be based first upon the level of performance achieved by the Utility Company or business unit and secondly based upon the individual's performance. The performance measures applicable for assessing individual performance will be established at the beginning of each Plan Year. The assessment by the Committee, after consultation with the Chief Executive Officer, of achievement relative to the established performance measures, as determined by a percentage from 0 percent to 200 percent, will be applied to the Participant's target incentive award which has been first adjusted for Utility Company or business unit performance.

X. PAYMENT OF AWARDS

Except as provided below or as otherwise determined by the Committee, in order to receive an award under the Plan, the Participant must remain in the employment of the Utility Company or business unit for the entire Service Year. If a Participant terminates employment with the Utility Company pursuant to a mandatory retirement provision in the Utility Company's Bylaws that provides for mandatory retirement of certain officers on their 65th birthday (or terminates employment with a subsidiary of the Company pursuant to a similar subsidiary Bylaw provision), and if the Participant's 65th birthday occurs during the Service Year, determination of whether the performance measures have been met will be made at the end of the Service Year, and to the extent met, payment of the award will be made to the Participant, prorated. Proration of awards shall be based upon the number of full months elapsed from and including January to and including the month in which the Participant's 65th birthday occurs. The prorated award shall be paid as soon as practicable in the year following the Service Year, but in all events between January 1 and March 10.

An individual Participant who transfers between the Utility Company and the Company or any business unit of the Company may receive a prorated award at the discretion of the Committee. Payments made under this Plan will not be considered part of compensation for pension purposes. Payments will be made in cash as soon as practicable in the year following the Service Year, but in all events between January 1 and March 10.

Incentive awards may be deferred if the appropriate elections have been executed prior to the beginning of the Service Year. A deferral election will be effective only for the incentive award earned in the Service Year following the Plan Year in which the election is made. Deferral elections may not be changed or revoked after the Service Year begins. Deferred amounts shall be subject to the terms of the Plan and the Rules and Regulations, as amended, and, to the extent not inconsistent therewith, the deferral election forms pursuant to which the amounts were deferred. Deferred amounts will accrue interest at a rate determined annually by the Committee and specified in the Rules and Regulations.

In the event of a "Change in Control" (as defined by the Committee in its Rules and Regulations) then any award deferred by each Participant shall become immediately payable to the Participant in cash, together with accrued interest thereon to the date of payment. In the event the Participant files suit to collect the Participant's deferred award then all of the court costs, other expenses of litigation, and attorneys' fees shall be paid by the Utility Company in the event the Participant prevails upon any of the Participant's claims for payment of a deferred award.

XI. ACCOUNTING RESTATEMENTS

This Section XI shall apply to incentive awards granted to all Participants in the Plan. Notwithstanding anything in the

Plan or the Plan's Rules and Regulations to the contrary, if the Utility Company's audited financial statements are restated, the Committee may, in accordance with the Company's *Guidelines for Repayment of Incentives Due to Accounting Restatements*, take such actions as it deems appropriate (in its sole discretion) with respect to

(a) unpaid incentive awards under the Plan (including incentive awards relating to completed Plan Years, but with respect to which payments have not yet been made or deferred) ("Outstanding Awards") and

(b) prior incentive awards that were paid (or deferred) within the three-year period preceding the restatement ("Prior Awards"), provided such Prior Awards were not paid prior to the date the Plan was amended to add this Section XI,

if the calculation of the amounts payable, paid or deferred under such awards are, or would have been, directly impacted by the restatement, including, without limitation, (i) securing (or causing to be secured) repayment of some or all payments made pursuant to (or deferrals relating to) Prior Awards, (ii) making (or causing to be made) additional payments (or crediting additional deferrals), (iii) reducing or otherwise adjusting the amount payable pursuant to Outstanding Awards and/or (iv) causing the forfeiture of Outstanding Awards. The Committee may, in its sole discretion, take different actions pursuant to this Section XI with respect to different awards, different Participants (or beneficiaries) and/or different classes of awards or Participants (or beneficiaries). The Committee has no obligation to take any action permitted by this Section XI. The Committee may consider any factors it chooses in taking (or determining whether to take) any action permitted by this Section XI, including, without limitation, the following:

(A) The reason for the restatement of the financial statements;

(B) The amount of time between the initial publication and subsequent restatement of the financial statements; and

(C) The Participant's current employment status, and the viability of successfully obtaining repayment.

If the Committee requires repayment of all or part of a Prior Award, the amount of repayment may be based on, among other things, the difference between the amount paid to the individual and the amount that the Committee determines in its sole discretion should have been paid based on the restated results. The Committee shall determine whether repayment shall be effected (i) by seeking repayment from the Participant, (ii) by reducing (subject to applicable law and the terms and conditions of the applicable plan, program or arrangement) the amount that would otherwise be provided to the Participant under any compensatory plan, program or arrangement maintained by the Company or any of its affiliates, (iii) by withholding payment of future increases in compensation (including the payment of any discretionary bonus amount) or grants of compensatory awards that would otherwise have been made in accordance with the Company's otherwise applicable compensation practices, or (iv) by any combination of the foregoing. Additionally, by accepting an incentive award under the Plan, Participants acknowledge and agree that the Committee may take any actions permitted by this Section XI with respect to Outstanding Awards to the extent repayment is to be made pursuant to another plan, program or arrangement maintained by the Company or any of its affiliates.

Plan adopted November 4, 1982
Plan amended November 6, 1986

Plan amended May 15, 1996, effective January 1, 1996
Plan amended November 13, 1996, effective January 1, 1997
Plan amended February 10, 1998, effective January 1, 1998
Plan amended February 9, 1999, effective January 1, 1999
Plan amended November 7, 2001, effective January 1, 2001
Plan amended by November 15, 2001, effective January 1, 2002
Plan amended November 13, 2003, effective January 1, 2003
Plan amended August 12, 2004, effective January 1, 2004
Plan amended November 17, 2005, effective January 1, 2005, as to
adding Section XI
Plan amended November 15, 2007, effective January 1, 2008, as to
Internal Revenue Code Section 409A

MONTANA-DAKOTA UTILITIES CO.

EXECUTIVE INCENTIVE COMPENSATION PLAN

I. PURPOSE

The purpose of the Executive Incentive Compensation Plan (the "Plan") is to provide an incentive for key executives of Montana-Dakota Utilities Co. to focus their efforts on the achievement of challenging and demanding corporate objectives. The Plan is designed to reward successful corporate performance as measured against specified performance goals as well as exceptional individual performance. When utility performance reaches or exceeds the performance targets and individual performance is exemplary, incentive compensation awards, in conjunction with salaries, will provide a level of compensation which recognizes the skills and efforts of the key executives. In this Plan, MDU Resources Group, Inc. is defined as the "Company" while Montana-Dakota Utilities Co. is defined as the "Utility Company."

II. BASIC PLAN CONCEPT

The Plan provides an opportunity to earn annual incentive compensation based on the achievement of specified annual performance objectives. A target incentive award for each individual within the Plan is established based on the position level and actual base salary, provided, however, that the Compensation Committee of the Board of Directors of the Company (the "Committee") in its sole discretion, may, instead of actual base salary, use the assigned salary grade market value (midpoint) ("Salary"). The target incentive award represents the amount to be paid, subject to the achievement of the performance objective targets established each year. Larger incentive awards than target may be authorized when performance exceeds targets; lesser or no amounts may be paid when performance is below target.

It is recognized that during a Plan Year major unforeseen changes in economic and environmental conditions or other significant factors beyond the control of management may substantially affect the ability of the Plan Participants to achieve the specified performance goals. Therefore, in its review of corporate performance the Committee, in consultation with the Chief Executive Officer of the Company, may modify the performance targets. However, it is contemplated that such target modifications will be necessary only in years of unusually adverse or favorable external conditions.

III. ADMINISTRATION

The Plan shall be administered by the Committee with the assistance of the Chief Executive Officer of the Company. The Committee shall approve annually, prior to the beginning of each Plan Year, the list of eligible Participants, and the target incentive award level for each position within the Plan. The Plan's performance targets for the year shall be approved by the Committee no later than its regularly scheduled February meeting during that Plan Year. The Committee shall have final discretion to determine actual award payment levels, method of payment, and whether or not payments shall be made for any Plan Year.

The Board of Directors of the Company may, at any time and from time to time, alter, amend, supersede or terminate the Plan in whole or in part, provided that no termination, amendment or modification of the Plan shall adversely affect in any material way an award that has met all requirements for payment without the written consent of the Participant holding such award, unless such termination, modification or amendment is required by applicable law.

IV. ELIGIBILITY

Executives who are determined by the Committee to have a key role in both the establishment and achievement of Utility Company objectives shall be eligible to participate in the Plan.

Nothing in the Plan shall interfere with or limit in any way the right of the Utility Company to terminate any Participant's employment at any time, for any reason or no reason in the Utility Company's sole discretion, or confer upon any Participant any right to continue in the employment of the Utility Company. No executive shall have the right to be selected to receive an award under the Plan, or, having been so selected, to be selected to receive a future award.

V. PLAN PERFORMANCE MEASURES

Performance measures shall be established that consider shareholder and customer interests. These measures shall be evaluated annually based on achievement of specified goals.

The performance measure reflective of shareholders' interest will be the percentage attainment of corporate goals, as determined each year by the Committee. This measure may be applied at the corporate level for individuals whose major or sole impact is Utility Company-wide, or at the business unit level for individuals whose major or sole impact is on business unit results.

Individual performance will be assessed based on the achievement of annually established individual objectives.

Threshold, target and maximum award levels will be established annually for each performance measure and business unit. The Committee will retain the right to make all interpretations as to the actual attainment of the desired results and will determine whether any circumstances beyond the control of management need to be considered.

VI. TARGET INCENTIVE AWARDS

Target incentive awards will be expressed as a percentage of each Participant's Salary. These percentages shall vary by position and reflect larger reward opportunity for positions having greater effect on the establishment and accomplishment of the Utility Company's or business unit's objectives. An exhibit showing the target awards as a percentage of Salary for eligible positions will be attached to this Plan at the beginning of each Plan Year.

VII. INCENTIVE FUND DETERMINATION

The target incentive fund is the sum of the individual target incentive awards for all eligible Participants. Once the incentive targets have been determined by the Committee, a target incentive fund shall be established and accrued ratably by the Utility Company. The incentive fund and accruals may be adjusted during the year.

At the close of each Plan Year, the Chief Executive Officer of the Company will prepare an analysis showing the Utility Company's and business unit's performance in relation to each of the performance measures employed. This will be provided to the Committee for review and comparison to threshold, target and maximum performance levels. In addition, any recommendations of the Chief Executive Officer will be presented at this time. The Committee will then determine the amount of the target incentive fund earned.

VIII. INDIVIDUAL AWARD DETERMINATION

Each individual Participant's award will be based first upon the level of performance achieved by the Utility Company or business unit and secondly based upon the individual's performance. The performance measures applicable for assessing individual performance will be established at the beginning of each Plan Year. The assessment by the Committee, after

consultation with the Chief Executive Officer, of achievement relative to the established performance measures, as determined by a percentage from 0 percent to 200 percent, will be applied to the Participant's target incentive award which has been first adjusted for Utility Company or business unit performance.

IX. PAYMENT OF AWARDS

Except as provided below or as otherwise determined by the Committee, in order to receive an award under the Plan, the Participant must remain in the employment of the Utility Company or business unit for the entire Plan Year. If a Participant terminates employment with the Utility Company pursuant to a mandatory retirement provision in the Utility Company's Bylaws that provides for mandatory retirement of certain officers on their 65th birthday (or terminates employment with a subsidiary of the Company pursuant to a similar subsidiary Bylaw provision), and if the Participant's 65th birthday occurs during the Plan Year, determination of whether the performance measures have been met will be made at the end of the Plan Year, and to the extent met, payment of the award will be made to the Participant, prorated. Proration of awards shall be based upon the number of full months elapsed from and including January to and including the month in which the Participant's 65th birthday occurs. An individual Participant who transfers between the Utility Company and the Company or any business unit of the Company may receive a prorated award at the discretion of the Committee. Payments made under this Plan will not be considered part of compensation for pension purposes. Payments when made will be in cash. Incentive awards may be deferred if the appropriate elections have been executed prior to the end of the Plan Year. Deferred amounts will accrue interest at a rate determined annually by the Committee.

In the event of a "Change in Control" (as defined by the Committee in its Rules and Regulations) then any award deferred

by each Participant shall become immediately payable to the Participant in cash, together with accrued interest thereon to the date of payment. In the event the Participant files suit to collect the Participant's deferred award then all of the court costs, other expenses of litigation, and attorneys' fees shall be paid by the Utility Company in the event the Participant prevails upon any of the Participant's claims for payment of a deferred award.

X. ACCOUNTING RESTATEMENTS

This Section X shall apply to incentive awards granted to all Participants in the Plan. Notwithstanding anything in the Plan or the Plan's Rules and Regulations to the contrary, if the Utility Company's audited financial statements are restated, the Committee may, in accordance with the Company's *Guidelines for Repayment of Incentives Due to Accounting Restatements*, take such actions as it deems appropriate (in its sole discretion) with respect to

(a) unpaid incentive awards under the Plan (including incentive awards relating to completed Plan Years, but with respect to which payments have not yet been made or deferred) ("Outstanding Awards") and

(b) prior incentive awards that were paid (or deferred) within the 3 year period preceding the restatement ("Prior Awards"), provided such Prior Awards were not paid prior to the date the Plan was amended to add this Section X,

if the calculation of the amounts payable, paid or deferred under such awards are, or would have been, directly impacted by the restatement, including, without limitation, (i) securing (or causing to be secured) repayment of some or all payments made pursuant to (or deferrals relating to) Prior Awards, (ii) making (or causing to be made) additional payments (or crediting additional deferrals), (iii) reducing or otherwise adjusting the amount payable pursuant to Outstanding Awards and/or (iv) causing

the forfeiture of Outstanding Awards. The Committee may, in its sole discretion, take different actions pursuant to this Section X with respect to different awards, different Participants (or beneficiaries) and/or different classes of awards or Participants (or beneficiaries). The Committee has no obligation to take any action permitted by this Section X. The Committee may consider any factors it chooses in taking (or determining whether to take) any action permitted by this Section X, including, without limitation, the following:

- (A) The reason for the restatement of the financial statements;
- (B) The amount of time between the initial publication and subsequent restatement of the financial statements; and
- (C) The Participant's current employment status, and the viability of successfully obtaining repayment.

If the Committee requires repayment of all or part of a Prior Award, the amount of repayment may be based on, among other things, the difference between the amount paid to the individual and the amount that the Committee determines in its sole discretion should have been paid based on the restated results. The Committee shall determine whether repayment shall be effected (i) by seeking repayment from the Participant, (ii) by reducing (subject to applicable law and the terms and conditions of the applicable plan, program or arrangement) the amount that would otherwise be provided to the Participant under any compensatory plan, program or arrangement maintained by the Company or any of its affiliates, (iii) by withholding payment of future increases in compensation (including the payment of any discretionary bonus amount) or grants of compensatory awards that would otherwise have been made in accordance with the Company's otherwise applicable compensation practices, or (iv) by any combination of the foregoing. Additionally, by accepting an incentive award under the Plan, Participants acknowledge and agree that the Committee may take any actions permitted by this Section X with

respect to Outstanding Awards to the extent repayment is to be made pursuant to another plan, program or arrangement maintained by the Company or any of its affiliates.

Plan adopted November 4, 1982

Plan amended November 6, 1986

Plan amended May 15, 1996, effective January 1, 1996

Plan amended November 13, 1996, effective January 1, 1997

Plan amended February 10, 1998, effective January 1, 1998

Plan amended February 9, 1999, effective January 1, 1999

Plan amended November 7, 2001, effective January 1, 2001

Plan amended by November 15, 2001, effective January 1, 2002

Plan amended November 13, 2003, effective January 1, 2003

Plan amended August 12, 2004, effective January 1, 2004

Plan amended November 17, 2005, effective January 1, 2005, as to adding Section X

MONTANA-DAKOTA UTILITIES CO.

EXECUTIVE INCENTIVE COMPENSATION PLAN

RULES AND REGULATIONS

The Compensation Committee of the Board of Directors of MDU Resources Group, Inc. (the "Company") adopted Rules and Regulations for the administration of the Executive Incentive Compensation Plan (the "Plan") on February 9, 1983, following adoption of the Plan by the Board of Directors of the Company on November 4, 1982.

I. DEFINITIONS

The following definitions shall be used for purposes of these Rules and Regulations and for the purposes of administering the Plan:

1. The "Committee" shall be the Compensation Committee of the Board of Directors of the Company.
2. The "Company" shall refer to MDU Resources Group, Inc. alone and shall not refer to its utility division or to any of its subsidiary corporations.
3. The "Utility Company" shall refer to Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc.
4. "Participants" for any Plan Year shall be those executives who have been approved by the Committee as eligible for participation in the Plan for such Plan Year.
5. "Payment Date" shall be the date set by the Committee for payment of awards, other than those awards deferred pursuant to Section IX of the Plan and Section VII of these Rules and Regulations.
6. The "Plan" shall refer to the Executive Incentive Compensation Plan.
7. The "Plan Year" shall be the calendar year.

8. "Change in Control" shall mean the earlier of the following to occur: (a) the public announcement by the Company or by any person (which shall not include the Company, any subsidiary of the Company or any employee benefit plan of the Company or of any subsidiary of the Company) ("Person") that such Person, who or which, together with all Affiliates and Associates (within the meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (17 C.F.R. 240.12b-2)) of such Person, shall be the beneficial owner of twenty percent (20%) or more of the voting stock of the Company then outstanding; (b) the commencement of, or after the first public announcement of any Person to commence, a tender or exchange offer the consummation of which would result in any Person becoming the beneficial owner of voting stock aggregating thirty percent (30%) or more of the then outstanding voting stock of the Company; (c) the announcement of any transaction relating to the Company required to be described pursuant to the requirements of Item 6(e) of Schedule 14A of Regulation 14A of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (17 C.F.R. 240.14a-101, item 6(e)); (d) a proposed change in the constituency of the Board of Directors of the Company such that, during any period of two (2) consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company cease for any reason to constitute at least a majority thereof, unless the election or nomination for election by the shareholders of the Company of each new Director was approved by a vote of at least two-thirds (2/3) of the directors then still in office who were members of the Board of Directors of the Company at the beginning of the period; (e) the sale or other disposition of all or substantially all of the assets of the Utility Company, other than to a subsidiary of the Company; or (f) any other event which shall be deemed by a majority of the Compensation Committee of the Board of Directors of the Company to constitute a "Change in Control."

9. The "Prime Rate" shall be the base rate on corporate loans posted by at least 75 percent of the nation's largest banks as reported in *The Wall Street Journal*.
10. "Retirement" means the later of the day the Participant attains age 55 or the day the Participant ceases to be an employee of the Company, its utility division or any of its subsidiary corporations.

II. ADMINISTRATION

1. The Committee shall have the full power to construe and interpret the Plan and to establish and to amend these Rules and Regulations for its administration.
2. No member of the Committee shall participate in a decision as to their own eligibility for, or award of, an incentive award payment.
3. Prior to the beginning of each Plan Year, the Committee shall approve a list of eligible executives and notify those so approved that they are eligible to participate in the Plan for such Plan Year.
4. Prior to the beginning of each Plan Year, the Committee shall approve an Annual Operating Plan. The Annual Operating Plan shall include the Plan's performance measures and target incentive award levels for each salary grade covered by the Plan for the following Plan Year. The Plan's performance targets for the year shall be approved by the Committee no later than its regularly scheduled February meeting during the Plan Year. The Annual Operating Plan, insofar as it is relevant to each individual Participant, shall be made available by the Committee to each Participant in the Plan at the beginning of each Plan Year.
5. The Committee shall have final discretion to determine actual award payment levels, method of payment, and whether or not payments shall be made for any Plan Year. However, unless the Plan's performance objectives are met for the Plan Year, no award shall be made for that Plan Year. Performance targets modified pursuant to

Section II of the Plan will be deemed performance targets for purposes of determining whether or not these targets have been met.

III. PLAN PERFORMANCE MEASURES

1. The Committee shall establish the percentage attainment of corporate performance measure and the percentage attainment of individual goals measure. The Committee may establish more or fewer performance measures as it deems necessary.
2. The corporate performance measure may be set by reference to earnings, return on invested capital or any other measure or combination of measures deemed appropriate by the Committee. It may be established for the Utility Company or for the individual business unit.
3. Individual performance will be assessed based on the achievement of annually established individual objectives.
4. Plan performance measures may be applied at the corporate level for individuals whose major or sole impact is Utility Company-wide, or at the business unit level for individuals whose major or sole impact is on the business unit results. The Annual Operating Plan shall contain a list of individuals to whom the Plan performance measures will be applied at the corporate level and a list of those individuals for whom the Plan performance measures will be applied at the business unit level. The relevant business unit for each individual will be identified.
5. The Committee shall set threshold, target and maximum award levels for the performance measures, for each business unit, and for the Utility Company. Those levels shall be included in the Annual Operating Plan.
6. The Committee will retain the authority to determine whether or not the actual attainment of these measures has been made.

IV. TARGET INCENTIVE AWARDS

1. Target incentive awards will be a percentage of each Participant's Salary, as defined in the Plan.
2. Target incentive awards shall be set by the Committee annually and will be included in the Annual Operating Plan.

V. INCENTIVE FUND DETERMINATION

1. The target incentive fund is the sum of the individual target incentive awards for all eligible Participants.
2. Once individual incentive targets have been determined, a target incentive fund shall be established and accrued ratably by the Utility Company. The incentive fund and accruals may be adjusted during the year.
3. As soon as practicable following the close of each Plan Year, the Chief Executive Officer will provide the Committee with an analysis showing the Utility Company's and each relevant business unit's performance in relation to the performance measures. The Committee will review the analysis and determine, in its sole discretion, the amount of the actual incentive fund.
4. In determining the actual incentive fund, the Committee may consider any recommendations of the Chief Executive Officer.

VI. INDIVIDUAL AWARD DETERMINATION

1. The Committee shall have the sole discretion to determine each individual Participant's award. The Committee's decision will be based first upon the level of performance achieved by the Utility Company or business unit and second upon the individual's performance.
2. The Committee, after consultation with the Chief Executive Officer, shall set the award as a percentage from 0 percent to 200 percent of the Participant's target incentive award,

adjusted for Utility Company or business unit performance.

VII. PAYMENT OF AWARDS

1. On the date the Committee determines the awards to be made to individual Participants, it shall also establish the Payment Date.
2. Except as provided below or as the Committee otherwise determines, in order to receive an award under the Plan, a Participant must remain employed by the Utility Company or one of its business units for the entire Plan Year.
3. If a Participant terminates employment with the Utility Company pursuant to a mandatory retirement provision in the Utility Company's Bylaws that provides for mandatory retirement of certain officers on their 65th birthday (or terminates employment with a subsidiary of the Company pursuant to a similar subsidiary Bylaw provision), and if the Participant's 65th birthday occurs during the Plan Year, determination of whether the performance measures have been met will be made at the end of the Plan Year, and to the extent met, payment of the award will be made to the Participant, prorated. Proration of awards shall be based upon the number of full months elapsed from and including January to and including the month in which the Participant's 65th birthday occurs.
4. Payment of the awards shall be made in cash. Payments shall be made on the Payment Date unless the Participant has deferred, in whole or in part, the receipt of the award by making an election on the deferral form attached hereto, prior to the end of the Plan Year immediately preceding the Payment Date.
5. In the event a Participant has elected to defer receipt of all or a portion of the award, the Utility Company shall set up an account in the Participant's name. The amount of the Participant's award to the extent deferred will be credited to the Participant's account on the Payment Date.

6. The balance credited to an account of a Participant who has elected to defer receipt of an award will be an unsecured, unfunded obligation of the Utility Company.
7. Interest shall accrue on the balance credited to a Participant's account from the date the balance is credited. The rate of interest shall be the Prime Rate plus 1 percentage point as reported on the last business day of the preceding year to be effective on January 1 of each new Plan Year.
8. Interest shall be compounded and credited to the account monthly.
9. A Participant may elect to defer any percentage, not to exceed 100, of an annual award.
10. A Participant electing to defer any part of an award must elect one of the following dates for payment:
 - (1) Payment Date next following termination of employment with the Utility Company or an affiliated company; or
 - (2) Payment Date of the fifth year following the year in which the award may be made.
11. A Participant may elect to receive the deferred amounts accumulated in the Participant's account in monthly installments, not to exceed 120. In the event the Participant elects to receive the amounts in the Participant's account in more than one installment, interest shall continue to accrue on the balance remaining in their account at the applicable rate or rates determined annually by the Committee.
12. In the event of the death of a Participant in whose name a deferred account has been set up, the Utility Company shall, within six months thereafter, pay to the Participant's estate or the designated beneficiary the entire amount in the deferred account.

13. In the event of a "Change in Control" then any award deferred by each Participant shall become immediately payable to the Participant. In the event the Participant files suit to collect a deferred award then all of the Participant's court costs, other expenses of litigation, and attorneys' fees shall be paid by the Utility Company in the event the Participant prevails upon any of the Participant's claims for payment.

Rules and Regulations adopted November 4, 1982

Rules and Regulations amended August 5, 1987

Rules and Regulations amended February 9, 1989

Rules and Regulations amended May 15, 1996, effective January 1, 1996

Rules and Regulations amended November 13, 1996, effective January 1, 1997

Rules and Regulations amended January 30, 1997, effective January 1, 1997

Rules and Regulations amended February 10, 1998, effective January 1, 1998

Rules and Regulations amended February 9, 1999, effective January 1, 1999

Rules and Regulations amended November 7, 2001, effective January 1, 2001

Rules and Regulations amended November 15, 2001, effective January 1, 2002

Rules and Regulations amended November 12, 2003, effective January 1, 2003

Rules and Regulations amended August 11, 2004, effective January 1, 2004

Rules and Regulations amended February 14, 2007, effective January 1, 2007

Attachment K



2010 Safety Recognition Program
Cascade Natural Gas Corporation
Intermountain Gas Company
Montana-Dakota Utilities Co./Great Plains Natural Gas Company

MDU Utilities Group is “Committed to Zero” and believes that an effective safety recognition program makes good sense from both a humanitarian and economic viewpoint. The goal of this program, which is being implemented January 1, 2010 thru December 31, 2010, is to recognize employees who eliminate accidents and injuries and contribute to a safe working environment for themselves, their co-workers and our communities.

This program further aligns the MDU Utilities Group companies by following a common platform to recognize individual contributions to safety. Safety will not be a part of any incentive programs in 2010, but will be recognized through this new program. The program is subject to change into the future and discretion for changes or exceptions to this program, or future programs, is at the approval of the President and CEO.

Who will participate?

All employees of MDU Utilities Group – bargaining and non-bargaining employees with the exception of the officers at each business unit. This program is in addition to any local safety programs and incentives throughout the Utilities Group.

How does the program work?

In order for payout of this recognition program, each Company within the Utility Group must be at or below the industry averages for OSHA recordability rate **and** below the AGA average for motor vehicle accidents. Each Company will be measured on their individual performance and successful achievement will result in a payment of \$375 per employee.

Additionally, each employee is eligible for cash recognition of \$375 if they do not have an OSHA recordable personal injury or recordable/attribution motor vehicle accident from January 1, 2010 thru December 31, 2010.

To receive payment, you must have been employed on December 31 of the program year and continue to be an employee at the time the recognition is issued. All employees beginning employment during the plan year are eligible to participate on a prorated monthly basis based on length of service.

What is the recognition?

Each employee, who is committed to zero accidents and injuries and contributes to their own safety and the safety of the organization in 2010 will receive a check in recognition, less applicable taxes, in February of 2011.

Attachment L

2009



Summary Plan Description
401(K) Plan
(K-Plan)

401(K) Plan

This document and the attached addendums constitute part of a prospectus covering securities that have been registered under the Securities Act of 1933.

Dated: January 1, 2009

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401(K) Plan

1. WHAT IS THE K-PLAN

The MDU Resources Group, Inc. 401(k) Retirement Plan is a means to defer income for investment and additional financial security toward retirement for its employees and those of its affiliates.

For purposes of this Summary Plan Description, the plan is referred to as the "Plan" or "K-Plan."

Copies of the collective bargaining unit agreements which apply to the Plan are available upon request from the Plan Administrator.

The Plan covers eligible employees of MDU Resources Group, Inc. and numerous participating affiliates (together, referred to as the "Company" and individually as "any company") as listed in Addendum A. This Summary Plan Description (including appropriate Addendums) summarizes the benefits that apply to you regarding your contributions and any company matching contributions. Separate Addendums to the Summary Plan Description explain the benefits that apply to other employees. Any other Company contributions, such as profit sharing, special contributions, variable match contributions, or Davis-Bacon, if applicable, are addressed in subsequent Addendums, other than Addendums A - C.

The Plan permits participants and beneficiaries to direct the investment of their Plan accounts in accordance with the limits and restrictions described in this Summary Plan Description and other investment literature provided to you. The Employee Retirement Income Security Act of 1974, as amended (ERISA), §404(c) provides that if a plan provides a participant with an opportunity to control their own plan investments, the Plan's Trustees and other fiduciaries generally are not responsible for any investment losses attributable to the participant's investment decisions.

In other words, if you control the investment of your Plan account or if you fail to direct your investments and default into the Qualified Default Investment Alternative (QDIA), then you are responsible for the investment results – including both earnings and losses attributable to your investment decisions. In structuring the Plan to allow participant-directed investments and by providing a default investment that meets the requirements of the Pension Protection Act of 2006 for QDIAs, it is intended that the Plan qualify as an "ERISA §404(c) plan," and the Plan's fiduciaries may be relieved of any liability for losses experienced as a direct result of your investment instructions.

MDU Resources Group, Inc. is the registrant of MDU Resources Group, Inc. Common Stock offered under the Plan.

If you were a participant in the MDU Resources Group, Inc. Employee Stock Ownership Plan (ESOP), your ESOP account became a feature of the Plan effective January 1, 1988, as a result of a merger of the Plan and the ESOP.

This Summary Plan Description is intended to help you understand your rights and benefits under the Plan. Should any inconsistencies exist between this Summary and the Plan, the provisions of the Plan and the related Trust Agreement govern.

2. WHAT IS BENEFITS COMPLETE®

To help with your retirement planning, many features of the Plan are available to you 24 hours a day, seven days a week, over an automated telephone system (1-800-294-3575), or via the Internet (<http://www.bcomplete.com>), through *Benefits Complete*®. The automated telephone system also allows you access to a Participant Service Representative if you call between the hours of 7:00 AM and 9:00 PM Central Time (CT) on any business day the New York Stock Exchange (NYSE) is open (“NYSE business day”).

By using *Benefits Complete*®, you can access your account and educational information. You may change your deferrals and investment choices, along with transferring your account balances.

3. WHO MAY PARTICIPATE

You are eligible to participate in the Plan immediately upon hire if you are a regular full-time employee or part-time employee scheduled to work at least 1,000 hours a year of a participating company and you are at least 18 years of age and actively employed by the Company in other than a temporary or occasional position. (However, if a temporary, occasional, or part-time employee completes more than 1,000 hours of service within a twelve-month period beginning on their employment date or in any subsequent plan year, then such employee will become eligible to participate in the Plan upon completion of 1,000 hours of service. An hour of service is each hour for which an employee is directly or indirectly paid or entitled to payment by the Company and each hour for which back pay has either been awarded or agreed to by the Company.)

The effective date of participation in the Plan may be subject to terms of a collective bargaining agreement allowing participation in the Plan.

Leased employees and independent contractors are not eligible to participate in the Plan.

If you terminate employment with the Company and at that time were eligible to participate and are later reemployed with the Company, you are eligible to participate in the Plan immediately.

Employees who are eligible to participate in a retirement plan, which is a multi-employer plan to which the Company contributes or covered by a collectively bargained unit which has not bargained for the Plan, are not eligible to participate in the Plan.

4. HOW DO I ENROLL

When you become eligible to participate in the Plan, enrollment materials will be provided to you. You may enroll in the Plan and begin making contributions by accessing *Benefits Complete*® by phone or via the Internet. If you fail to enroll within 30 days from your date of hire (or date of eligibility, if later), you will be automatically enrolled in the K-Plan at a 3 percent deferral rate effective the first day of the month following the 30-day period. You may also opt out of the K-Plan by accessing *Benefits Complete*®. If you initially opt out of the K-Plan, you may begin to make contributions at any time by contacting *Benefits Complete*® at 1-800-294-3575 or by accessing the website: www.bcomplete.com.

You should complete a Beneficiary Designation Form and return it to your Human Resources department. If you do not complete a Beneficiary Designation Form, do not complete it properly, or do not return it to your Human Resources department, your beneficiary will be your surviving spouse, or if none, your estate.

If you opt out of the K-Plan, no Company matching contribution will be made to the Plan on your behalf. Any other Company contributions, such as profit sharing, special contribution, variable match contribution, or Davis-Bacon, if applicable, are addressed in subsequent Addendums, other than Addendums A – C.

5. HOW MUCH MAY I SAVE

Participation in the Plan is entirely voluntary. You may elect to contribute to the Plan by deducting from your paycheck, in 1% increment(s), up to the following limits:

- 50% of your wages.
- 22% of your wages if you are a certain higher paid employee, as defined in Section 10.

You may defer up to the maximum annual amount of \$16,500 in 2009 (as indexed), as established by the Internal Revenue Service. These contributions will be credited to your K-Plan account. You should also be aware that the annual dollar limit is an aggregate limit that applies to all deferrals you may make under this Plan or other cash or deferred arrangements (including other 401(k) plans and 403(b) plans). Generally, if your total pre-tax contributions under all cash or deferred arrangements for a calendar year exceed the annual dollar limit, the excess must be included in your income for the year of the deferral and, if the excess is not returned to you by the following April 15, again when it is later distributed to you. For this reason, it is desirable to request the return of any excess deferrals.

If you have an excess deferral in any year, you must decide which plan or arrangement you would like to use to return the excess. If you decide that the excess should be distributed from this Plan, you must communicate this in writing to your Human Resources Department no later than the March 1 following the close of the calendar year in which such excess deferrals were made. However, if the entire dollar limit is exceeded in this Plan or any other plan maintained by the Company, every effort will be made to return the excess deferral and any earnings to you by April 15.

Your “wages” means your total compensation (not in excess of \$245,000 in 2009, as indexed), including overtime, alternate rate, premium pay, and differential wage payment but excluding relocation allowance and any other extra or additional compensation which does not constitute direct earnings, such as bonuses.

You may change your contribution percentage rate by calling *Benefits Complete*[®] at 1-800-294-3575 or by accessing the website: www.bcomplete.com. Your most recent election remains in effect until you make a change. Changes go into effect as soon as administratively feasible and not later than 30 days from when you request the change.

6. CONTRIBUTIONS UPON RETURN FROM MILITARY SERVICE

If you leave employment for certain periods of military service and are reemployed, you will be eligible to receive vesting credit and make contributions for those periods of qualified military service in accordance with the rules under the Uniformed Services Employment and Reemployment Rights Act of 1994. You should contact *Benefits Complete*[®] if you have any questions regarding this provision.

7. CATCH-UP CONTRIBUTIONS

Participants, age 50 and older by the end of the applicable plan year, may be eligible to make catch-up elective deferrals. These deferrals are over and above the applicable Plan deferral limit. Participants may make a catch-up elective deferral of up to \$5,500 for 2009 (as indexed). However, any intended catch-up contribution will be treated as a regular pre-tax contribution until your total pre-tax contributions for the year reach the maximum permitted under the Plan. Catch-up contributions are not subject to any Company matching contributions. You may make a catch-up elective deferral by calling *Benefits Complete*[®] at 1-800-294-3575 or by accessing the website: www.bcomplete.com.

8. HOW ARE CONTRIBUTIONS INVESTED

The Company expects to submit all contributions to the Plan Trustee bi-weekly to be held in trust and invested as directed by each participant.

The Plan provides you with a range of investment options. Your initial investment election(s) must be made among the available individual investment options in 1 percent increments. Any subsequent changes may be made in 1 percent increments or in any specified dollar amount through *Benefits Complete*[®]. Different individual investment options may be offered from time to time and you will be informed in advance of any changes. If you do not specify how your account is to be invested, your account will automatically be invested in the Plan's default fund as set forth in your enrollment materials.

A brief description of the available investment options is located in Addendum B.1 and is also provided in your enrollment materials. You will receive the most recent prospectus for each mutual fund option you initially select. Additional copies are available through *Benefits Complete*[®]. You should be aware that the terms of any such prospectus may limit your investment elections(s) with respect to the underlying mutual fund option.

The value of each participant's investment could, at various times, be less than the participant's contribution. Each participant assumes all risks in connection with changes in values of their investments. There is no guarantee by the Company, the Committee, the Plan Trustee or any government agency that the value of the investments will increase or will not decrease. Prior to making an investment decision, please refer to the prospectus for the appropriate fund and for an investment in MDU Resources Group, Inc. Common Stock, to the Company's latest Annual Report to Stockholders, Form 10-K, and other reports filed with the Securities and Exchange Commission.

You have the right to receive the following information upon request:

- A description of the annual operating expenses of each standard investment option and the aggregate amount of such expenses expressed as a percentage of average net assets.
- Copies of any updated prospectuses, financial statements and reports and other information furnished to the Plan relating to each such investment option.
- A semi-annual listing of assets comprising the portfolio of each standard investment option, the value of such assets (or the proportion of the investment option which it comprises) and, with respect to each asset which is a fixed rate investment contract issued by a bank, savings and loan association or insurance company, the name of the issuer of the contract, the term of the contract and the rate of return of the contract.
- Information concerning the value of shares or units in each investment option, as well as the past and current investment performance of each investment option.
- Information concerning the value of shares or units in each investment option held in your account.

The Plan Administrator is responsible for providing the above information. The contact information for the Plan Administrator is set forth in Section 20 and can be obtained through *Benefits Complete*[®].

For more information about your investment options, including fees and expenses, please consult the prospectuses.

If you choose to participate in the Plan, you may decide how much of your contributions you want invested in any or all of the options mentioned above. Your investment election can be made in 1% increment(s) and must total 100%.

For example:

Balanced Fund	25%
Equity Fund	25%
Small-Cap Fund	15%
International Fund	20%
MDU Resources Group, Inc. Common Stock	15%
Total	100%

If you fail to elect how your contributions will be invested, they will be invested in the Dodge & Cox Balanced Fund, the K-Plan's default fund.

You may change your investment election for future contributions allocated to your account, and/or your investment election for your existing account balance, through *Benefits Complete*[®]. Investment election changes made and confirmed before 3:00 PM CT on any NYSE business day will generally be effective as of the close of that day and cannot be changed or cancelled after the NYSE closes on that day. A change confirmed on or after 3:00 PM CT, or on weekends or holidays, will generally be effective as of the close of the next NYSE business day and cannot be changed or cancelled after the NYSE closes on that day. In the event the NYSE closes prior to 3:00 PM CT on any business day, a change made and confirmed before the time the NYSE closes will generally be effective as of the close of that day and cannot be changed or cancelled

after the NYSE closes on that day. A change made or confirmed on or after such closing time will generally be effective as of the close of the next NYSE business day and cannot be changed or cancelled after the NYSE closes on that day. In the event an investment option does not have sufficient liquidity to meet same day redemption requests, your change will be effective as soon as administratively possible thereafter.

NOTE: There may be limitations on your ability to direct the investment of your account under the Plan. Policies established by mutual funds may impose redemption fees on certain transactions and also may impose restrictions or limitations on frequent or excessive trading. The Plan Administrator will enforce the funds' policies on redemption fees, trading restrictions, or limitations. As a result, if your investment direction violates a fund's trading restriction or limitation, your action may result in redemption fees being assessed to your account or your investment directions may be declined. In some circumstances, your ability to make additional investments in a fund may be suspended or terminated. Please refer to the underlying prospectus(es) and other fund information for further details on the funds' policies on redemption fees and trading restrictions or limitations. You may also obtain related information through Benefits Complete®.

NOTE ALSO: If you request a transfer that results in a redemption from the Company Stock Fund, and sufficient liquidity is not available to process your request, your request will be processed on the next NYSE business day on which sufficient liquidity is available. Any transaction confirmed before the NYSE closes on any business day, cannot be changed or cancelled after the NYSE closes on that day. Any transaction confirmed after the NYSE closes, or on weekends or holidays, cannot be changed or cancelled after the NYSE closes on that next business day.

If you choose to participate in the Plan, there are fees or commissions you will pay associated with each of the investment options. Such fees or commissions are set forth in the prospectus and are subject to change any time. Current prospectuses and a complete description of the investment options are available by calling Benefits Complete® or accessing www.bcomplete.com.

Earnings and dividends on your contributions and any Company contributions will automatically be reinvested in the funds in which invested.

9. IMPORTANCE OF DIVERSIFICATION

This information is required to be communicated to you under the Pension Protection Act of 2006. Please read this information carefully.

To help achieve long-term retirement security, you should give careful consideration to the benefits of a well-balanced and diversified investment portfolio. Spreading your assets among different types of investments can help you achieve a favorable rate of return, while minimizing your overall risk of losing money. This is because market and other economic conditions that cause one category of assets, or one particular security, to perform very well often cause another asset category, or another particular security, to perform poorly. If you invest more than 20 percent of your retirement savings in any one company or industry,

your savings may not be properly diversified. Although diversification is not a guarantee against loss, it is an effective strategy to help you manage investment risk.

In deciding how to invest your retirement savings you should take into account all of your assets, including any retirement savings outside of the Plan. No single approach is right for everyone because, among other factors, individuals have different financial goals, different time horizons for meeting their goals, and different tolerances for risk.

10. MAY I DISCONTINUE MY CONTRIBUTIONS

You may elect to discontinue or restart your contributions to the Plan at any time via *Benefits Complete*® at 1-800-294-3575 or website: www.bcomplete.com. Requests to discontinue contributions are forwarded to the Company on a weekly basis and will be effective as soon as administratively feasible, but no later than 30 days from when you request the change.

Upon re-entry following discontinuance, you will need to elect a contribution percentage rate. You will not be able to make up discontinued contributions.

11. ROLLOVER CONTRIBUTIONS

The Plan accepts rollover contributions from other qualified retirement plans, 403(b) plans, 457(b) plans, or conduit IRA accounts, including after-tax rollovers. A conduit IRA, for this purpose, is an IRA that only holds assets distributed from a qualified plan as adjusted for earnings, losses, and gains attributable thereto. As a participant in the Plan, you may request a Rollover package through *Benefits Complete*® at 1-800-294-3575 or by accessing the website: www.bcomplete.com.

By law, the rollover must be made within 60 days of your receipt of a distribution and may not include ineligible amounts. The 60-day requirement does not apply to amounts rolled over directly from an IRA or qualified retirement plan to the Plan. All rollovers must be made in cash. Contributions of property other than cash (for example, stock certificates) will not be accepted. Loans from a terminated plan of an acquired company will be accepted.

You may withdraw your rollover contributions from the Plan at any time and for any reason.

12. CONTRIBUTION LIMITATIONS

The Internal Revenue Code limits the amount of participant contributions that can be made to the K-Plan. The annual maximum amount employees can contribute to the Plan is \$16,500 in 2009 (as indexed). Any contributions made by the Company, on your behalf, are not included in the maximum.

Under special nondiscrimination rules, if you are considered a "higher paid employee," the percentage of your savings contributions and the Company contributions made on your behalf are limited by, and related to, the savings contributions and any Company contributions made by and on behalf of other eligible employees. You will be notified if any of your Plan contributions are so limited. For purposes of these limitations, a "higher paid employee" in

2009 generally means any employee who, during the current Plan Year or preceding Plan Year was a 5% owner, or received compensation in excess of \$105,000 in the previous year, as indexed, from the Company.

In addition, the Internal Revenue Code imposes special overall limitations on contributions and benefits which are allowed under qualified plans which receive favorable tax treatment, including the Plan. These limitations are based, in part, on your aggregate compensation from the Company.

13. DO I RECEIVE A STATEMENT OF MY ACCOUNTS

The Company has engaged New York Life Retirement Plan Services to maintain your account records. As a participant in the Plan, you will receive statements on a quarterly basis. You may request a statement at any time by contacting *Benefits Complete*[®] at 1-800-294-3575 or by accessing the website: www.bcomplete.com.

The statements will describe all transactions involving your K-Plan and ESOP accounts, including the value of your accounts on the date of the statement.

14. LOAN PROCEDURES

Since the primary purpose of the K-Plan is to encourage long-term retirement savings, distribution of your account normally cannot be made before your retirement or other termination of employment. However, while you remain employed by the Company, you may be able to borrow from your account. In accordance with the provisions of the Sarbanes-Oxley Act, executive officers (all persons who report under Section 16(a)), may not borrow from their account.

How much can I borrow?

You are allowed to take out a loan for any reason. You may have up to two loans at the same time and all loans must be for at least \$1,000. The maximum loan amount available to you equals the lower of i) 50% of your vested account balance, and ii) \$50,000 reduced by your highest outstanding loan balance for the previous 12-month period. While you are employed by the Company, loans must be repaid within 5 years (60 months), except in the case of a loan for a principal residence which can be repaid over a period not to exceed 15 years. All loans must meet mandatory requirements, be repaid via payroll deduction and will bear a constant interest rate which is based on the prime interest rate at the time of loan origination, as published in *The Wall Street Journal*, plus one percent. Interest will begin to accrue on the day the loan is made. The interest you pay on a K-Plan loan is credited to your K-Plan account.

The following represents examples of how the maximum amount available for loan is calculated:

Examples:

- If your total vested K-Plan account balance is \$40,000 and you have not had a Plan loan outstanding in the past twelve months, the maximum amount available for loan would be \$20,000.
- If your total vested K-Plan account balance is \$125,000 and you have not had a Plan loan

outstanding in the past twelve months, the maximum amount available for loan would be \$50,000.

Example - If already carrying a loan:

- If your total vested K-Plan account balance is \$80,000, the maximum amount available for loan is \$40,000. If you are already carrying a loan with a current outstanding balance of \$10,000 and your highest outstanding balance during the previous twelve months was \$13,000, the maximum amount available for loan is calculated as follows:

The lesser of -

i) 50% of vested account balance reduced by any other outstanding loan. . .	\$80,000
	x 50%
	40,000
	<u>(10,000)</u>
	\$30,000
ii) \$50,000 reduced by the highest outstanding loan balance for the	
previous 12-month period	\$50,000
	<u>(13,000)</u>
	\$37,000

Maximum amount available for loan = \$30,000

How do I request a loan?

You may request a K-Plan loan through *Benefits Complete*® by either calling 1-800-294-3575 or by accessing the website: www.bcomplete.com. *Benefits Complete*® allows you to model different repayment schedules and determine payment amounts.

After requesting a non-residential loan, the Plan Trustee will send the loan check, the Loan Disclosure Statement, and the Loan Agreement and Promissory Note in one package. By endorsing the back of the check, you agree to the terms of the loan as detailed in the note.

After requesting a residential loan, an application will be mailed to you along with a Promissory Note and Loan Disclosure Statement. You will be required to sign the Promissory Note and Loan Disclosure Statement and return these documents to the following address:

New York Life Retirement Plan Services
P.O. Box 940
Norwood, MA 02062-2641

If you qualify for a residential loan, a check will be processed within 5 business days after New York Life Retirement Plan Services receives your properly completed application and other documents.

A \$50 loan origination fee will be charged for each loan you obtain and will be deducted from your account balance at the time the loan is taken.

Where do the funds come from to make the loan?

For purposes of determining the maximum amount available for loan, the total value of your vested account will be considered. Loan repayments will be reinvested according to your current investment elections, regardless of the source of the loan funds.

How is the loan repaid?

Repayment of principal and interest of each loan will be made by regular after-tax payroll deduction. In the event you have an outstanding loan balance and are on an unpaid leave of absence (during which loan payments can be suspended for up to 12 months), repayments must meet mandatory requirements and can be made to your payroll center. Full prepayment of your loan can be made by cashiers check, bank check, or money order payable to NYLTC as Trustee of the MDU Resources Group, Inc. 401(k) Retirement Plan. All cashiers checks for full loan repayment must include your social security number. Partial prepayments are not allowed.

How do I make loan repayments during military service?

You also do not have to make any loan repayments while you are away from work because of military leave. Your loan repayments will resume if you return to work during the time period protected by law, and your loan maturity date will be adjusted to reflect your period of military service. Similarly, the loan amount will be adjusted to reflect interest that accrues on the loan during the military leave. In accordance with applicable law, the interest rate while you are on military leave will not exceed 6%.

What if I terminate employment?

If, for any reason, you terminate employment with the Company, you will have at least 90 days to repay the unpaid principal and accrued interest on all outstanding loans prior to distribution. If you do not repay, the unpaid balance and accrued interest will be considered to be distributed on the earlier of:

1. the date distribution of your account balance is made or commences, or
2. the last day of the calendar quarter following the calendar quarter in which the required loan repayment was due.

See Addendum B.2 for a general discussion on the tax implementation of this distribution.

15. IN-SERVICE WITHDRAWALS

Four types of distributions from your K-Plan account are allowed while you are employed by the Company. They are:

• **Age 59½ Withdrawal**

You may withdraw all or any portion of the vested amount credited to your K-Plan account once per year, after attaining age 59½, even if you are still employed with the Company. To elect such a withdrawal, call *Benefits Complete*® at 1-800-294-3575 or access the website: www.bcomplete.com which will provide you with the appropriate form you will need to complete indicating the specifics of your request. Such a withdrawal will be in the form of cash and/or an MDU Resources Common Stock certificate, as you elect.

• **Hardship Withdrawal**

Hardship withdrawals from your K-Plan account (excluding earnings on deferrals made after December 31, 1988, any unvested portion of your account, and any money purchase balance) will be allowed in accordance with applicable rules and regulations of the Internal Revenue Service.

A request for hardship withdrawal may be made at any time by calling *Benefits Complete*® at 1-800-294-3575 or by accessing the website: www.bcomplete.com to request the appropriate forms and instructions. The following requirements must be met; 1) the participant must have an *immediate* and *heavy* financial need, and 2) the amount of the withdrawal must be *necessary* to meet that need.

Immediate heavy financial needs are limited to amounts necessary for:

1. unreimbursed medical expenses incurred by you, your spouse, or your dependents;
2. prevention of foreclosure on or eviction from your principal residence;
3. costs directly related to the purchase of a principal residence (excluding mortgage payments);
4. tuition, room and board, and related educational fees for the next twelve months of post-secondary education for you, your spouse, children, or dependents;
5. funeral or burial expenses for your deceased parent, spouse, children, or dependents; or
6. costs for repair of damages to your principal residence that would qualify for a casualty loss deduction.

You will be required to furnish reasonable documentation in support of your request. If a hardship withdrawal is granted, the participant must suspend making contributions to the Plan for six months after the hardship distribution is received. The participant must also suspend making contributions to any other deferred compensation plan maintained by the Company for six months.

If approved, such withdrawal shall equal the lesser of the amount required to be distributed to meet the need created by the hardship (including any amounts necessary to pay any federal, state, or local income taxes or penalties reasonably anticipated to result from the withdrawal) or the value of your contributions, plus any vested Company contributions.

If your hardship request is approved, the amount available for a hardship withdrawal will be based on the value of your account on the day the hardship withdrawal is approved.

Distributions are made in the form of cash as soon as practicable after approval of the hardship request.

A hardship withdrawal may be made only after the participant has obtained all distributions, including distribution of dividends on Company stock, and all non-taxable loans currently available under all qualified plans (and any other employee benefit plan specified in Internal Revenue Service rules and regulations applicable to such hardship withdrawals) maintained by the Company or an affiliate included in this Plan.

The Internal Revenue Code generally imposes a 10% additional income tax on amounts withdrawn before age 59½. See Addendum B.2 for more information on taxation.

Amounts received as hardship withdrawals will not be subject to mandatory federal income tax withholding and, if applicable, state tax withholding (and will not be eligible to be rolled over). You should be aware, however, that this will not change your tax liability for making such a withdrawal from the Plan.

- ***Withdrawal of Rollover Contributions***

You may withdraw all or any portion of your account attributable to any rollover contributions you may have made to the Plan, subject to rules and procedures as may be established by the Plan Administrator.

The money you withdraw may be subject to mandatory 20% federal income tax withholding and state tax withholding, if applicable. If you are under age 59½, an additional 10% penalty tax may also apply. You may request a rollover contribution withdrawal through *Benefits Complete*®. You should, however, consult with your tax advisor before exercising this option.

- ***Qualified Military Withdrawal***

A Participant who is serving in the military and receiving differential wage payments may receive a distribution from the K-Plan if the Participant is performing in the uniformed services while on active duty for more than 30 days. However, if any amounts are distributed on account of the foregoing rule, the Participant is not permitted to make elective deferrals to the Plan during the six-month period beginning on the date of distribution. You may request a qualified military withdrawal through *Benefits Complete*®. You should, however, consult with your tax advisor before exercising this option.

16. BENEFIT STATUS AT EMPLOYMENT TERMINATION

You are not eligible to receive any portion of your Plan accounts, except previous rollover contributions, until you retire, are disabled (as determined by the Plan Administrator), die, or otherwise terminate employment with the Company, except as noted elsewhere in this section. The primary reason for the existence of the Plan is to afford financial security for your retirement. It is not to be viewed as a short-term account.

Distribution of your accounts at retirement, disability, death, or other termination of employment is made in the form of cash for any monies invested in other than MDU Resources Group, Inc. Common Stock. MDU Resources Group, Inc. Common Stock is distributed in the form of a Direct Registration System statement rather than an actual stock certificate, with any fractional shares in cash. Any MDU Resources Group, Inc. Common Stock included in a direct transfer will be electronically transferred to the IRA or qualified plan Trustee or Custodian.

You will have the opportunity to elect distribution of your account in annual installments, not to exceed 5 years, or in a single-sum payment. Other options may be available as described on the appropriate benefit election form.

If the value of your account does not exceed \$1,000, distribution will be made to you in a single sum payment. If the value of your account is greater than \$1,000, no distribution of your accounts will be made without your written consent. Further, if you do not request a distribution before you attain age 70½, you will be deemed to have elected to defer payment until your attainment of age 70½, at which time your accounts will be distributed to you as soon as administratively feasible. For information on taxes, see Addendum B.2.

You will be provided with the appropriate distribution forms after your employment with the Company has ended. Qualifying distributions will be made as soon as administratively feasible upon the receipt of the completed election form.

If you continue to be employed by the Company beyond age 70½, you may defer distribution until such time as your employment terminates if you are not a 5% owner.

17. WHAT HAPPENS IN THE EVENT OF DEATH

If you die while employed by the Company, or if you die after terminating employment with the Company, but before receiving a complete distribution of your vested account, your vested account will be paid to the beneficiary or beneficiaries whom you have designated in writing to the Company; provided, however, that in the event you were married for at least a one-year period on the date of your death, such beneficiary will be your surviving spouse. You may elect to change or revoke your spouse as your beneficiary, but you must have written consent from your spouse, witnessed by a notary public or Plan Representative. You may change or revoke your beneficiary designation at any time by completion of a new Beneficiary Designation Form. If you have not designated a beneficiary, or if the beneficiary whom you have selected should die before receiving the amount credited to your accounts, the benefits will be payable to your estate.

Upon your death, your vested account balance will be distributed as follows: If your beneficiary is your spouse, he or she must begin distributions by December 31 of the year following the year in which you die, or if later, December 31 of the year in which you would have reached age 70½. If your beneficiary is not your spouse, your beneficiary must begin distributions by December 31 of the calendar year after your death. If your beneficiary is designated as or is deemed to be your estate, distribution of your vested account balance will be made no later than the December 31 of the calendar year that contains the fifth anniversary of your death.

Your beneficiary may direct the investment among all the funds available under the Plan. If your beneficiary is your surviving spouse, or an alternate payee who is a spouse or former spouse, your beneficiary has the same choices as employees for rolling over a payment from the Plan. If your beneficiary or alternate payee is not your spouse, he or she will be eligible for direct rollover of any rollover-eligible payments into an IRA treated as an inherited IRA. If he or she elects to receive payment from the Plan, he or she will not be able to subsequently elect a rollover to an IRA.

18. VOTING AND TENDERING OF COMMON STOCK UNDER THE PLAN

The Company will provide the Plan Trustee and the participants with materials or a notice and a means to access the materials to inform them when voting rights are to be exercised with respect to Common Stock. These materials may include a notice, an annual report to stockholders, a proxy statement and a means to provide voting directions to the Plan Trustee. Generally, voting rights are determined on the record date based on the equivalent share value of your MDU Resources Group, Inc. Common Stock Fund account. Full equivalent shares of Common Stock credited to a participant's accounts will be voted by the Plan Trustee in accordance with directions provided by the participant. Fractional equivalent shares will be combined and voted by the Plan Trustee to the extent possible to reflect the directions of participants credited with such shares. If a participant does not give valid directions or grant a proxy to the Plan Trustee with respect to exercise of voting rights for the shares in the participant's accounts, such shares shall be voted by the Plan Trustee in accordance with the Board of Directors' recommendation on all of the matters.

A participant shall have the right to instruct the Plan Trustee in writing as to the manner in which to respond to a tender or exchange offer for the shares of Common Stock in the participant's accounts. The Company will provide to participants any information distributed to the shareholders of the Company in connection with any such tender or exchange offer and a form with which to provide instructions to the Plan Trustee. If a participant does not give instructions to the Plan Trustee regarding any tender or exchange offer for Common Stock, the Trustee shall have no discretion in such matter and shall take no action with respect thereto.

19. DIVIDENDS ON COMMON STOCK UNDER THE PLAN

Dividends may be paid on shares held by the MDU Common Stock Fund. If any portion of your account is invested in the MDU Common Stock Fund, as of the record date for a Company dividend, you will receive a prorated dividend based on your ending balance on the record date. You can elect to (1) have those dividends reinvested in MDU Common Stock and paid to you when you retire or otherwise terminate employment, or (2) elect to have the dividends distributed to you each quarter. MDU Common Stock Fund dividends are 100% vested. An election to have the dividends distributed to you each quarter not only decreases your future retirement accumulation but will also increase your current taxable income. Although the K-Plan has been amended to provide you with additional options for receiving dividends, you are encouraged to continue to accumulate funds for your retirement. Therefore, dividends on Common Stock will continue to be reinvested in the MDU Common Stock Fund unless you elect otherwise.

You can elect a quarterly distribution of dividends by accessing the *Benefit Complete*[®] website at www.bcomplete.com or calling 1-800-294-3575. It will be necessary to have your social security number and personal identification number (PIN) available prior to contacting *Benefit Complete*[®]. Any actual or automatic election with respect to dividends remains in effect until changed. Any change in your election will only apply to MDU Stock Fund dividends paid after your new election is processed.

20. IDENTIFICATION INFORMATION

A. Plan Name:

The name of the Company's 401(k) Plan is the MDU Resources Group, Inc. 401(k) Retirement Plan. As of December 31, 2008, the Plan held 10,799,693 shares of MDU Resources Group, Inc. Common Stock which were registered under the Securities Act of 1933. As of December 31, 2008, there were 930,112 additional shares registered under the Securities Act of 1933.

B. Plan Number Assigned by the Plan Administrator:

004

C. Type of Plan:

The Plan is a defined contribution plan.

D. Plan Year:

The Plan Year for the Plan ends on December 31.

E. Plan Sponsor and Plan Administrator:

MDU Resources Group, Inc. is the Plan Sponsor. The Employee Benefits Committee is designated as the Plan Administrator. This Committee consists of those individuals serving in the position of (or related position) of Chief Financial Officer of the Company, Vice President – Human Resources of the Company, and any other individuals appointed by the Chief Executive Officer of the Company who are employed by the Company or an Affiliate of the Company. This Committee is responsible for managing the Plan, including, without limitation, construing and interpreting the Plan in its sole discretion, prescribing procedures for administration, preparing and distributing information, explaining the Plan, receiving information and preparing reports with respect to administration of the Plan, furnishing each participant with statements showing the status of the participant's interest in the Plan, monitoring the Plan to meet the non-discrimination rules of the Internal Revenue Code, keeping accounts and records, and determining rights to benefits.

Any correspondence or questions concerning the Plan or its administrators should be addressed to:

Employee Benefits Committee
c/o Corporate Human Resources Department
MDU Resources Group, Inc.
Corporate Campus
1200 W. Century Ave.
P.O. Box 5650
Bismarck, North Dakota 58506-5650
Telephone Number: (701) 530-1074

The employer identification number assigned to MDU Resources Group, Inc. by the Internal Revenue Service is 41-0423660.

F. Plan Trustee:

The Trustee of the Plan is:

New York Life Trust Company
169 Lackawanna Avenue – Section B1
Parsippany, NJ 07054

The Plan Trustee has been appointed by the Company pursuant to the terms of a Trust Agreement, as amended, effective as of January 1, 1998. The Plan Trustee is responsible for the safekeeping and investment of all contributions made to the Plan.

G. Legal Services:

Legal process may be served on the Plan by directing such service to:

Paul K. Sandness
General Counsel
MDU Resources Group, Inc.
Corporate Campus
1200 W. Century Ave.
P.O. Box 5650
Bismarck, North Dakota 58506-5650

In addition, legal process may be served upon the Plan Trustee.

21. NO ASSIGNMENT OF BENEFITS

Plan benefits may not be sold, transferred, assigned, pledged, encumbered or otherwise disposed of, or made subject to the claims of any creditor except as otherwise provided by law or the issuance of a domestic relations order which is determined to be qualified in accordance with the Internal Revenue Code (QDRO).

A domestic relations order is any judgment, decree, or order which relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent and is made pursuant to a state domestic relations law. A QDRO recognizes the existence of another person's right to, or assigns another person the right to, receive all or a portion of benefits payable with respect to a participant under a plan and meets certain requirements under the Internal Revenue Code. Copies of the Plan's procedures for determining whether an order constitutes a QDRO are available free of charge from *Benefit Complete*[®] upon written request.

22. INSIDER RESTRICTIONS

While the Plan does not place restrictions on resales of Common Stock distributed from the Plan, shares of MDU Resources Group, Inc. Common Stock acquired under the Plan by an "affiliate," as that term is defined in Rule 405 under the Securities Act of 1933, may only be resold pursuant to the registration requirements of that Act or an applicable exemption therefrom. Further, acquisitions and dispositions of MDU Resources Group, Inc. Common Stock by an officer or director of the Company (who is an "insider" under federal securities laws) within any period of less than six months may give rise to the right of the Company to recapture any profit from such transactions pursuant to Section 16(b) of the Securities Exchange Act of 1934.

"Insiders" are restricted in their ability to make elections regarding or transactions in MDU Resources Group, Inc. Common Stock under the Plan, including loans and hardship or other withdrawals from the Plan. Insiders must read Section 12.1 of the Plan carefully and notify the General Counsel before making elections regarding or transactions in MDU Resources Group, Inc. Common Stock under the Plan.

23. CONTINUANCE OF THE PLAN

The Company expects to continue the Plan indefinitely, but reserves the right to amend or terminate it at any time. This includes, but is not limited to, the right to change investment options. The Company's decision to amend or terminate the Plan may be due to changes in federal or state laws governing retirement benefits, the requirements of the Internal Revenue Code or the Employee Retirement Income Security Act of 1974 (ERISA), or any other reason.

If the Plan is terminated, you will have a fully vested, non-forfeitable right to your accounts as of the date of such event.

All amendments shall be made by action of the Board of Directors of the Company, or by a person or persons, or committee(s) duly authorized by resolution of said Board to take such action and shall be evidenced by such proper resolution of such Board of Directors (or such other person or persons) certified by the secretary or assistant secretary of the Company.

No verbal or written representations contrary to the terms of the Plan, or its written amendments, shall be binding upon the Plan, the Plan Administrator, the Company or any Participating Employer.

24. TOP-HEAVY RULES

The Plan will become "top-heavy" if the present value of the cumulative accounts and accrued benefits (for employees covered by a pension plan sponsored by the Plan Sponsor) for "key employees" exceeds 60% of all the present value of cumulative accounts of all employees. In view of the large number of non-key employees benefited by this Plan, it is very unlikely that this Plan will ever become top-heavy. If it does, certain minimum benefits, if not already provided, will be provided.

A more detailed explanation of these provisions will be provided if and when the Plan becomes top-heavy.

25. CLAIMS PROCEDURE

How to Bring Claim for Benefits

You may make a claim under the Plan by communicating your request for benefits in writing to the Plan Administrator. You will be notified in writing if additional information is needed to complete the processing of your claim for benefits.

The Plan Administrator will review your claim according to the terms and conditions of the Plan and respond in writing within 90 days after receiving the claim. The Plan Administrator may extend this 90-day period for an additional 90 days for special circumstances by notifying you in writing before the end of the original 90-day period. If your claim is wholly or partially denied, the Plan Administrator will provide you a written notice of denial, which will:

- State the specific reasons for the denial,
- Refer to provisions of the Plan on which the determination is based,
- Describe any additional material or information necessary for you to perfect the claim and explain why the information is necessary,
- Explain how you may submit the claim for review and state applicable time limits, and
- Explain your right to bring a civil action under Section 502(a) of ERISA if benefits are denied following an appeal.

How to Appeal the Denial of a Claim

If your claim for a benefit under the Plan is denied, you may file a written request for review with the Employee Benefits Committee within 60 days after receiving the Plan Administrator's notice of denial. You must send your request for review, together with a written statement of your position and any other comments, documents, records, or information that you believe relevant to the claim, to the Plan Administrator. The Employee Benefits Committee will notify you in writing of its decision within 60 days after receiving your request for review. This 60-day period may be extended an additional 60 days if special circumstances warrant the extension and if you are notified in writing before

the original 60-day period ends. If your appeal is wholly or partially denied, the Plan Administrator will provide you a written notice of denial which will explain the reasons for the decision, refer to the specific Plan provisions on which the decision is based, and include a statement that you are entitled to receive upon request and free of charge, reasonable access to copies of all documents, records, and other information relevant to your claim for benefits. The Employee Benefits Committee's written decision shall be final and binding on all parties.

The Company has complete discretionary authority to make all determinations under the Plan, including eligibility for benefits and factual determinations, and to interpret the terms and provisions of the Plan. Benefits will be paid under the Plan only if the Company determines in its sole discretion that the claimant is entitled to them.

Legal Action

If the Employee Benefits Committee denies your claim for a benefit under the Plan, then you may bring suit in Federal Court. You may not file a lawsuit or legal action regarding benefits under the Plan unless you first follow the entire claims and appeal process described above. You may only bring suit in Federal Court if you file such action within 60 days after the date of the final denial of your claim by the Employee Benefits Committee.

26. PENSION BENEFIT GUARANTY CORPORATION

As a defined contribution plan, the Plan is not covered by Title IV of ERISA; therefore, benefits under the Plan are not insured by the Pension Benefit Guaranty Corporation.

27. ERISA RIGHTS

As a participant in the Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all Plan participants shall be entitled to:

1. Examine, without charge, at the Plan Administrator's office and at other specified locations, all documents governing the Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
2. Obtain copies of all documents governing the operation of the Plan upon written request to the Plan Administrator, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.
3. Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.
4. Obtain a statement telling you the amount credited to your account under the Plan due to contributions made by you and any Company. You will normally be furnished with such a statement on a quarterly basis by the Plan Trustee.

In addition to creating rights for Plan participants ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate the Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries. No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit under the Plan or exercising your rights under ERISA.

If your claim for a benefit under the Plan is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of plan documents or the latest annual report from the Plan Administrator and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court within 60 days of exhaustion of the Plan's claims and appeals procedures. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in Federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and legal fees. If you lose, the court may order you to pay these costs and legal fees, for example, if it finds your claim is frivolous.

If you have any questions about the Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

28. COMPANY UNDERTAKING

The Company hereby undertakes to provide without charge to each person to whom this document is delivered, upon the written or oral request of any such person, a copy of any or all of the documents (i) incorporated by reference in Item 3 of Part II of the Company's latest Registration Statement on Form S-8 relating to the Plan (such documents are hereby incorporated by reference into the Section 10(a) prospectus) and (ii) required to be delivered

pursuant to Rule 428(b) of Regulation C under the Securities Act of 1933. Requests for such documents as well as for additional information about the Plan or its administrators should be directed to:

Office of the Treasurer
MDU Resources Group, Inc.
Corporate Campus
1200 W. Century Ave.
P.O. Box 5650
Bismarck, North Dakota 58506-5650
Telephone (701) 530-1074

ADDENDUM A – PARTICIPATING AFFILIATES

This addendum to the MDU Resources Group, Inc. 401(k) Retirement Plan Summary Plan Description constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

Participating Affiliate (dba/administrative name)

Ames Sand & Gravel, Inc. <i>(dba Knife River Materials – North Dakota Division)</i>	JTL Group, Inc. a Montana Corporation <i>(dba Knife River – Mountain Region)</i>
Anchorage Sand and Gravel Company, Inc.	JTL Group, Inc. a Wyoming Corporation <i>(dba Knife River - Mountain Region)</i>
Baldwin Contracting Company, Inc. <i>(dba Knife River Construction – Northern California Chico Division)</i>	Kent's Oil Service
Bell Electrical Contractors, Inc.	Knife River Corporation
Bitter Creek Pipelines, LLC	Knife River Corporation - North Central <i>(dba Knife River – Central Minnesota Division)</i>
Bombard Electric, LLC	Knife River Corporation - North Central <i>(dba Knife River – North Dakota Division)</i>
Bombard Mechanical, LLC	Knife River Corporation - South
Capital Electric Construction Company, Inc.	Knife River Midwest, LLC
Capital Electric Line Builders, Inc.	KRC Aggregate, Inc. <i>(dba Knife River – Northern California Aggregate Division)</i>
Cascade Natural Gas Corporation	Lone Mountain Excavation & Utilities, LLC
Concrete, Inc. <i>(dba Knife River – Northern California Ready Mix Division)</i>	Loy Clark Pipeline Co.
Connolly-Pacific Co.	LTM, Incorporated <i>(dba Knife River Materials – Southern Oregon Division)</i>
Desert Fire Protection, LP	MDU Construction Services Group, Inc.
DSS Company <i>(dba Knife River Construction – Northern California Stockton Division)</i>	MDU Resources Group, Inc.
E.S.I., Inc.	Montana-Dakota Utilities Co.
Fairbanks Materials, Inc.	Morse Bros., Inc. <i>(dba Knife River – Western Oregon Division)</i>
Fidelity Exploration & Production Company	Northstar Materials, Inc. <i>(dba Knife River Materials – Northern Minnesota Division)</i>
Frebco, Inc.	Oregon Electric Construction, Inc.
Granite City Ready Mix, Inc. <i>(dba Knife River Materials – Central Minnesota Division)</i>	Pouk & Steinle, Inc.
Great Plains Natural Gas Co.	Prairielands Energy Marketing, Inc.
Hamlin Electric Company	Rocky Mountain Contractors, Inc.
Hap Taylor & Sons, Inc. <i>(dba Knife River – Central Oregon Division)</i>	Rogue Aggregates, Inc. <i>(dba Knife River – Southern Oregon Division)</i>
Hap Taylor & Sons, Inc. <i>(dba Knife River – Southern Idaho Division)</i>	USI Industrial Services, Inc.
Hap Taylor & Sons, Inc. <i>(dba Knife River – Spokane Division)</i>	Wagner Industrial Electric, Inc.
Hawaiian Cement	Wagner-Smith Equipment Co.
Intermountain Gas Company	WBI Holdings, Inc.
International Line Builders, Inc.	WHC, Ltd.
Jebro Incorporated	Williston Basin Interstate Pipeline Company

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ADDENDUM B – INVESTMENT PERFORMANCE AND FEE INFORMATION

This addendum to the MDU Resources Group, Inc. 401(k) Retirement Plan Summary Plan Description constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

The annual total returns as of each of the following dates are as follows:

	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>
Stable Value Option	4.78%	4.78%	4.16%
MainStay Indexed Bond Fund	7.04%	6.92%	3.74%
Dodge & Cox Balanced Fund	-33.57%	1.73%	13.86%
T. Rowe Price Retirement 2010 Fund	-26.71%	6.65%	12.84%
T. Rowe Price Retirement 2015 Fund	-30.22%	6.75%	13.73%
T. Rowe Price Retirement 2020 Fund	-33.48%	6.73%	14.66%
T. Rowe Price Retirement 2025 Fund	-35.90%	6.81%	15.44%
T. Rowe Price Retirement 2030 Fund	-37.79%	6.83%	16.14%
T. Rowe Price Retirement 2035 Fund	-38.88%	6.81%	16.18%
MainStay S&P 500 Index Fund	-37.03%	5.18%	15.51%
Growth Fund of America	-39.07%	10.88%	10.91%
Baron Asset Fund	-40.75%	10.13%	14.64%
Davis New York Venture Fund	-40.03%	4.97%	15.12%
Forward Hoover Small Cap Equity Fund	-39.02%	7.36%	9.43%
Allianz NFJ Small Cap Value Fund	-26.18%	6.53%	19.03%
Royce Total Return Fund	-31.17%	2.39%	14.54%
AllianceBernstein International Value Fund	-53.54%	5.26%	34.18%
EuroPacific Growth Fund	-40.56%	18.87%	21.83%
MDU Resources Group, Inc. Common Stock	-20.06%	9.85%	20.10%

Past performance is not indicative of future results.

If you choose to participate in the Plan, there are fees or commissions you will pay associated with each of the investment options. Such fees or commissions are set forth in the prospectus and are subject to change any time. As of January 1, 2009, the following fees were in effect:

- **New York Life Anchor Account (Stable Value Option)**
.30% per dollar per year
- **MainStay Indexed Bond Fund**
.53% per dollar per year
- **Dodge & Cox Balanced Fund**
.53% per dollar per year
- **T. Rowe Price Retirement 2010 Fund**
.61% per dollar per year
- **T. Rowe Price Retirement 2015 Fund**
.65% per dollar per year
- **T. Rowe Price Retirement 2020 Fund**
.68% per dollar per year
- **T. Rowe Price Retirement 2025 Fund**
.70% per dollar per year
- **T. Rowe Price Retirement 2030 Fund**
.72% per dollar per year
- **T. Rowe Price Retirement 2035 Fund**
.73% per dollar per year
- **MainStay S&P 500 Index Fund**
.42% per dollar per year.
- **Growth Fund of America Fund**
.67% per dollar per year

(cont.)

- **Baron Asset Fund**
1.34% per dollar per year
- **Davis New York Venture Fund**
.85% per dollar per year
- **Forward Hoover Small Cap Equity Fund**
1.71% per dollar per year
- **Allianz NFJ Small Cap Value Fund**
.82% per dollar per year
- **Royce Total Return Fund**
1.08% per dollar per year
- **AllianceBernstein International Value Fund**
1.11% per dollar per year
- **American EuroPacific Fund**
.85% per dollar per year
- **MDU Resources Group, Inc. Common Stock (MDU)**
\$.035 per share at purchase if purchased on the open market. If shares are purchased directly from the Company, no fees are included.

Fee disclosures represent gross expense ratio as required by the FINRA (Financial Industry Regulatory Authority).

Earnings on the non-MDU stock funds are reduced by the fees before the earnings are actually allocated to your account.

ADDENDUM B.1 – INVESTMENT DESCRIPTIONS

This addendum to the MDU Resources Group, Inc. 401(k) Retirement Plan Summary Plan Description constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

1. *Stable Value Option*

The Stable Value Option is not a mutual fund or money market account. The Option seeks to provide a low risk, stable investment offering competitive yields. The Option is invested in the New York Life Anchor Account. The Option may also invest in cash and cash equivalents from time to time, for liquidity purposes only. The interest rate you receive is not guaranteed, subject to change daily, and a blend of rates of the Option's underlying investments. The New York Life Anchor Account only guarantees principal and accumulated interest. The guarantee is provided by New York Life Insurance Company. While the Option's primary objective is to maintain a stable value, the Option is not guaranteed by the Company, the Plan, the FDIC or the federal government. This Option may serve to balance other higher risk/return investments. The Option may be appropriate for investors who are seeking to accumulate current income while preserving the value of their original investment.

2. *MainStay Indexed Bond Fund (Class I) (MIXIX)*

MainStay Indexed Bond Fund is an income mutual fund. The fund seeks to provide investment results that correspond to the total-return performance of fixed-income securities in the aggregate, as measured by the Salomon Smith Barney Broad Investment Grade Bond Index. The fund primarily invests in a diversified portfolio of investment-grade corporate and U.S. government bonds and mortgage related securities. These securities may have fixed, variable, floating or inverse floating rates of interest. Bond values are affected by various factors, including interest rates, issuer credit worthiness, market conditions, and maturities. In general, bond prices rise when interest rates fall, and vice versa. This effect is usually more pronounced for bonds with longer maturities. The fund may be appropriate for investors who are seeking current income and are comfortable with some share-price fluctuation. Details are discussed in the fund's prospectus.

3. *Dodge & Cox Balanced Fund (DODBX)*

Dodge & Cox Balanced Fund is a growth and income mutual fund. The fund is the Plan's QDIA. The fund seeks to provide regular income, conservation of principal, and an opportunity for long-term growth of principal and income. The fund seeks to achieve its objectives by investing in a diversified portfolio of common stocks, preferred stocks, and bonds. The fund's manager will vary the amount invested in stocks and bonds based on the manager's opinion of business and investment prospects. Stock values fluctuate based on individual company activities and on overall market and economic factors. Bonds may have variable, fixed or floating rates of interest. In general, bond prices rise when interest rates fall, and vice versa. This effect is usually more pronounced for bonds with longer maturities. The fund may be appropriate for investors who are comfortable with stock market fluctuations while seeking the potential for long-term capital growth, and seek current income from investments in some debt securities. Details are discussed in the fund's prospectus.

4. *T. Rowe Price Retirement 2010 Fund (TRRAX)*

T. Rowe Price Retirement 2010 Fund is a target-date portfolio designed to provide diversified exposure to stocks, bonds and cash for those investors who have a specific date in mind for retirement or another goal. This portfolio aims to provide investors with an optimal level of return and risk,

based solely on the target date. These portfolios get more conservative as the goal date approaches by investing more in bonds and cash. The fund seeks the highest total return over time consistent with an emphasis on both capital growth and income. The fund invests in a set of underlying T. Rowe Price mutual funds representing various assets classes and sectors. It expects to invest 62.5% of assets in stock funds, 30.5% in fixed income funds, and 7.0% in short-term income funds. The fund may be appropriate for investors who feel they don't have the time or experience to select and monitor an investment portfolio. Details are discussed in the fund's prospectus.

5. *T. Rowe Price Retirement 2015 Fund (TRRGX)*

T. Rowe Price Retirement 2015 Fund is a target-date portfolio designed to provide diversified exposure to stocks, bonds and cash for those investors who have a specific date in mind for retirement or another goal. This portfolio aims to provide investors with an optimal level of return and risk, based solely on the target date. These portfolios get more conservative as the goal date approaches by investing more in bonds and cash. The fund seeks the highest total return over time consistent with an emphasis on both capital growth and income. The fund invests in a set of underlying T. Rowe Price mutual funds representing various assets classes and sectors. It expects to invest 70.0% of assets in stock funds, 25.5% in fixed income funds, and 4.5% in short-term income funds. The fund may be appropriate for investors who feel they don't have the time or experience to select and monitor an investment portfolio. Details are discussed in the fund's prospectus.

6. *T. Rowe Price Retirement 2020 Fund (TRRBX)*

T. Rowe Price Retirement 2020 Fund is a target-date portfolio designed to provide diversified exposure to stocks, bonds and cash for those investors who have a specific date in mind for retirement or another goal. This portfolio aims to provide investors with an optimal level of return and risk, based solely on the target date. These portfolios get more conservative as the goal date approaches by investing more in bonds and cash. The fund seeks the highest total return over time consistent with an emphasis on both capital growth and income. The fund invests in a set of underlying T. Rowe Price mutual funds representing various assets classes and sectors. It expects to invest 77.5% of assets in stock funds, 20.5% in fixed income funds, and 2.0% in short-term income funds. The fund may be appropriate for investors who feel they don't have the time or experience to select and monitor an investment portfolio. Details are discussed in the fund's prospectus.

7. *T. Rowe Price Retirement 2025 Fund (TRRHX)*

T. Rowe Price Retirement 2025 Fund is a target-date portfolio designed to provide diversified exposure to stocks, bonds and cash for those investors who have a specific date in mind for retirement or another goal. This portfolio aims to provide investors with an optimal level of return and risk, based solely on the target date. These portfolios get more conservative as the goal date approaches by investing more in bonds and cash. The fund seeks the highest total return over time consistent with an emphasis on both capital growth and income. The fund invests in a set of underlying T. Rowe Price mutual funds representing various assets classes and sectors. It expects to invest 84.5% of assets in stock funds and 15.5% in fixed income funds. The fund may be appropriate for investors who feel they don't have the time or experience to select and monitor an investment portfolio. Details are discussed in the fund's prospectus.

8. *T. Rowe Price Retirement 2030 Fund (TRRCX)*

T. Rowe Price Retirement 2030 Fund is a target-date portfolio designed to provide diversified exposure to stocks, bonds and cash for those investors who have a specific date in mind for retirement or another goal. This portfolio aims to provide investors with an optimal level of return and risk, based solely on the target date. These portfolios get more conservative as the goal date approaches by investing more in bonds and cash. The fund seeks the highest total return over time consistent with an emphasis on both capital growth and income. The fund invests in a set of underlying T. Rowe Price mutual funds representing various assets classes and sectors. It expects to invest 89.5% of assets in stock funds and 10.5% in fixed income funds. The fund may be appropriate for investors who feel they don't have the time or experience to select and monitor an investment portfolio. Details are discussed in the fund's prospectus.

9. *T. Rowe Price Retirement 2035 Fund (TRRJX)*

T. Rowe Price Retirement 2035 Fund is a target-date portfolio designed to provide diversified exposure to stocks, bonds and cash for those investors who have a specific date in mind for retirement or another goal. This portfolio aims to provide investors with an optimal level of return and risk, based solely on the target date. These portfolios get more conservative as the goal date approaches by investing more in bonds and cash. The fund seeks the highest total return over time consistent with an emphasis on both capital growth and income. The fund invests in a set of underlying T. Rowe Price mutual funds representing various assets classes and sectors. It expects to invest 92.5% of assets in stock funds and 7.5% in fixed income funds. The fund may be appropriate for investors who feel they don't have the time or experience to select and monitor an investment portfolio. Details are discussed in the fund's prospectus.

10. *MainStay S&P 500 Index Fund (Class I) (MSPIX)*

MainStay S&P 500 Index Fund is a growth and income mutual fund. The fund seeks to provide investment performance (reflecting reinvestment of dividends) that corresponds to the total-return performance of common stocks in the aggregate, as represented by the Standard & Poor's 500 Index ("S&P 500"[®]). [S&P 500 is a trademark of the McGraw-Hill Companies, Inc. and has been licensed for use by Monitor Capital Advisors LLC. Standard & Poor's does not sponsor, endorse, sell, or promote the fund or represent the advisability of investing in the fund.] The fund seeks to mirror the performance of the S&P 500 by investing primarily in stocks included in the S&P 500 in the same proportion, to the extent feasible, as their representation in the index. Stock values fluctuate based on individual company activities and on overall market, economic and industry factors. The fund may be appropriate for investors who seek a return that corresponds to that of the broad stock market, and are willing to accept share-price fluctuations. Details are discussed in the fund's prospectus.

11. *American Funds The Growth Fund of America (Class R4) (RGAEX)*

American Funds Growth Fund of America is a growth mutual fund. The fund seeks long-term growth of capital by investing in common stocks. Stock values fluctuate based on individual company activities and on overall market and economic factors. The fund may be appropriate for investors who are willing to accept the potential for significant fluctuations in share price while seeking potentially higher long-term returns from investments in stocks. Details are discussed in the fund's prospectus.

12. ***Baron Asset Fund (BARAX)***

Baron Asset Fund is a growth mutual fund. The fund seeks capital appreciation through investments in securities of small and medium sized companies with undervalued assets or favorable growth prospects. Production of income, if any, is incidental to this objective. These securities include primarily common stocks but may also include other equity-type securities such as convertible bonds, debentures, preferred stocks, warrants and convertible preferred stocks. Stock values fluctuate based on individual company activities and on overall market and economic factors. The fund may be appropriate for investors who are willing to accept the potential for significant fluctuations in share price while seeking potentially higher long-term returns from investments in stocks. Details are discussed in the fund's prospectus.

13. ***Davis New York Venture Fund (Class A) (NYVTX)***

Davis New York Venture Fund is a growth mutual fund. The fund seeks growth of capital by investing primarily in common stock of U.S. companies with market capitalizations of at least \$5 billion. Stock values fluctuate based primarily on individual company activities and on overall market and economic factors. This fund may be appropriate for investors who are comfortable with stock market fluctuations while seeking the potential for long-term capital growth and income. Details are discussed in the fund's prospectus.

14. ***Forward Hoover Small Cap Equity Fund (FFSCX)***

Forward Hoover Small Cap Equity Fund is a growth mutual fund. The fund seeks high total return. The fund normally invests primarily in the equity securities of companies that have small market capitalizations and offer future growth potential. The fund will invest at least 80% of net assets plus borrowings in the equity securities of small cap U.S. companies, and may also invest up to 20% of assets in foreign investments and up to 5% of assets in securities in emerging markets. The fund may be appropriate for investors who are willing to accept the potential for significant fluctuation in share price while seeking potentially higher long-term returns from investment in stock. Details are discussed in the fund's prospectus.

15. ***Allianz NFJ Small Cap Value Fund (Institutional Class) (PSVIX)***

Allianz NFJ Small Cap Value Fund is a value mutual fund. The fund seeks long-term growth of capital and income. The fund invests at least 80% of net assets (plus borrowings made for investment purposes) in companies with smaller market capitalizations. The fund currently considers smaller market capitalization companies to be companies with market capitalizations of between \$100 million and \$3.5 billion. Stock values fluctuate based primarily on individual company activities and on overall market and economic factors. The value of stocks of smaller companies may be impacted to a greater extent by these factors. The fund may be appropriate for investors who are willing to accept the potential for significant fluctuations in share price while seeking potentially higher long-term returns from investments in stocks. Details are discussed in the fund's prospectus.

16. ***Royce Total Return Fund (RYTRX)***

Royce Total Return Fund is a growth mutual fund. The fund seeks long-term growth of capital and current income. Royce invests the fund's assets primarily in a diversified portfolio of dividend paying securities issued by small- and micro-cap companies. Stock values fluctuate based on individual company activities and on overall market and economic factors. The fund may be appropriate for investors who are willing to accept the potential for significant fluctuations in share price while seeking potentially higher long-term returns from investments in stocks. Details are discussed in the fund's prospectus.

17. *AllianceBernstein International Value Fund (Class A) (ABIAX)*

AllianceBernstein International Value Fund is an international mutual fund. The fund seeks long-term growth of capital by investing primarily in a diversified portfolio of non-U.S. equity securities. Foreign investing may be subject to greater risks than domestic investing. These risks may include securities markets that are less efficient, less liquid and more volatile than those in the United States, as well as foreign currency fluctuation and different governmental regulatory concerns. The fund may be appropriate for investors who are willing to accept significant share price fluctuations in pursuit of potentially higher long-term returns through investments in international stocks. Details are discussed in the fund's prospectus.

18. *American Funds EuroPacific Growth Fund (Class R4) (REREX)*

American Funds EuroPacific Growth Fund is a growth mutual fund. The fund seeks to provide long-term growth of capital by investing in companies based outside the United States. Foreign investing may be subject to greater risks than domestic investing. These risks may include securities markets that are less efficient, less liquid and more volatile than those in the United States, as well as foreign currency fluctuation and different governmental regulatory concerns. Stock values fluctuate based on individual company activities and on overall market and economic factors. The fund may be appropriate for investors who are willing to accept the potential for significant fluctuations in share price while seeking potentially higher long-term returns from investments in international stocks. Details are discussed in the fund's prospectus.

19. *MDU Resources Group, Inc. Common Stock Fund (MDU)*

The MDU Resources Group, Inc. Common Stock Fund is not a mutual fund. The fund is invested in common stock. The fund will also invest a portion of its assets in cash and cash equivalents for liquidity purposes only. The value of your investment in the fund will fluctuate daily based on the changes in the share price of the common stock traded in the stock market. Because the fund invests in only one security, it may be considered to carry the highest potential for significant fluctuations in share price of the investment options available in the Plan. The fund may be appropriate for investors who are comfortable with the potential for significant share price fluctuations through investments in the common stock. The SPD and addendums serve as the fund's prospectus.

The MDU Resources Group, Inc. Common Stock Fund (MDU) differs from the other investment funds available under the Plan and investing in the fund is not the same as investing in MDU Resources Group, Inc. Common Stock on the open market. The fund operates in a manner similar to a mutual fund where all fund assets are held on a pooled basis. If you invest in the fund, you will own a specified number of units of the fund, rather than shares of MDU Resources Group, Inc. Common Stock purchased by the fund.

The value of your investment in the fund will fluctuate daily depending on the fund's earnings or losses, which are applied on a pro-rata basis to the accounts of all the participants who invested in the fund. The fund's earnings or losses are determined each business day based on (i) the fund's earnings rate and (ii) fund activity.

The *fund's earning rate* is derived from four sources:

- the change in the share price of MDU Resources Group, Inc. Common Stock traded in the stock market, which is the primary factor affecting the fund's value,
- sales and purchases of stock
 Shares of stock are bought and sold as needed to satisfy the fund's liquidity needs. Contributions come into the trust bi-weekly, but transactions such as fund transfers, payments, and loans occur more frequently. In order to meet this demand, a small percentage of the fund is held in short-term liquid investments.
- interest earned on cash or cash equivalents held in the fund for liquidity purposes only and
- plan expenses
 Plan expenses include recordkeeping fees, trustee fees, brokerage fees, commissions, stock transfer taxes and other charges and expenses in connection with the purchase and sale of stock. These costs are charged to the Plan and allocated to the fund and each participant's account.

Fund activity relates to transactions within a participant's account that impact the fund's balance. Withdrawals, fund transfers, loans and contributions are all items that affect this balance. All fund account activity is posted at the end of each business day.

MDU Resources Group, Inc. Common Stock Fund Account Balance Calculations and Equivalent Shares

A participant's account equates to a number of "equivalent shares" of MDU Resources Group, Inc. Common Stock. Since participant accounts are valued on a daily basis, they can equate to a different number of equivalent shares each day. The formula for calculating the equivalent share amount is:

$$\text{Number of Equivalent Shares} = \frac{\text{Participant's Ending Balance}}{\text{New York Stock Exchange Closing Price}}$$

The following table shows how the earnings rate affects fund account balances as well as equivalent shares.

	<u>Opening Balance</u>	<u>Earnings Rate</u>	<u>Ending Balance</u>	<u>Closing Share Price</u>	<u>Equivalent Shares</u>
Monday	\$ 98.00	1.0204	\$100.00	\$10.00	10.00
Tuesday	\$100.00	0.9900	\$ 99.00	\$ 9.25	10.70
Wednesday	\$ 99.00	1.0353	\$102.50	\$10.75	9.53
Thursday	\$102.50	1.0146	\$104.00	\$11.00	9.45
Friday	\$104.00	0.9712	\$101.00	\$10.25	9.85

This table shows that, due to an increase in the closing price per share, it is possible for your account to increase in the dollar value while actually experiencing a decrease in your equivalent shares.

MDU Resources Group, Inc. Common Stock will be purchased by the Plan Trustee pursuant to the terms of the Trust Agreement. It is important to remember that shares are not added to a Plan account when the Plan Trustee purchases stock for the fund. The Plan Trustee may purchase shares of stock directly from the Company, on the open market, in negotiated transactions, or a combination of the foregoing. The price of shares purchased directly from the Company will be the average of the high and low sales prices for such shares as reported on the composite tape for New York Stock

Exchange listed companies on the date the shares are purchased by the Plan Trustee. For shares of MDU Resources Group, Inc. Common Stock purchased on the open market, a commission of \$0.035 per share will be added to the purchase price. If shares are purchased directly from the Company, no commission will be charged.

There are special considerations associated with an investment in MDU Resources Group, Inc. Common Stock. For a review of these considerations and other relevant matters, please refer to the Company's latest Annual Report to Stockholders and Form 10-K and other reports filed with the Securities and Exchange Commission. To obtain a copy of these documents, please contact the Plan Administrator or visit the Company's website at www.mdu.com.

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ADDENDUM B.2 – FEDERAL INCOME TAXES

This addendum to the MDU Resources Group, Inc. 401(k) Retirement Plan Summary Plan Description constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

In 2003, the Company received a favorable determination from the Internal Revenue Service that the Plan, as amended, continues to meet the requirements, as to form, of Sections 401(a) and 401(k) of the Code, and that the Trust established under the Plan is exempt from Federal income taxes under Section 501(a) of the Code such that any Employer contributions paid to the Trust under the Plan will be allowable Federal income tax deductions subject to the conditions and limitations of Section 404 of the Code.

The following statements are intended only as an outline of the tax consequences of participation in the Plan. Because the applicable provisions of the Code are quite technical and subject to amendment and differing interpretations and because their application may vary in individual cases, you are advised to consult with your personal tax consultant regarding these matters. The Company makes no representation or warranty on the adequacy or accuracy of the following information.

Since the Internal Revenue Service has determined that the Plan continues to be a qualified plan, the Company believes the following tax effects will occur:

- a. Any Company contributions under the Plan, and dividends, interest, and other income attributable to such contributions and to a participating employee's savings contributions under the Plan are not taxable to the participating employee when received by the Plan Trustee and credited to the employee's account. These amounts are usually taxable when they are withdrawn or distributed to the participating employee.
- b. Employee contributions which are made to the Plan within applicable limits are not included in the participating employee's taxable wages as reported on the employee's Federal income tax return for the year for which such contributions are made, and thus reduce the amount of the employee's wages subject to withholding. These amounts are usually taxable when they are withdrawn or distributed to the participating employee. *However, the savings contributions are taken into account for purposes of FICA and FUTA when contributed to the Plan.*
- c. To the extent that distributions or withdrawals are taxable, they will usually be taxed as ordinary income. A Special Tax Notice will be sent to you if you request any type of distribution form.
- d. If a participant receives a distribution which includes MDU Resources Group, Inc. Common Stock, any "net unrealized appreciation" (i.e., the difference between the stock's current value and its purchase price) in value of the MDU Resources Group, Inc. Common Stock will not be taxed to the participant at the time of such distribution. Such net unrealized appreciation will be taken into account as capital gain for tax purposes when realized upon the taxable sale or disposition of such stock. However, the participant may elect to include such net unrealized appreciation in income at the time of distribution.
- e. In addition to the tax consequences described above, a taxable distribution or withdrawal received from the Plan by a participant who has not attained age 59^{1/2} and not directly transferred to another Plan is generally subject to an additional 10% income tax. The additional 10% tax generally does not apply to (1) payments that are paid after you separate from service with your employer during or after the year you reach age 55;

(2) payments that are paid because of death or total and permanent disability of participant; (3) dividends on Company stock that are paid to you rather than reinvested in the K-Plan; (4) payments that are paid directly to the government to satisfy a federal tax levy; (5) payments that are paid to an alternate payee under a qualified domestic relations order; (6) payments that do not exceed the amount of your deductible medical expenses; or (7) payments received as a result of a qualified military withdrawal. See IRS Form 5329 for more information on the additional 10% tax.

Upon a distribution or withdrawal it will be necessary for the participating employee to determine the precise effect upon the employee's Federal and state tax returns of the distribution or withdrawal.

**ADDENDUM C - WHAT DOES THE COMPANY CONTRIBUTE
AND PLAN SAVINGS EXAMPLE**

This addendum to the MDU Resources Group, Inc. 401(k) Retirement Plan Summary Plan Description constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

Ames Sand & Gravel, Inc. <i>(dba Knife River Materials – North Dakota)</i>	Hawaiian Cement (Salaried)
Anchorage Sand and Gravel Company, Inc.	International Line Builders, Inc.
Baldwin Contracting Company, Inc. <i>(dba Knife River Construction – Northern California Chico Division)</i>	Jebro Incorporated
Bitter Creek Pipelines, LLC	Kent's Oil Service
Bombard Mechanical, LLC	Knife River Corporation
Capital Electric Construction Company, Inc.	Knife River Corporation - North Central <i>(dba Knife River – Central Minnesota Division)</i>
Capital Electric Line Builders, Inc.	Knife River Corporation - North Central <i>(dba Knife River – North Dakota Division)</i>
Concrete, Inc. <i>(dba Knife River – Northern California Ready Mix Division)</i>	Knife River Midwest, LLC
Connolly-Pacific Co.	KRC Aggregate, Inc. <i>(dba Knife River – Northern California Aggregate Division)</i>
Desert Fire Protection, LP	Lone Mountain Excavation & Utilities, LLC
DSS Company <i>(dba Knife River Construction – Northern California Stockton Division)</i>	Loy Clark Pipeline Co.
E.S.I., Inc.	LTM, Incorporated (Non-Bargaining) <i>(dba Knife River Materials – Southern Oregon Division)</i>
Fairbanks Materials, Inc.	MDU Construction Services Group, Inc.
Fidelity Exploration & Production Company	MDU Resources Group, Inc.
Frebco, Inc.	Montana-Dakota Utilities Co.
Granite City Ready Mix, Inc. <i>(dba Knife River Materials – Central Minnesota Division)</i>	Northstar Materials, Inc. <i>(dba Knife River Materials – Northern Minnesota Division)</i>
Great Plains Natural Gas Co. <i>(hired after 12-31-05)</i>	Prairielands Energy Marketing, Inc.
Hap Taylor & Sons, Inc. <i>(dba Knife River – Central Oregon Division)</i>	USI Industrial Services, Inc.
Hap Taylor & Sons, Inc. <i>(dba Knife River – Southern Idaho Division)</i>	Wagner Industrial Electric, Inc.
Hap Taylor & Sons, Inc. <i>(dba Knife River – Spokane Division)</i>	Wagner-Smith Equipment Co.
	WBI Holdings, Inc.
	Williston Basin Interstate Pipeline Company

WHAT IT IS

This Addendum is intended to supplement the K-Plan Summary Plan Description. Please refer to the full K-Plan Summary Plan Description for a complete explanation of the Plan.

WHO CAN PARTICIPATE

This Addendum applies to the employees of the companies referenced above who meet the eligibility requirements found in the K-Plan Summary Plan Description.

WHAT DOES THE COMPANY CONTRIBUTE

The Company's matching contribution to the Plan is based on your savings contribution. For each \$1.00 you contribute to the Plan, up to 6% of your wages, the Company contributes \$.50.

The Company matching contribution is calculated on a payperiod basis with a year-end recalculation as explained below. For example, if you were to elect a 4% contribution to the Plan for the first six months of the year, and an 8% contribution for the last six months of the year, the following illustrates how the Company matching contribution is calculated:

First Six Months of the Year @ 4%:

\$2,000.00 Monthly Earnings
 x 4% (matched contributions) = \$80.00
 x \$.50/\$1.00 match rate = \$40.00
 x 6 months = **\$240.00 Company Contribution**

Last Six Months of the Year @ 8%:

\$2,000.00 Monthly Earnings
 x 6% (matched contributions) = \$120.00
 x \$.50/\$1.00 match rate = \$60.00
 x 6 months = **\$360.00 Company Contribution**

Total Company Matching Contribution for Year = \$600.00 (Before year-end recalculation)

When a percentage of your contributions are unmatched during any part of the year (i.e. you were contributing at least 7%) and if you contributed less than 6% during other times of the year, through the year-end recalculation, your account will be credited with the amount of Company matching contributions you would have received otherwise. Such adjustment will only be based on compensation received while you are eligible for the K-Plan.

The year-end recalculation in this example results in an additional company contribution described as follows:

Total Employee Contributions before Adjustment \$1,440
 Total Wages Eligible for K-Plan \$24,000
 Actual Average Employee Contribution Rate 6%

Since the employee contributed 6% of their eligible compensation to the K-Plan, they should receive full Company matching contributions as follows:

Full Match
 (\$.50 of each \$1.00 of employee contributions, up to 6%) . . \$720
 Actual Employer Matching Contribution \$600
 Additional Match at Year-end Recalculation = \$120

Any matching contributions attributable to K-Plan deferrals deducted from your compensation will be invested according to your investment direction. It is expected that Company matching contributions will be made bi-weekly. Company matching contributions are 100% vested immediately.

PLAN SAVINGS EXAMPLE

If you are earning \$25,000 a year and elect a 7% contribution rate, you will save \$1,750 annually toward your retirement. The Company will match up to 6% or \$1,500 (at 50 cents on a dollar), resulting in a Company matching contribution of \$750. If you decide that 30% of your \$1,750 of deferrals will go to the Small-Cap Fund, 40% to the Equity Fund and 30% to MDU Resources Group, Inc. Common Stock, you will be investing the following in each option:

Small-Cap Fund \$ 525 (\$1,750 x 30%)
 Equity Fund 700 (\$1,750 x 40%)
 MDU Resources Group Inc. Common Stock 525 (\$1,750 x 30%)
Subtotal **\$1,750**
 Plus MDU Resources Match* 750
Total **\$2,500**

*Company matching contribution

The \$1,750 you contribute would generally lower your gross income subject to taxation, in the example, from \$25,000 to \$23,250. Assuming this \$1,750 is subject to a federal income tax rate of 28%, you would recognize a tax deferral of \$490.

ADDENDUM D.19 – RETIREMENT CONTRIBUTION FEATURE

This addendum to the MDU Resources Group, Inc. 401(k) Retirement Plan Summary Plan Description constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

PARTICIPATING AFFILIATES

- Bitter Creek Pipelines, LLC
- Fidelity Exploration & Production Company
- Great Plains Natural Gas Co.
- Hawaiian Cement
- Intermountain Gas Company
- Knife River Corporation
- MDU Construction Services Group, Inc.
- MDU Resources Group, Inc.
- Montana-Dakota Utilities Co.
- Prairielands Energy Marketing, Inc.
- WBI Holdings, Inc.
- Williston Basin Intersate Pipeline Company

WHAT IT IS

This Addendum is intended to describe the Retirement Contribution Feature of the K-Plan for eligible employees of the companies referenced above and is meant to supplement the K-Plan Summary Plan Description. Please refer to the full 401(k) Plan Summary Plan Description for a complete explanation of the Plan.

WHO CAN PARTICIPATE

Employees of the companies referenced above who are eligible for the K-Plan (even if you are not making contributions to the Plan) are also eligible to participate in the Retirement Contribution Feature. If the Company makes a contribution for any given Plan Year (see the next section), you will be eligible to share in that contribution if you complete at least 1,000 hours of employment in that Plan Year; provided, however, that if your failure to complete 1,000 Hours of Service in the Plan Year is due to your Disability, Death or Retirement on or after attaining age 60 during such Plan Year, you shall be entitled to share in the allocation of Retirement Contribution for such Plan Year.

All Williston Basin Interstate Pipeline Company employees and Montana-Dakota Utilities Co. employees hired after July 1, 2007 covered by a collective bargaining agreement are eligible to participate in this Retirement Contribution Feature, but any other employees covered by a collective bargaining agreement are not eligible to participate in the Retirement Contribution Feature unless participation in the Retirement Contribution Feature is specifically bargained for.

WHAT DOES THE COMPANY CONTRIBUTE

For each Plan Year, the Company will credit eligible employees with a contribution equal to the percent shown in the below chart of their eligible Compensation as a Retirement Contribution. Eligible Compensation means your total compensation paid by the Company during that Plan Year (not in excess of \$245,000 in 2010, as indexed) and includes overtime, alternate rate and premium pay, but excludes relocation allowance and any other extra or additional compensation which does not constitute direct earnings such as bonuses.

Participating Affiliate	Employees	Percentage
Bitter Creek Pipelines, LLC	All eligible employees excluding certain identified grandfathered employees	5%
Fidelity Exploration & Production Company	All eligible employees excluding certain identified grandfathered employees	5%
Great Plains Natural Gas Co.	Eligible employees hired before 1/1/06	4%
Great Plains Natural Gas Co.	Eligible employees hired on or after 1/1/06	5%
Intermountain Gas Company	All eligible non-union employees	6.5%
Knife River Corporation	All eligible employees hired on or after 1/1/06	5%
MDU Construction Services Group, Inc.	All eligible employees hired on or after 1/1/06	5%
MDU Resources Group, Inc.	All eligible employees hired on or after 1/1/06	5%
Montana-Dakota Utilities Co.	All eligible non-union employees hired on or after 1/1/06 All eligible union employees hired on or after 07/01/07	5%
Prairielands Energy Marketing, Inc.	All eligible employees hired on or after 1/1/06	5%
WBI Holdings, Inc.	All eligible employees hired on or after 1/1/06	5%
Williston Basin Interstate Pipeline Company	All eligible employees hired on or after 1/1/06	5%

Eligible employees of Hawaiian Cement (non-union only), Knife River Corporation, MDU Construction Services Group, Inc., MDU Resources Group, Inc., Montana-Dakota Utilities Co. (non-union only), Prairielands Energy Marketing, Inc., WBI Holdings Inc., Williston Basin Interstate Pipeline Company, and certain identified grandfathered employees of Bitter Creek Pipelines, LLC and Fidelity Exploration & Production Company hired before January 1, 2006, will receive a static contribution as outlined in the below chart based upon their age as of December 31, 2009, and their eligible Compensation, excluding bonuses.

Age as of December 31, 2009	Retirement Contribution Percentage
Less than 30	5.0%
30 but less than 35	7.0%
35 but less than 40	9.0%
40 but less than 45	10.5%
45 and over	11.5%

However, these contributions may be reduced if they exceed the limits allowed under Section 415 of the Internal Revenue Code. The contribution percentage may also be reduced for any and all highly compensated employees (received compensation in excess of \$110,000 in 2009, as indexed, or is a 5% owner), as necessary, to pass annual nondiscrimination testing.

INVESTMENT OF RETIREMENT CONTRIBUTION

Any Retirement Contribution you receive will be credited to a Retirement Contribution Account established in your name under the K-Plan. You may direct the investment of your Retirement Contribution Account among the investment funds offered in the K-Plan.

VESTING

Even though you may be a participant in the Retirement Contribution Feature, you must first be vested before you have any non-forfeitable right to a benefit under this feature. Vesting is defined as a present, non-forfeitable right to a future benefit. The right means that it belongs to you and cannot be taken away.

Even though you are immediately vested in the standard K-Plan matching contributions, the Retirement Contribution Feature requires three (3) years of vesting service.

Once you have completed three (3) years of vesting service, you will become fully vested in your current Retirement Contribution Account and any future contributions. If you terminate your employment with the Company or any affiliate prior to becoming vested in your Retirement Contribution Account, your entire Retirement Contribution Account balance will be forfeited. A year of vesting service is generally defined as any calendar year in which you are compensated for at least 1,000 hours of employment. Notwithstanding the foregoing, a participant shall be vested in his or her Retirement Contribution Account upon death, disability or upon attaining age 60.

DISTRIBUTION OF RETIREMENT CONTRIBUTION FEATURE

The vested balance in your Retirement Contribution Account may be distributed at the same time and in the same manner as the balances in your other 401(k) Plan accounts.

REEMPLOYMENT

If you terminate employment before becoming vested in your Retirement Contribution Account and later become reemployed by the Company or any affiliate, your Retirement Contribution account will be reinstated if you have not incurred five (5) consecutive One-Year breaks in service. A break in service is defined as a Plan Year in which a terminated employee is compensated for less than 500 hours.

IMPORTANT PLAN INFORMATION

This Retirement Contribution Feature is not a guarantee of employment. The Board of Directors of the Company has authority to change or discontinue the Retirement Contribution Feature at any time.

ADDENDUM D.22 – PROFIT SHARING FEATURE

This addendum to the MDU Resources Group, Inc. 401(k) Retirement Plan Summary Plan Description constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

- Great Plains Natural Gas
- Montana-Dakota Utilities Co.

WHAT IT IS

This Addendum is intended to describe the Profit Sharing Feature of the 401(k) Plan for eligible non-union and union employees of the companies referenced above and is meant to supplement the 401(k) Plan Summary Plan Description. Please refer to the full 401(k) Plan Summary Plan Description for a complete explanation of the Plan.

WHO CAN PARTICIPATE

Employees of the companies referenced above (respectively, "Your Company") who are eligible for the 401(k) Plan (even if you are not making contributions to the Plan) are also eligible to participate in the Profit Sharing Feature of Your Company. If Your Company makes a contribution for any given Plan Year (see the next section), you will be eligible to share in that contribution if you are compensated for at least 1,000 hours of employment and are employed by Your Company on December 31 of that Plan Year. However, if your failure to complete 1,000 hours of employment or be employed on the last day of the Plan Year is due to your Disability, Death, or Retirement on or after attaining age 60 during such Plan Year, you shall be entitled to share in the Profit Sharing Contribution for that Plan Year.

WHAT DOES THE COMPANY CONTRIBUTE

For each Plan Year in which Montana-Dakota Utilities Co. (MDU) achieves a certain level of profitability, Your Company may credit eligible employees with a contribution which equals a percentage of their eligible compensation as a profit sharing contribution. Eligible compensation means your total compensation paid by Your Company during that Plan Year (not in excess of \$245,000 in 2010, as indexed) and includes overtime, alternate rate and premium pay, but excludes relocation allowance and any other extra or additional compensation which does not constitute direct earnings, such as bonuses. Your Company may make profit sharing contributions to the Plan on behalf of each eligible employee based on MDU's attainment of profitability targets established each year pursuant to the following schedule:

<u>% of Target Profitability</u>	<u>Profit Sharing Contributions</u>
100%	1.0% (of eligible compensation)

Example:

If MDU attained 100% of the Plan Year profitability target, employees may receive 1.0% of their eligible compensation as profit sharing. If an employee earned \$40,000 during the year as eligible compensation, they would receive a profit sharing contribution of \$400 (\$40,000 x 1.0%).

INVESTMENT OF PROFIT SHARING CONTRIBUTIONS

Any profit sharing contribution you receive will be credited to a profit sharing account established in your name under the 401(k) Plan. You may direct the investment of your profit sharing account among the investment funds offered in the 401(k) Plan.

VESTING

Even though you may be a participant in the Profit Sharing Feature, you must first be vested before you have any non-forfeitable right to a benefit under the Profit Sharing Feature. Vesting is defined as a present right to a future benefit. The right means that it belongs to you and cannot be taken away. It is a benefit you will be able to enjoy at some future date.

Even though you are immediately vested in the 401(k) Plan, the Profit Sharing Feature requires three (3) years of vesting service.

Once you have completed three (3) years of vesting service, you will become fully vested in your current profit sharing account and any future contributions. If you terminate your employment with Your Company and all affiliates prior to becoming vested in the Profit Sharing Feature, your entire profit sharing account balance will be forfeited. A year of vesting service is generally defined as any calendar year in which you are compensated for at least 1,000 hours of employment. Years you were employed with Your Company and any affiliate prior to implementation of Your Company's Profit Sharing Feature will be counted as vesting service for the Profit Sharing Feature. Notwithstanding the foregoing, a participant shall be vested in his or her Profit Sharing Account upon death, disability or upon attaining age 60.

DISTRIBUTION OF PROFIT SHARING ACCOUNT

The vested balance in your profit sharing account may be distributed at the same time and in the same manner as the balances in your other 401(k) Plan accounts.

REEMPLOYMENT

If you terminate employment before becoming vested in the Profit Sharing Feature and later become reemployed by Your Company or any affiliate, your profit sharing account will be reinstated if you have not incurred five (5) consecutive 1-Year breaks in service. A break in service is defined as a Plan Year in which a terminated employee is compensated for less than 500 hours.

IMPORTANT PLAN INFORMATION

This Profit Sharing Feature is not a guarantee of employment. The governing entity of Your Company has authority to change or discontinue the Profit Sharing Feature at any time.

401(k) Retirement Plan (K-Plan)

SUMMARY OF MATERIAL MODIFICATIONS (SMM)

Dated January 1, 2010



This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

MDU RESOURCES GROUP, INC.

SUMMARY OF MATERIAL MODIFICATIONS
K-PLAN

The following changes and clarifications are hereby made effective January 1, 2010:

This is a Summary of Material Modifications (SMM) made to the MDU Resources Group, Inc. 401(k) Retirement Plan (K-Plan). Please read this SMM carefully and keep it with your Summary Plan Description for future reference. All other provisions of the K-Plan remain the same as detailed in your Summary Plan Description.

In the WHAT IS THE K-PLAN section, "special contributions" is replaced with "retirement contributions" and reference to variable match contributions has been removed.

In the HOW DO I ENROLL section, you will be automatically enrolled if you fail to enroll within 30 days from your date of hire or date of eligibility, if later. "Special retirement contributions" is replaced with "retirement contributions" and reference to variable match contributions has been removed.

In the HOW MUCH MAY I SAVE section, a cross-reference to Section 10 has been corrected to reflect that "higher paid employee" is defined in Section 12.

In the HOW MUCH MAY I SAVE section, the fourth paragraph is hereby deleted and replaced with the following:

Your "wages" means your total compensation including overtime, alternate rate, premium pay, and differential wage payment but excluding relocation allowance and any other extra or additional compensation which does not constitute direct earnings, such as bonuses. For purposes of any employer contributions (i.e. match, profit sharing, retirement), wages cannot exceed \$245,000 in 2010, as indexed.

In the LOAN PROCEDURES section, in the paragraph titled, *How is the Loan Repaid*, the following is hereby added at the end of the paragraph:

Loan repayments received by New York Life Trust Company after a loan has been paid in full will be refunded directly to the participant.

In the BENEFIT STATUS AT EMPLOYMENT TERMINATION section, the fifth paragraph is hereby deleted and replaced with the following two paragraphs:

Due to the passage of the Worker, Retiree, and Employer Recovery Act of 2008, participants or beneficiaries will not receive the required 70 ½ distributions for 2009 unless they elect to receive such distributions. Any 2009 70 ½ distributions or extended 2009 70 ½ distributions will be treated as eligible rollover distributions.

You will be provided with the appropriate distribution forms within 45 days after your employment with the Company has ended. Qualifying distributions will be made as soon as administratively feasible upon the receipt of the completed election form.

The PLAN NAME subsection in the IDENTIFICATION INFORMATION section is hereby deleted and replaced with the following:

The name of the Company's K-Plan is the MDU Resources Group, Inc. 401(k) Retirement Plan. As of December 31, 2009, the Plan held 10,488,128 shares of MDU Resources Group, Inc. Common Stock which were registered under the Securities Act of 1933. As of December 31, 2009, there were 2,991,911 additional shares registered under the Securities Act of 1933.

In the CLAIMS PROCEDURES section, the paragraph titled *Legal Action* is hereby deleted and replaced with the following:

If the Employee Benefits Committee (EBC) denies your claim for a benefit under the Plan, then you may bring suit in Federal Court. You may not file a lawsuit or legal action regarding benefits under the Plan unless you first follow the entire claims and appeal process described above. You may only bring suit in Federal Court if you file such action within 60 days after your receipt of the final denial of your claim by the EBC.

In the ERISA RIGHTS section, the second to last paragraph is hereby deleted and replaced with the following:

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of a plan document or the latest annual report from the Plan Administrator and do not receive it within 30 days, you may file suit in a Federal Court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal Court within 60 days of your receipt of the final denial of your claim on appeal. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in Federal Court. If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal Court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and legal fees. If you lose, the court may order you to pay these costs and legal fees (i.e. if it finds your claim is frivolous).

Addendum A is hereby deleted and replaced with the following:

ADDENDUM A – PARTICIPATING AFFILIATES

This addendum to the MDU Resources Group, Inc. 401(k) Retirement Plan Summary Plan Description constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

Participating Affiliates (dba/administrative name)

Ames Sand & Gravel, Inc. <i>(dba Knife River Materials – North Dakota Division)</i>	Knife River Corporation - North Central <i>(dba Knife River – Central Minnesota Division)</i>
Anchorage Sand and Gravel Company, Inc.	Knife River Corporation - North Central <i>(dba Knife River – North Dakota Division)</i>
Baldwin Contracting Company, Inc. <i>(dba Knife River Construction – Northern California Chico Division)</i>	Knife River Corporation - Northwest <i>(the Central Oregon Division, f/k/a HTS)</i>
Bell Electrical Contractors, Inc.	Knife River Corporation - Northwest <i>(the Southern Idaho Division)</i>
Bitter Creek Pipelines, LLC	Knife River Corporation - Northwest <i>(the Southern Oregon Division, f/k/a Rogue)</i>
Bombard Electric, LLC	Knife River Corporation - Northwest
Bombard Mechanical, LLC	<i>(the Spokane Division)</i>
Capital Electric Construction Company, Inc.	Knife River Corporation - Northwest
Capital Electric Line Builders, Inc.	<i>(the Western Oregon Division, f/k/a MBI)</i>
Cascade Natural Gas Corporation	Knife River Corporation - South
Concrete, Inc. <i>(dba Knife River – Northern California Ready Mix Division)</i>	Knife River Midwest, LLC
Connolly-Pacific Co.	KRC Aggregate, Inc. <i>(dba Knife River – Northern California Aggregate Division)</i>
Desert Fire Protection, LP	Lone Mountain Excavation & Utilities, LLC
DSS Company <i>(dba Knife River Construction – Northern California Stockton Division)</i>	Loy Clark Pipeline Co.
E.S.I., Inc.	LTM, Incorporated <i>(dba Knife River Materials – Southern Oregon Division)</i>
Fairbanks Materials, Inc.	MDU Construction Services Group, Inc.
Fidelity Exploration & Production Company	MDU Resources Group, Inc.
Frebo, Inc.	Montana-Dakota Utilities Co.
Granite City Ready Mix, Inc. <i>(dba Knife River Materials – Central Minnesota Division)</i>	Northstar Materials, Inc. <i>(dba Knife River Materials – Northern Minnesota Division)</i>
Great Plains Natural Gas Co.	Oregon Electric Construction, Inc.
Hamlin Electric Company	Prairielands Energy Marketing, Inc.
Hawaiian Cement	Rocky Mountain Contractors, Inc.
Intermountain Gas Company	USI Industrial Services, Inc.
International Line Builders, Inc.	Wagner Industrial Electric, Inc.
Jebro Incorporated	Wagner-Smith Equipment Co.
JTL Group, Inc. a Montana Corporation <i>(dba Knife River – Mountain Region)</i>	Warner Enterprises, Inc. <i>(dba Sun Valley Electric Supply Company)</i>
JTL Group, Inc. a Wyoming Corporation <i>(dba Knife River - Mountain Region)</i>	WBI Holdings, Inc.
Kent's Oil Service	WHC, Ltd.
Knife River Corporation	Williston Basin Interstate Pipeline Company

Addendum B is hereby deleted and replaced with the following:

ADDENDUM B – INVESTMENT PERFORMANCE AND FEE INFORMATION

This addendum to the MDU Resources Group, Inc. 401(k) Retirement Plan Summary Plan Description constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

The annual total returns as of each of the following dates are as follows:

	<u>Dec. 31, 2009</u>	<u>Dec. 31, 2008</u>	<u>Dec. 31, 2007</u>
Stable Value Option	3.31%	4.78%	4.78%
MainStay Indexed Bond Fund	5.51%	7.04%	6.92%
Dodge & Cox Balanced Fund	28.37%	-33.57%	1.73%
T. Rowe Price Retirement 2010 Fund	27.95%	-26.71%	6.65%
T. Rowe Price Retirement 2015 Fund	31.35%	-30.22%	6.75%
T. Rowe Price Retirement 2020 Fund	34.19%*	-33.48%	6.73%
T. Rowe Price Retirement 2025 Fund	36.29%*	-35.90%	6.81%
T. Rowe Price Retirement 2030 Fund	37.99%*	-37.79%	6.83%
T. Rowe Price Retirement 2035 Fund	39.04%*	-38.88%	6.81%
MainStay S&P 500 Index Fund	26.14%	-37.03%	5.18%
Growth Fund of America	34.54%	-39.07%	10.88%
Baron Asset Fund	31.70%	-40.75%	10.13%
Davis New York Venture Fund	32.06%	-40.03%	4.97%
Forward Small Cap Equity Fund	20.62%	-39.02%	7.36%
Allianz NFJ Small Cap Value Fund	24.48%	-26.18%	6.53%
Royce Total Return Fund	26.22%	-31.17%	2.39%
AllianceBernstein International Value Fund	34.22%	-53.54%	5.26%
EuroPacific Growth Fund	39.13%	-40.56%	18.87%
MDU Resources Group, Inc. Common Stock	12.89%	-20.06%	9.85%

*These returns may vary slightly due to timing.

Past performance is not indicative of future results. If you choose to participate in the Plan, there are fees or commissions you will pay associated with each of the investment options. Such fees or commissions are set forth in the prospectus and are subject to change any time. As of January 1, 2010, the following fees were in effect:

- **New York Life Anchor Account (Stable Value Option)**
.30% per dollar per year
- **MainStay Indexed Bond Fund**
.62% per dollar per year
- **Dodge & Cox Balanced Fund**
.53% per dollar per year
- **T. Rowe Price Retirement 2010 Fund**
.64% per dollar per year
- **T. Rowe Price Retirement 2015 Fund**
.69% per dollar per year
- **T. Rowe Price Retirement 2020 Fund**
.73% per dollar per year
- **T. Rowe Price Retirement 2025 Fund**
.76% per dollar per year
- **T. Rowe Price Retirement 2030 Fund**
.78% per dollar per year
- **T. Rowe Price Retirement 2035 Fund**
.79% per dollar per year
- **MainStay S&P 500 Index Fund**
.64% per dollar per year

- **Growth Fund of America Fund**
.70% per dollar per year
- **Baron Asset Fund**
1.33% per dollar per year
- **Davis New York Venture Fund**
.92% per dollar per year
- **Forward Small Cap Equity Fund**
1.65% per dollar per year
- **Allianz NFJ Small Cap Value Fund**
.89% per dollar per year
- **Royce Total Return Fund**
1.19% per dollar per year
- **AllianceBernstein International Value Fund**
1.39% per dollar per year
- **American EuroPacific Fund**
.85% per dollar per year
- **MDU Resources Group, Inc. Common Stock (MDU)**
\$.035 per share at purchase if purchased on the open market. If shares are purchased directly from the Company, no fees are included.

Fee disclosures represent gross expense ratio as required by the FINRA (Financial Industry Regulatory Authority).

Earnings on the non-MDU stock funds are reduced by the fees before the earnings are actually allocated to your account.

ADDENDUM B.1 – INVESTMENT DESCRIPTIONS, the T. Rowe Price Retirement 2010 Fund (TRRAX) is hereby deleted and replaced with the following:

4. T. Rowe Price Retirement 2010 Fund (TRRAX)

T. Rowe Price Retirement 2010 Fund is a target-date portfolio designed to provide diversified exposure to stocks, bonds, and cash for those investors who have a specific date in mind for retirement or another goal. This portfolio aims to provide investors with an optimal level of return and risk, based solely on the target date. These portfolios get more conservative as the goal date approaches by investing more in bonds and cash. The fund seeks the highest total return over time consistent with an emphasis on both capital growth and income. The fund invests in a set of underlying T. Rowe Price mutual funds representing various asset classes and sectors. It expects to invest 59.5% of assets in stock funds, 31.5% in fixed income funds, and 9.0% in short-term income funds. The fund may be appropriate for investors who feel they don't have the time or experience to select and monitor an investment portfolio. Details are discussed in the fund's prospectus.

Changes to Addendum C, effective January 1, 2010:

Each Company's Addendum C is renamed **ADDENDUM C – WHAT DOES THE COMPANY CONTRIBUTE AND PLAN SAVINGS EXAMPLE.**

Each Company's Addendum C is revised to add a section heading entitled **PARTICIPATING AFFILIATE(S)** directly after the sentence, "This addendum to the MDU Resources Group, Inc. 401(k) Retirement Plan Summary Plan Description constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933."

The following Participating Affiliate(s) sections are hereby replaced as indicated below:

PARTICIPATING AFFILIATES (dba/administrative name)

Ames Sand & Gravel, Inc. <i>(dba Knife River Materials – North Dakota)</i>	Knife River Corporation
Anchorage Sand and Gravel Company, Inc.	Knife River Corporation - North Central <i>(dba Knife River – Central Minnesota Division)</i>
Baldwin Contracting Company, Inc. <i>(dba Knife River Construction – Northern California Chico Division)</i>	Knife River Corporation - North Central <i>(dba Knife River – North Dakota Division)</i>
Bitter Creek Pipelines, LLC	Knife River Corporation-Northwest <i>(the Central Oregon Division)</i>
Bombard Mechanical, LLC	Knife River Corporation-Northwest <i>(the Southern Idaho Division)</i>
Capital Electric Construction Company, Inc.	Knife River Corporation-Northwest <i>(the Spokane Division)</i>
Capital Electric Line Builders, Inc.	Knife River Midwest, LLC
Concrete, Inc. <i>(dba Knife River – Northern California Ready Mix Division)</i>	Lone Mountain Excavation & Utilities, LLC
Connolly-Pacific Co.	Loy Clark Pipeline Co.
Desert Fire Protection, LP	LTM, Incorporated (Non-Bargaining) <i>(dba Knife River Materials – Southern Oregon Division)</i>
DSS Company <i>(dba Knife River Construction – Northern California Stockton Division)</i>	MDU Construction Services Group, Inc.
E.S.I., Inc.	MDU Resources Group, Inc.
Fairbanks Materials, Inc.	Montana-Dakota Utilities Co.
Fidelity Exploration & Production Company	Northstar Materials, Inc. <i>(dba Knife River Materials – Northern Minnesota Division)</i>
Frebco, Inc.	Prairielands Energy Marketing, Inc.
Granite City Ready Mix, Inc. <i>(dba Knife River Materials – Central Minnesota Division)</i>	Rocky Mountain Contractors, Inc. (Non-Bargaining)
Great Plains Natural Gas Co. <i>(hired after 12-31-05)</i>	USI Industrial Services, Inc.
Hamlin Electric Company	Wagner Industrial Electric, Inc.
Hawaiian Cement (Salaried)	Wagner-Smith Equipment Co.
International Line Builders, Inc.	Warner Enterprises, Inc. <i>(dba Sun Valley Electric Supply Company)</i>
Jebro Incorporated	WBI Holdings, Inc.
Kent's Oil Service	Williston Basin Interstate Pipeline Company
KRC Aggregate, Inc. <i>(dba Knife River – Northern California Aggregate Division)</i>	

PARTICIPATING AFFILIATE (dba/administrative name)

Knife River Corporation - Northwest *(the Western Oregon Division, f/k/a MBI)*

PARTICIPATING AFFILIATE (dba/administrative name)

Knife River Corporation - Northwest *(the Southern Oregon Division, f/k/a Rogue)*

Changes to applicable Addendum D's, effective January 1, 2010:

ADDENDUM D THROUGH ADDENDUM D.22

In the WHO CAN PARTICIPATE and VESTING sections for each ADDENDUM D - ADDENDUM D.22, age 65 is replaced with age 60 as the normal retirement age.

The phrase SPECIAL CONTRIBUTION is replaced with RETIREMENT CONTRIBUTION, where applicable.

The following Addendum D's are replaced or deleted in their entirety:

ADDENDUM D – PROFIT SHARING FEATURE is replaced to reflect name changes of Participating Affiliates (attached for those Participating Affiliates impacted).

ADDENDUM D.11 – SPECIAL CONTRIBUTION FEATURE is replaced to reflect the name change to Retirement Contribution and to clarify immediate vesting in this feature.

ADDENDUM D.12 – REMOVED. Replaced with **ADDENDUM D.19.**

ADDENDUM D.16 – PROFIT SHARING FEATURE is replaced to clarify that employees of the Total Corrosion Solutions division are not eligible for profit sharing (attached for those Participating Affiliates impacted)

ADDENDUM D.19 – SPECIAL CONTRIBUTION FEATURE is replaced to reflect the name change to Retirement Contribution, the consolidation of Retirement Contribution features, and new age-banded contribution (attached for those Participating Affiliates impacted).

ADDENDUM D.21 – SPECIAL CONTRIBUTION, SPECIAL TRANSITION CONTRIBUTION, AND PROFIT SHARING FEATURE is renamed and revised to reflect the removal of the Special Transition Contribution (attached for the Participating Affiliate impacted).

ADDENDUM D.22 – PROFIT SHARING FEATURE is revised to reflect the appropriate Participating Affiliates (attached for the Participating Affiliates impacted).

ADDENDUM D.23 – REMOVED. Replaced with **ADDENDUM D.19.**

ADDENDUM D.19 – RETIREMENT CONTRIBUTION FEATURE

This addendum to the MDU Resources Group, Inc. 401(k) Retirement Plan Summary Plan Description constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

PARTICIPATING AFFILIATES

- Bitter Creek Pipelines, LLC
- Fidelity Exploration & Production Company
- Great Plains Natural Gas Co.
- Hawaiian Cement
- Intermountain Gas Company
- Knife River Corporation
- MDU Construction Services Group, Inc.
- MDU Resources Group, Inc.
- Montana-Dakota Utilities Co.
- Prairielands Energy Marketing, Inc.
- WBI Holdings, Inc.
- Williston Basin Interstate Pipeline Company

WHAT IT IS

This Addendum is intended to describe the Retirement Contribution Feature of the K-Plan for eligible employees of the companies referenced above and is meant to supplement the K-Plan Summary Plan Description. Please refer to the full 401(k) Plan Summary Plan Description for a complete explanation of the Plan.

WHO CAN PARTICIPATE

Employees of the companies referenced above who are eligible for the K-Plan (even if you are not making contributions to the Plan) are also eligible to participate in the Retirement Contribution Feature. If the Company makes a contribution for any given Plan Year (see the next section), you will be eligible to share in that contribution if you complete at least 1,000 hours of employment in that Plan Year; provided, however, that if your failure to complete 1,000 Hours of Service in the Plan Year is due to your Disability, Death or Retirement on or after attaining age 60 during such Plan Year, you shall be entitled to share in the allocation of Retirement Contribution for such Plan Year.

All Williston Basin Interstate Pipeline Company employees and Montana-Dakota Utilities Co. employees hired after July 1, 2007 covered by a collective bargaining agreement are eligible to participate in this Retirement Contribution Feature, but any other employees covered by a collective bargaining agreement are not eligible to participate in the Retirement Contribution Feature unless participation in the Retirement Contribution Feature is specifically bargained for.

WHAT DOES THE COMPANY CONTRIBUTE

For each Plan Year, the Company will credit eligible employees with a contribution equal to the percent shown in the below chart of their eligible Compensation as a Retirement Contribution. Eligible Compensation means your total compensation paid by the Company during that Plan Year (not in excess of \$245,000 in 2010, as indexed) and includes overtime, alternate rate and premium pay, but excludes relocation allowance and any other extra or additional compensation which does not constitute direct earnings such as bonuses.

Participating Affiliate	Employees	Percentage
Bitter Creek Pipelines, LLC	All eligible employees excluding certain identified grandfathered employees	5%
Fidelity Exploration & Production Company	All eligible employees excluding certain identified grandfathered employees	5%
Great Plains Natural Gas Co.	Eligible employees hired before 1/1/06	4%
Great Plains Natural Gas Co.	Eligible employees hired on or after 1/1/06	5%
Intermountain Gas Company	All eligible non-union employees	6.5%
Knife River Corporation	All eligible employees hired on or after 1/1/06	5%
MDU Construction Services Group, Inc.	All eligible employees hired on or after 1/1/06	5%
MDU Resources Group, Inc.	All eligible employees hired on or after 1/1/06	5%
Montana-Dakota Utilities Co.	All eligible non-union employees hired on or after 1/1/06 All eligible union employees hired on or after 07/01/07	5%
Prairielands Energy Marketing, Inc.	All eligible employees hired on or after 1/1/06	5%
WBI Holdings, Inc.	All eligible employees hired on or after 1/1/06	5%
Williston Basin Interstate Pipeline Company	All eligible employees hired on or after 1/1/06	5%

Eligible employees of Hawaiian Cement (non-union only), Knife River Corporation, MDU Construction Services Group, Inc., MDU Resources Group, Inc., Montana-Dakota Utilities Co. (non-union only), Prairielands Energy Marketing, Inc., WBI Holdings Inc., Williston Basin Interstate Pipeline Company, and certain identified grandfathered employees of Bitter Creek Pipelines, LLC and Fidelity Exploration & Production Company hired before January 1, 2006, will receive a static contribution as outlined in the below chart based upon their age as of December 31, 2009, and their eligible Compensation, excluding bonuses.

Age as of December 31, 2009	Retirement Contribution Percentage
Less than 30	5.0%
30 but less than 35	7.0%
35 but less than 40	9.0%
40 but less than 45	10.5%
45 and over	11.5%

However, these contributions may be reduced if they exceed the limits allowed under Section 415 of the Internal Revenue Code. The contribution percentage may also be reduced for any and all highly compensated employees (received compensation in excess of \$110,000 in 2009, as indexed, or is a 5% owner), as necessary, to pass annual nondiscrimination testing.

INVESTMENT OF RETIREMENT CONTRIBUTION

Any Retirement Contribution you receive will be credited to a Retirement Contribution Account established in your name under the K-Plan. You may direct the investment of your Retirement Contribution Account among the investment funds offered in the K-Plan.

VESTING

Even though you may be a participant in the Retirement Contribution Feature, you must first be vested before you have any non-forfeitable right to a benefit under this feature. Vesting is defined as a present, non-forfeitable right to a future benefit. The right means that it belongs to you and cannot be taken away.

Even though you are immediately vested in the standard K-Plan matching contributions, the Retirement Contribution Feature requires three (3) years of vesting service.

Once you have completed three (3) years of vesting service, you will become fully vested in your current Retirement Contribution Account and any future contributions. If you terminate your employment with the Company or any affiliate prior to becoming vested in your Retirement Contribution Account, your entire Retirement Contribution Account balance will be forfeited. A year of vesting service is generally defined as any calendar year in which you are compensated for at least 1,000 hours of employment. Notwithstanding the foregoing, a participant shall be vested in his or her Retirement Contribution Account upon death, disability or upon attaining age 60.

DISTRIBUTION OF RETIREMENT CONTRIBUTION FEATURE

The vested balance in your Retirement Contribution Account may be distributed at the same time and in the same manner as the balances in your other 401(k) Plan accounts.

REEMPLOYMENT

If you terminate employment before becoming vested in your Retirement Contribution Account and later become reemployed by the Company or any affiliate, your Retirement Contribution account will be reinstated if you have not incurred five (5) consecutive One-Year breaks in service. A break in service is defined as a Plan Year in which a terminated employee is compensated for less than 500 hours.

IMPORTANT PLAN INFORMATION

This Retirement Contribution Feature is not a guarantee of employment. The Board of Directors of the Company has authority to change or discontinue the Retirement Contribution Feature at any time.

ADDENDUM D.22 – PROFIT SHARING FEATURE

This addendum to the MDU Resources Group, Inc. 401(k) Retirement Plan Summary Plan Description constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

- Great Plains Natural Gas
- Montana-Dakota Utilities Co.

WHAT IT IS

This Addendum is intended to describe the Profit Sharing Feature of the 401(k) Plan for eligible non-union and union employees of the companies referenced above and is meant to supplement the 401(k) Plan Summary Plan Description. Please refer to the full 401(k) Plan Summary Plan Description for a complete explanation of the Plan.

WHO CAN PARTICIPATE

Employees of the companies referenced above (respectively, "Your Company") who are eligible for the 401(k) Plan (even if you are not making contributions to the Plan) are also eligible to participate in the Profit Sharing Feature of Your Company. If Your Company makes a contribution for any given Plan Year (see the next section), you will be eligible to share in that contribution if you are compensated for at least 1,000 hours of employment and are employed by Your Company on December 31 of that Plan Year. However, if your failure to complete 1,000 hours of employment or be employed on the last day of the Plan Year is due to your Disability, Death, or Retirement on or after attaining age 60 during such Plan Year, you shall be entitled to share in the Profit Sharing Contribution for that Plan Year.

WHAT DOES THE COMPANY CONTRIBUTE

For each Plan Year in which Montana-Dakota Utilities Co. (MDU) achieves a certain level of profitability, Your Company may credit eligible employees with a contribution which equals a percentage of their eligible compensation as a profit sharing contribution. Eligible compensation means your total compensation paid by Your Company during that Plan Year (not in excess of \$245,000 in 2010, as indexed) and includes overtime, alternate rate and premium pay, but excludes relocation allowance and any other extra or additional compensation which does not constitute direct earnings, such as bonuses. Your Company may make profit sharing contributions to the Plan on behalf of each eligible employee based on MDU's attainment of profitability targets established each year pursuant to the following schedule:

<u>% of Target Profitability</u>	<u>Profit Sharing Contributions</u>
100%	1.0% (of eligible compensation)

Example:

If MDU attained 100% of the Plan Year profitability target, employees may receive 1.0% of their eligible compensation as profit sharing. If an employee earned \$40,000 during the year as eligible compensation, they would receive a profit sharing contribution of \$400 (\$40,000 x 1.0%).

INVESTMENT OF PROFIT SHARING CONTRIBUTIONS

Any profit sharing contribution you receive will be credited to a profit sharing account established in your name under the 401(k) Plan. You may direct the investment of your profit sharing account among the investment funds offered in the 401(k) Plan.

VESTING

Even though you may be a participant in the Profit Sharing Feature, you must first be vested before you have any non-forfeitable right to a benefit under the Profit Sharing Feature. Vesting is defined as a present right to a future benefit. The right means that it belongs to you and cannot be taken away. It is a benefit you will be able to enjoy at some future date.

Even though you are immediately vested in the 401(k) Plan, the Profit Sharing Feature requires three (3) years of vesting service.

Once you have completed three (3) years of vesting service, you will become fully vested in your current profit sharing account and any future contributions. If you terminate your employment with Your Company and all affiliates prior to becoming vested in the Profit Sharing Feature, your entire profit sharing account balance will be forfeited. A year of vesting service is generally defined as any calendar year in which you are compensated for at least 1,000 hours of employment. Years you were employed with Your Company and any affiliate prior to implementation of Your Company's Profit Sharing Feature will be counted as vesting service for the Profit Sharing Feature. Notwithstanding the foregoing, a participant shall be vested in his or her Profit Sharing Account upon death, disability or upon attaining age 60.

DISTRIBUTION OF PROFIT SHARING ACCOUNT

The vested balance in your profit sharing account may be distributed at the same time and in the same manner as the balances in your other 401(k) Plan accounts.

REEMPLOYMENT

If you terminate employment before becoming vested in the Profit Sharing Feature and later become reemployed by Your Company or any affiliate, your profit sharing account will be reinstated if you have not incurred five (5) consecutive 1-Year breaks in service. A break in service is defined as a Plan Year in which a terminated employee is compensated for less than 500 hours.

IMPORTANT PLAN INFORMATION

This Profit Sharing Feature is not a guarantee of employment. The governing entity of Your Company has authority to change or discontinue the Profit Sharing Feature at any time.

2008



Summary Plan Description
401(K) Plan
(K-Plan)

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401(K) Plan

This document and the attached addendums constitute part of a prospectus covering securities that have been registered under the Securities Act of 1933.

Dated: February 29, 2008

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401(K) Plan

1. WHAT IS THE K-PLAN

The MDU Resources Group, Inc. 401(k) Retirement Plan is a means to defer income for investment and additional financial security toward retirement for its employees and those of its affiliates.

For purposes of this Summary Plan Description, the plan is referred to as the "Plan" or "K-Plan."

Copies of the collective bargaining unit agreements which apply to the Plan are available upon request from the Plan Administrator.

The Plan covers eligible employees of MDU Resources Group, Inc. and numerous participating affiliates (together, referred to as the "Company" and individually as "any company") as listed in Addendum A. This Summary Plan Description (including appropriate Addendums) summarizes the benefits that apply to you regarding your contributions and any company matching contributions. Separate Addendums to the Summary Plan Description explain the benefits that apply to other employees. Any other Company contributions, such as profit sharing, special contributions, variable match contributions, or Davis-Bacon, if applicable, are addressed in subsequent Addendums, other than Addendums A - C.

The Plan permits participants and beneficiaries to direct the investment of their Plan accounts in accordance with the limits and restrictions described in this Summary Plan Description and other investment literature provided to you. The Employee Retirement Income Security Act of 1974, as amended (ERISA), §404(c) provides that if a plan provides a participant with an opportunity to control their own plan investments, the Plan's Trustees and other fiduciaries generally are not responsible for any investment losses attributable to the participant's investment decisions.

In other words, if you control the investment of your Plan account or if you fail to direct your investments and default into the Qualified Default Investment Alternative (QDIA), then you are responsible for the investment results – including both earnings and losses attributable to your investment decisions. In structuring the Plan to allow participant-directed investments and by providing a default investment that meets the requirements of the Pension Protection Act of 2006 for QDIAs, it is intended that the Plan qualify as an "ERISA §404(c) plan," and the Plan's fiduciaries may be relieved of any liability for losses experienced as a direct result of your investment instructions.

MDU Resources Group, Inc. is the registrant of MDU Resources Group, Inc. Common Stock offered under the Plan.

If you were a participant in the MDU Resources Group, Inc. Employee Stock Ownership Plan (ESOP), your ESOP account became a feature of the Plan effective January 1, 1988, as a result of a merger of the Plan and the ESOP.

This Summary Plan Description is intended to help you understand your rights and benefits under the Plan. Should any inconsistencies exist between this Summary and the Plan, the provisions of the Plan and the related Trust Agreement govern.

2. WHAT IS BENEFITS COMPLETE®

To help with your retirement planning, many features of the Plan are available to you 24 hours a day, seven days a week, over an automated telephone system (1-800-294-3575), or

via the Internet (<http://www.bcomplete.com>), through *Benefits Complete*[®]. The automated telephone system also allows you access to a Participant Service Representative if you call between the hours of 8:00 AM and 7:00 PM Central Time (CT) on any business day the New York Stock Exchange (NYSE) is open (“NYSE business day”).

By using *Benefits Complete*[®], you can access your account and educational information. You may change your deferrals and investment choices, along with transferring your account balances.

3. WHO MAY PARTICIPATE

You are eligible to participate in the Plan immediately upon hire if you are a regular full-time employee or part-time employee scheduled to work at least 1,000 hours a year of a participating company and you are at least 18 years of age and actively employed by the Company in other than a temporary or occasional position. (However, if a temporary, occasional, or part-time employee completes more than 1,000 hours of service within a twelve-month period beginning on their employment date or in any subsequent plan year, then such employee will become eligible to participate in the Plan upon completion of 1,000 hours of service. An hour of service is each hour for which an employee is directly or indirectly paid or entitled to payment by the Company and each hour for which back pay has either been awarded or agreed to by the Company.)

The effective date of participation in the Plan may be subject to terms of a collective bargaining agreement allowing participation in the Plan.

Leased employees and independent contractors are not eligible to participate in the Plan.

If you terminate employment with the Company and at that time were eligible to participate and are later reemployed with the Company, you are eligible to participate in the Plan immediately.

Employees who are eligible to participate in a retirement plan, which is a multi-employer plan to which the Company contributes or covered by a collectively bargained unit which has not bargained for the Plan, are not eligible to participate in the Plan.

4. HOW DO I ENROLL

If you are or become eligible to participate in the Plan (as described in Section 3), you will be provided an Enrollment Package containing an enrollment form. To begin making contributions, you must enroll by completing this form and returning it to your payroll center. If you fail to return the enrollment form within 30 days from your date of hire (or date of eligibility, if later), you will be automatically enrolled in the K-Plan at a 3% deferral rate effective the first day of the month following the 30-day period. You may also opt out of the K-Plan by checking the appropriate box on the enrollment form. If you initially opt out of the Plan, you may begin to make contributions at any time by contacting *Benefits Complete*[®] at 1-800-294-3575 or accessing the website: www.bcomplete.com.

If you opt out of the Plan, no Company matching contribution will be made to the Plan on your behalf. Any other Company contributions, such as profit sharing, special contribution, variable match contribution, or Davis-Bacon, if applicable, are addressed in subsequent Addendums, other than Addendums A - C.

5. HOW MUCH MAY I SAVE

Participation in the Plan is entirely voluntary. You may elect to contribute to the Plan by deducting from your paycheck, in 1% increment(s), up to the following limits:

- 50% of your wages.
- 22% of your wages if you are a certain higher paid employee, as defined in Section 10.

You may defer up to the maximum annual amount of \$15,500 in 2008 (as indexed), as established by the Internal Revenue Service. These contributions will be credited to your K-Plan account. You should also be aware that the annual dollar limit is an aggregate limit that applies to all deferrals you may make under this Plan or other cash or deferred arrangements (including other 401(k) plans and 403(b) plans). Generally, if your total pre-tax contributions under all cash or deferred arrangements for a calendar year exceed the annual dollar limit, the excess must be included in your income for the year of the deferral and, if the excess is not returned to you by the following April 15, again when it is later distributed to you. For this reason, it is desirable to request the return of any excess deferrals.

If you have an excess deferral in any year, you must decide which plan or arrangement you would like to use to return the excess. If you decide that the excess should be distributed from this Plan, you must communicate this in writing to your Human Resources Department no later than the March 1 following the close of the calendar year in which such excess deferrals were made. However, if the entire dollar limit is exceeded in this Plan or any other plan maintained by the Company, every effort will be made to return the excess deferral and any earnings to you by April 15.

Your "wages" means your total compensation (not in excess of \$230,000 in 2008, as indexed), including overtime, alternate rate, and premium pay, but excluding relocation allowance and any other extra or additional compensation which does not constitute direct earnings, such as bonuses.

You may change your contribution percentage rate by calling *Benefits Complete*[®] at 1-800-294-3575 or by accessing the website: www.bcomplete.com. Your most recent election remains in effect until you make a change. Changes go into effect as soon as administratively feasible and not later than 30 days from when you request the change.

6. CONTRIBUTIONS UPON RETURN FROM MILITARY SERVICE

If you leave employment for certain periods of military service and are reemployed, you will be eligible to receive vesting credit and make contributions for those periods of qualified military service in accordance with the rules under the Uniformed Services Employment and Reemployment Rights Act of 1994. You should contact *Benefits Complete*[®] if you have any questions regarding this provision.

7. CATCH-UP CONTRIBUTIONS

Participants, age 50 and older by the end of the applicable plan year, may be eligible to make catch-up elective deferrals. These deferrals are over and above the applicable Plan deferral limit. For 2008, participants may make a catch-up elective deferral of up to \$5,000. However, any intended catch-up contribution will be treated as a regular pre-tax

contribution until your total pre-tax contributions for the year reach the maximum permitted under the Plan. In addition, any intended catch-up contribution will not be subject to any Company matching contributions. You may make a catch-up elective deferral by calling *Benefits Complete*® at 1-800-294-3575 or by accessing the website: www.bcomplete.com.

8. HOW ARE CONTRIBUTIONS INVESTED

The Company expects to submit all contributions to the Plan Trustee bi-weekly to be held in trust and invested as directed by each participant.

You may direct the investment of your entire K-Plan account (both Company contributions and your own contributions) among any of the following investment funds:

1. *Stable Value Option*

The Stable Value Option is not a mutual fund or money market account. The Option seeks to provide a low risk, stable investment offering competitive yields. The Option is invested in the New York Life Anchor Account. The Option may also invest in cash and cash equivalents from time to time, for liquidity purposes only. The interest rate you receive is not guaranteed, subject to change daily, and a blend of rates of the Option's underlying investments. The New York Life Anchor Account only guarantees principal and accumulated interest. The guarantee is provided by New York Life Insurance Company. While the Option's primary objective is to maintain a stable value, the Option is not guaranteed by the Company, the Plan, the FDIC or the federal government. This Option may serve to balance other higher risk/return investments. The Option may be appropriate for investors who are seeking to accumulate current income while preserving the value of their original investment.

2. *MainStay Indexed Bond Fund (Class I) (MIXIX)*

MainStay Indexed Bond Fund is an income mutual fund. The fund seeks to provide investment results that correspond to the total-return performance of fixed-income securities in the aggregate, as measured by the Salomon Smith Barney Broad Investment Grade Bond Index. The fund primarily invests in a diversified portfolio of investment-grade corporate and U.S. government bonds and mortgage related securities. These securities may have fixed, variable, floating or inverse floating rates of interest. Bond values are affected by various factors, including interest rates, issuer credit worthiness, market conditions, and maturities. In general, bond prices rise when interest rates fall, and vice versa. This effect is usually more pronounced for bonds with longer maturities. The fund may be appropriate for investors who are seeking current income and are comfortable with some share-price fluctuation. Details are discussed in the fund's prospectus.

3. *Dodge & Cox Balanced Fund (DODBX)*

Dodge & Cox Balanced Fund is a growth and income mutual fund. The fund is the Plan's QDIA. The fund seeks to provide regular income, conservation of principal, and an opportunity for long-term growth of principal and income. The fund seeks to achieve its objectives by investing in a diversified portfolio of common stocks, preferred stocks, and bonds. The fund's manager will vary the amount invested in stocks and bonds based on the manager's opinion of business and investment prospects. Stock values fluctuate

based on individual company activities and on overall market and economic factors. Bonds may have variable, fixed or floating rates of interest. In general, bond prices rise when interest rates fall, and vice versa. This effect is usually more pronounced for bonds with longer maturities. The fund may be appropriate for investors who are comfortable with stock market fluctuations while seeking the potential for long-term capital growth, and seek current income from investments in some debt securities. Details are discussed in the fund's prospectus.

4. ***MainStay S&P 500 Index Fund (Class I) (MSPIX)***

MainStay S&P 500 Index Fund is a growth and income mutual fund. The fund seeks to provide investment performance (reflecting reinvestment of dividends) that corresponds to the total-return performance of common stocks in the aggregate, as represented by the Standard & Poor's 500 Index ("S&P 500"[®]). [S&P 500 is a trademark of the McGraw-Hill Companies, Inc. and has been licensed for use by Monitor Capital Advisors LLC. Standard & Poor's does not sponsor, endorse, sell, or promote the fund or represent the advisability of investing in the fund.] The fund seeks to mirror the performance of the S&P 500 by investing primarily in stocks included in the S&P 500 in the same proportion, to the extent feasible, as their representation in the index. Stock values fluctuate based on individual company activities and on overall market, economic and industry factors. The fund may be appropriate for investors who seek a return that corresponds to that of the broad stock market, and are willing to accept share-price fluctuations. Details are discussed in the fund's prospectus.

5. ***American Funds The Growth Fund of America (Class R4) (RGAEX)***

American Funds Growth Fund of America is a growth mutual fund. The fund seeks long-term growth of capital by investing in common stocks. Stock values fluctuate based on individual company activities and on overall market and economic factors. The fund may be appropriate for investors who are willing to accept the potential for significant fluctuations in share price while seeking potentially higher long-term returns from investments in stocks. Details are discussed in the fund's prospectus.

6. ***Baron Asset Fund (BARAX)***

Baron Asset Fund is a growth mutual fund. The fund seeks capital appreciation through investments in securities of small and medium sized companies with undervalued assets or favorable growth prospects. Production of income, if any, is incidental to this objective. These securities include primarily common stocks but may also include other equity-type securities such as convertible bonds, debentures, preferred stocks, warrants and convertible preferred stocks. Stock values fluctuate based on individual company activities and on overall market and economic factors. The fund may be appropriate for investors who are willing to accept the potential for significant fluctuations in share price while seeking potentially higher long-term returns from investments in stocks. Details are discussed in the fund's prospectus.

7. ***Davis New York Venture Fund (Class A) (NYVTX)***

Davis New York Venture Fund is a growth mutual fund. The fund seeks growth of capital by investing primarily in common stock of U.S. companies with market capitalizations of at least \$5 billion. Stock values fluctuate based primarily on individual company activities and on overall market and economic factors. This fund may be

appropriate for investors who are comfortable with stock market fluctuations while seeking the potential for long-term capital growth and income. Details are discussed in the fund's prospectus.

8. ***MainStay Small Cap Opportunity Fund (Class I) (MOPIX)***

MainStay Small Cap Opportunity Fund is a growth mutual fund. The fund seeks high total return from equity investments. Stock values fluctuate based primarily on individual company activities and on overall market and economic factors. The value of stocks of smaller companies may be impacted to a greater extent by these factors. The fund may be appropriate for investors who are willing to accept the potential for significant fluctuations in share price while seeking potentially higher long-term returns from investments in stocks. Details are discussed in the fund's prospectus.

9. ***Royce Total Return Fund (RYTRX)***

Royce Total Return Fund is a growth mutual fund. The fund seeks long-term growth of capital and current income. Royce invests the fund's assets primarily in a diversified portfolio of dividend paying securities issued by small- and micro-cap companies. Stock values fluctuate based on individual company activities and on overall market and economic factors. The fund may be appropriate for investors who are willing to accept the potential for significant fluctuations in share price while seeking potentially higher long-term returns from investments in stocks. Details are discussed in the fund's prospectus.

10. ***Forward Hoover Small Cap Equity Fund (FFSCX)***

Forward Hoover Small Cap Equity Fund is a growth mutual fund. The fund seeks long-term capital growth. Under normal market conditions, the fund invests 80% of its total assets in the equity securities of small cap U.S. companies. The fund currently intends that the market capitalization of these companies shall be no larger than \$2 billion at the time of initial purchase. In making its investments, the Fund's sub-advisor seeks out companies with characteristics such as significant potential for future growth in earnings, ability to compete in its business, a clearly defined business focus, strong financial health, and management ownership. Stock values fluctuate based on individual company activities and on overall market and economic factors. The value of stocks of smaller companies may be impacted to a greater extent by these factors. The fund may be appropriate for investors who are willing to accept the potential for significant fluctuation in share price while seeking potentially higher long-term returns from investment in stocks. Details are discussed in the fund's prospectus.

11. ***AllianceBernstein International Value Fund (Class A) (ABIAX)***

AllianceBernstein International Value Fund is an international mutual fund. The fund seeks long-term growth of capital by investing primarily in a diversified portfolio of non-U.S. equity securities. Foreign investing may be subject to greater risks than domestic investing. These risks may include securities markets that are less efficient, less liquid and more volatile than those in the United States, as well as foreign currency fluctuation and different governmental regulatory concerns. The fund may be appropriate for investors who are willing to accept significant share price fluctuations in pursuit of potentially higher long-term returns through investments in international stocks. Details are discussed in the fund's prospectus.

12. ***American Funds EuroPacific Growth Fund (Class R4) (REREX)***

American Funds EuroPacific Growth Fund is a growth mutual fund. The fund seeks to provide long-term growth of capital by investing in companies based outside the United States. Foreign investing may be subject to greater risks than domestic investing. These risks may include securities markets that are less efficient, less liquid and more volatile than those in the United States, as well as foreign currency fluctuation and different governmental regulatory concerns. Stock values fluctuate based on individual company activities and on overall market and economic factors. The fund may be appropriate for investors who are willing to accept the potential for significant fluctuations in share price while seeking potentially higher long-term returns from investments in international stocks. Details are discussed in the fund's prospectus.

13. ***MDU Resources Group, Inc. Common Stock Fund (MDU)***

The MDU Resources Group, Inc. Common Stock Fund differs from the other investment funds available under the Plan and investing in the fund is not the same as investing in MDU Resources Group, Inc. Common Stock on the open market. The fund operates in a manner similar to a mutual fund where all fund assets are held on a pooled basis. If you invest in the fund, you will own a specified number of units of the fund, rather than shares of MDU Resources Group, Inc. Common Stock purchased by the fund.

The value of your investment in the fund will fluctuate daily depending on the fund's earnings or losses, which are applied on a pro-rata basis to the accounts of all the participants who invested in the fund. The fund's earnings or losses are determined each business day based on (i) the fund's earnings rate and (ii) fund activity.

The *fund's earning rate* is derived from four sources:

- the change in the share price of MDU Resources Group, Inc. Common Stock traded in the stock market, which is the primary factor affecting the fund's value,
- sales and purchases of stock
Shares of stock are bought and sold as needed to satisfy the fund's liquidity needs. Contributions come into the trust bi-weekly, but transactions such as fund transfers, payments, and loans occur more frequently. In order to meet this demand, a small percentage of the fund is held in short-term liquid investments.
- interest earned on cash or cash equivalents held in the fund for liquidity purposes only and
- plan expenses
Plan expenses include recordkeeping fees, trustee fees, brokerage fees, commissions, stock transfer taxes and other charges and expenses in connection with the purchase and sale of stock. These costs are charged to the Plan and allocated to the fund and each participant's account.

Fund activity relates to transactions within a participant's account that impact the fund's balance. Withdrawals, fund transfers, loans and contributions are all items that affect this balance. All fund account activity is posted at the end of each business day.

MDU Resources Group, Inc. Common Stock Fund Account Balance Calculations and Equivalent Shares

A participant's account equates to a number of "equivalent shares" of MDU Resources Group, Inc. Common Stock. Since participant accounts are valued on a daily basis, they can equate to a different number of equivalent shares each day. The formula for calculating the equivalent share amount is:

$$\text{Number of Equivalent Shares} = \frac{\text{Participant's Ending Balance}}{\text{New York Stock Exchange Closing Price}}$$

The following table shows how the earnings rate affects fund account balances as well as equivalent shares.

	<u>Opening Balance</u>	<u>Earnings Rate</u>	<u>Ending Balance</u>	<u>Closing Share Price</u>	<u>Equivalent Shares</u>
Monday	\$ 98.00	1.0204	\$100.00	\$10.00	10.00
Tuesday	\$100.00	0.9900	\$ 99.00	\$ 9.25	10.70
Wednesday	\$ 99.00	1.0353	\$102.50	\$10.75	9.53
Thursday	\$102.50	1.0146	\$104.00	\$11.00	9.45
Friday	\$104.00	0.9712	\$101.00	\$10.25	9.85

This table shows that, due to an increase in the closing price per share, it is possible for your account to increase in the dollar value while actually experiencing a decrease in your equivalent shares.

MDU Resources Group, Inc. Common Stock will be purchased by the Plan Trustee pursuant to the terms of the Trust Agreement. It is important to remember that shares are not added to a Plan account when the Plan Trustee purchases stock for the fund. The Plan Trustee may purchase shares of stock directly from the Company, on the open market, in negotiated transactions, or a combination of the foregoing. The price of shares purchased directly from the Company will be the average of the high and low sales prices for such shares as reported on the composite tape for New York Stock Exchange listed companies on the date the shares are purchased by the Plan Trustee. For shares of MDU Resources Group, Inc. Common Stock purchased on the open market, a commission of \$0.035 per share will be added to the purchase price. If shares are purchased directly from the Company, no commission will be charged.

There are special considerations associated with an investment in MDU Resources Group, Inc. Common Stock. For a review of these considerations and other relevant matters, please refer to the Company's latest Annual Report to Stockholders and Form 10-K and other reports filed with the Securities and Exchange Commission. To obtain a copy of these documents, please contact the Plan Administrator or visit the Company's website at www.mdu.com.

The value of each participant's investment could, at various times, be less than the participant's contribution. Each participant assumes all risks in connection with changes in values of their investments. The Company, the Committee, the Plan Trustee, nor any government agency guarantees the value of the investments will increase or will not decrease. Prior to making an investment decision, please refer to the prospectus for the appropriate fund and to the Company's Annual Report to Stockholders and Form 10-K.

You have the right to receive the following information upon request:

- A description of the annual operating expenses of each standard investment option and the aggregate amount of such expenses expressed as a percentage of average net assets.
- Copies of any updated prospectuses, financial statements and reports and other information furnished to the Plan relating to each such investment option.
- A semi-annual listing of assets comprising the portfolio of each standard investment option, the value of such assets (or the proportion of the investment option which it comprises) and, with respect to each asset which is a fixed rate investment contract issued by a bank, savings and loan association or insurance company, the name of the issuer of the contract, the term of the contract and the rate of return of the contract.
- Information concerning the value of shares or units in each investment option, as well as the past and current investment performance of each investment option.
- Information concerning the value of shares or units in each investment option held in your account.

The Plan Administrator is responsible for providing the above information. The contact information for the Plan Administrator is set forth in Section 20 and can be obtained through *Benefits Complete*[®].

For more information about your investment options, including fees and expenses, please consult the prospectuses.

If you choose to participate in the Plan, you may decide how much of your contributions you want invested in any or all of the options mentioned above. Your investment election can be made in 1% increment(s) and must total 100%.

For example:

Balanced Fund	25%
Equity Fund	25%
Small-Cap Fund	15%
International Fund	20%
MDU Resources Group, Inc. Common Stock	15%
Total	100%

If you fail to elect how your contributions will be invested, they will be invested in the Dodge & Cox Balanced Fund, the K-Plan's default fund.

You may change your investment election for future contributions allocated to your account, and/or your investment election for your existing account balance, through *Benefits Complete*[®]. Investment election changes made and confirmed before 3:00 PM CT on any NYSE business day will generally be effective as of the close of that day and cannot be changed or cancelled after the NYSE closes on that day. A change confirmed on or after 3:00 PM CT, or on weekends or holidays, will generally be effective as of the close of the next NYSE business day and cannot be changed or cancelled after the NYSE closes on that day. In the event the NYSE closes prior to 3:00 PM CT on any business day, a change made and confirmed before the time the NYSE closes will generally be effective as of the close of that day and cannot be changed or cancelled

after the NYSE closes on that day. A change made or confirmed on or after such closing time will generally be effective as of the close of the next NYSE business day and cannot be changed or cancelled after the NYSE closes on that day. In the event an investment option does not have sufficient liquidity to meet same day redemption requests, your change will be effective as soon as administratively possible thereafter.

NOTE: There may be limitations on your ability to direct the investment of your account under the Plan. Policies established by mutual funds may impose redemption fees on certain transactions and also may impose restrictions or limitations on frequent or excessive trading. The Plan Administrator will enforce the funds' policies on redemption fees, trading restrictions, or limitations. As a result, if your investment direction violates a fund's trading restriction or limitation, your action may result in redemption fees being assessed to your account or your investment directions may be declined. In some circumstances, your ability to make additional investments in a fund may be suspended or terminated. Please refer to the underlying prospectus(es) and other fund information for further details on the funds' policies on redemption fees and trading restrictions or limitations.

NOTE ALSO: If you request a transfer that results in a redemption from the Company Stock Fund, and sufficient liquidity is not available to process your request, your request will be processed on the next NYSE business day on which sufficient liquidity is available. Any transaction confirmed before the NYSE closes on any business day, cannot be changed or cancelled after the NYSE closes on that day. Any transaction confirmed after the NYSE closes, or on weekends or holidays, cannot be changed or cancelled after the NYSE closes on that next business day.

If you choose to participate in the Plan, there are fees or commissions you will pay associated with each of the investment options. Such fees or commissions are set forth in the prospectus and are subject to change any time. Current prospectuses and a complete description of the investment options are available by calling *Benefits Complete*[®] or accessing www.bcomplete.com.

Earnings and dividends on your contributions and any Company contributions will automatically be reinvested in the funds in which invested.

9. MAY I DISCONTINUE MY CONTRIBUTIONS

You may elect to discontinue or restart your contributions to the Plan at any time via *Benefits Complete*[®] at 1-800-294-3575 or website: www.bcomplete.com. Requests to discontinue contributions are forwarded to the Company on a weekly basis and will be effective as soon as administratively feasible, but no later than 30 days from when you request the change.

Upon re-entry following discontinuance, you will need to elect a contribution percentage rate. You will not be able to make up discontinued contributions.

10. ROLLOVER CONTRIBUTIONS

The Plan accepts rollover contributions from other qualified retirement plans, 403(b) plans, 457(b) plans, or conduit IRA accounts, including after-tax rollovers. A conduit IRA, for

this purpose, is an IRA that only holds assets distributed from a qualified plan as adjusted for earnings, losses, and gains attributable thereto. As a participant in the Plan, you may request a Rollover package through *Benefits Complete*® at 1-800-294-3575 or accessing the website: www.bcomplete.com.

By law, the rollover must be made within 60 days of your receipt of a distribution and may not include ineligible amounts. The 60-day requirement does not apply to amounts rolled over directly from an IRA or qualified retirement plan to the Plan. All rollovers must be made in cash. Contributions of property other than cash (for example, stock certificates) will not be accepted. Loans from a terminated plan of an acquired company will be accepted.

You may withdraw your rollover contributions from the Plan at any time and for any reason.

11. CONTRIBUTION LIMITATIONS

The Internal Revenue Code limits the amount of participant contributions that can be made to the K-Plan. The annual maximum amount employees can contribute to the Plan is \$15,500 in 2008. Any contributions made by the Company, on your behalf, are not included in the maximum.

Under special nondiscrimination rules, if you are considered a "higher paid employee," the percentage of your savings contributions and the Company contributions made on your behalf are limited by, and related to, the savings contributions and any Company contributions made by and on behalf of other eligible employees. You will be notified if any of your Plan contributions are so limited. For purposes of these limitations, a "higher paid employee" in 2008 generally means any employee who, during the current Plan Year or preceding Plan Year was a 5% owner, or received compensation in excess of \$100,000 in the previous year, as indexed, from the Company.

In addition, the Internal Revenue Code imposes special overall limitations on contributions and benefits which are allowed under qualified plans which receive favorable tax treatment, including the Plan. These limitations are based, in part, on your aggregate compensation from the Company.

12. DO I RECEIVE A STATEMENT OF MY ACCOUNTS

The Company has engaged New York Life Retirement Plan Services to maintain your account records. As a participant in the Plan, you will receive statements on a quarterly basis. You may request a statement at any time by contacting *Benefits Complete*® at 1-800-294-3575 or by accessing the website: www.bcomplete.com.

The statements will describe all transactions involving your K-Plan and ESOP accounts, including the value of your accounts on the date of the statement.

13. LOAN PROCEDURES

Since the primary purpose of the K-Plan is to encourage long-term retirement savings, distribution of your account normally cannot be made before your retirement or other

termination of employment. However, while you remain employed by the Company, you may be able to borrow from your account. In accordance with the provisions of the Sarbanes-Oxley Act, executive officers (all persons who report under Section 16(a)), may not borrow from their account.

How much can I borrow?

You are allowed to take out a loan for any reason. You may have up to two loans at the same time and all loans must be for at least \$1,000. The maximum loan amount available to you equals the lower of i) 50% of your vested account balance, and ii) \$50,000 reduced by your highest outstanding loan balance for the previous 12-month period. While you are employed by the Company, loans must be repaid within 5 years (60 months), except in the case of a loan for a principal residence which can be repaid over a period not to exceed 15 years. All loans must meet mandatory requirements, be repaid via payroll deduction and will bear a constant interest rate which is based on the prime interest rate at the time of loan origination, as published in *The Wall Street Journal*, plus one percent. Interest will begin to accrue on the day the loan is made. The interest you pay on a K-Plan loan is credited to your K-Plan account.

The following represents examples of how the maximum amount available for loan is calculated:

Examples:

- If your total vested K-Plan account balance is \$40,000 and you have not had a Plan loan outstanding in the past twelve months, the maximum amount available for loan would be \$20,000.
- If your total vested K-Plan account balance is \$125,000 and you have not had a Plan loan outstanding in the past twelve months, the maximum amount available for loan would be \$50,000.

Example - If already carrying a loan:

- If your total vested K-Plan account balance is \$80,000, the maximum amount available for loan is \$40,000. If you are already carrying a loan with a current outstanding balance of \$10,000 and your highest outstanding balance during the previous twelve months was \$13,000, the maximum amount available for loan is calculated as follows:

The lesser of -

i) 50% of vested account balance reduced by any other outstanding loan . .	\$80,000
	x 50%
	40,000
	<u>(10,000)</u>
	\$30,000
ii) \$50,000 reduced by the highest outstanding loan balance for the	
previous 12-month period	\$50,000
	<u>(13,000)</u>
	\$37,000

Maximum amount available for loan = \$30,000

How do I request a loan?

You may request a K-Plan loan through *Benefits Complete*® by either calling 1-800-294-3575 or by accessing the website: www.bcomplete.com. *Benefits Complete*® allows you to model different repayment schedules and determine payment amounts.

After requesting a non-residential loan, the Plan Trustee will send the loan check, the Loan Disclosure Statement, and the Loan Agreement and Promissory Note in one package. By endorsing the back of the check, you agree to the terms of the loan as detailed in the note.

After requesting a residential loan, an application will be mailed to you along with a Promissory Note and Loan Disclosure Statement. You will be required to sign the Promissory Note and Loan Disclosure Statement and return these documents to the following address:

New York Life Retirement Plan Services
P.O. Box 940
Norwood, MA 02062-2641

If you qualify for a residential loan, a check will be processed within 5 business days after New York Life Retirement Plan Services receives your properly completed application and other documents.

A \$50 loan origination fee will be charged for each loan you obtain and will be deducted from your account balance at the time the loan is taken.

Where do the funds come from to make the loan?

For purposes of determining the maximum amount available for loan, the total value of your vested account will be considered. Loan repayments will be reinvested according to your current investment elections, regardless of the source of the loan funds.

How is the loan repaid?

Repayment of principal and interest of each loan will be made by regular after-tax payroll deduction. In the event you have an outstanding loan balance and are on an unpaid leave of absence (during which loan payments can be suspended for up to 12 months), repayments must meet mandatory requirements and can be made to your payroll center. Full prepayment of your loan can be made by cashiers check, bank check, or money order payable to NYLTC as Trustee of the MDU Resources Group, Inc. 401(k) Retirement Plan. All cashiers checks for full loan repayment must include your social security number. Partial prepayments are not allowed.

How do I make loan repayments during military service?

You also do not have to make any loan repayments while you are away from work because of military leave. Your loan repayments will resume if you return to work during the time period protected by law, and your loan maturity date will be adjusted to reflect your period of military service. Similarly, the loan amount will be adjusted to reflect interest that accrues on the loan during the military leave. In accordance with applicable law, the interest rate while you are on military leave will not exceed 6%.

What if I terminate employment?

If, for any reason, you terminate employment with the Company, you will have at least 90 days to repay the unpaid principal and accrued interest on all outstanding loans prior to distribution. If you do not repay, the unpaid balance and accrued interest will be considered to be distributed on the earlier of:

1. the date distribution of your account balance is made or commences, or
2. the last day of the calendar quarter following the calendar quarter in which the required loan repayment was due.

See Section 17 for a general discussion on the tax implementation of this distribution.

14. IN-SERVICE WITHDRAWALS

Three types of distributions from your Plan account are allowed while you are employed by the Company. They are:

- **Age 59½ Withdrawal**

You may withdraw all or any portion of the vested amount credited to your K-Plan account once per year, after attaining age 59½, even if you are still employed with the Company. To elect such a withdrawal, call *Benefits Complete*® at 1-800-294-3575 or access the website: www.bcomplete.com which will provide you with the appropriate form you will need to complete indicating the specifics of your request. Such a withdrawal will be in the form of cash and/or an MDU Resources Common Stock certificate, as you elect.

- **Hardship Withdrawal**

Hardship withdrawals from your K-Plan account (excluding earnings on deferrals made after December 31, 1988, any unvested portion of your account, and any money purchase balance) will be allowed in accordance with applicable rules and regulations of the Internal Revenue Service.

A request for hardship withdrawal may be made at any time by calling *Benefits Complete*® at 1-800-294-3575 or accessing the website: www.bcomplete.com to request the appropriate forms and instructions. The following requirements must be met; 1) the participant must have an *immediate* and *heavy* financial need, and 2) the amount of the withdrawal must be *necessary* to meet that need.

Immediate heavy financial needs are limited to amounts necessary for:

1. unreimbursed medical expenses incurred by you, your spouse, or your dependents;
2. prevention of foreclosure on or eviction from your principal residence;
3. costs directly related to the purchase of a principal residence (excluding mortgage payments);
4. tuition, room and board, and related educational fees for the next twelve months of post-secondary education for you, your spouse, children, or dependents;
5. funeral or burial expenses for your deceased parent, spouse, children, or dependents; or
6. costs for repair of damages to your principal residence that would qualify for a casualty loss deduction.

You will be required to furnish reasonable documentation in support of your request. If a hardship withdrawal is granted, the participant must suspend making contributions to the

Plan for six months after the hardship distribution is received. The participant must also suspend making contributions to any other deferred compensation plan maintained by the Company for six months.

If approved, such withdrawal shall equal the lesser of the amount required to be distributed to meet the need created by the hardship (including any amounts necessary to pay any federal, state, or local income taxes or penalties reasonably anticipated to result from the withdrawal) or the value of your contributions, plus any vested Company contributions.

If your hardship request is approved, the amount available for a hardship withdrawal will be based on the value of your account on the day the hardship withdrawal is approved.

Distributions are made in the form of cash as soon as practicable after approval of the hardship request.

A hardship withdrawal may be made only after the participant has obtained all distributions, including distribution of dividends on Company stock, and all non-taxable loans currently available under all qualified plans (and any other employee benefit plan specified in Internal Revenue Service rules and regulations applicable to such hardship withdrawals) maintained by the Company or an affiliate included in this Plan.

The Internal Revenue Code generally imposes a 10% additional income tax on amounts withdrawn before age 59½. See the "Federal Income Taxes" section for more information on taxation.

Amounts received as hardship withdrawals will not be subject to mandatory federal income tax withholding and, if applicable, state tax withholding (and will not be eligible to be rolled over). You should be aware, however, that this will not change your tax liability for making such a withdrawal from the Plan.

Withdrawal of Rollover Contributions

You may withdraw all or any portion of your account attributable to any rollover contributions you may have made to the Plan, subject to rules and procedures as may be established by the Plan Administrator.

The money you withdraw may be subject to mandatory 20% federal income tax withholding and state tax withholding, if applicable. If you are under age 59½, an additional 10% penalty tax may also apply. You may request a rollover contribution withdrawal through Benefits Complete®. You should, however, consult with your tax advisor before exercising this option.

15. BENEFIT STATUS AT EMPLOYMENT TERMINATION

You are not eligible to receive any portion of your Plan accounts, except previous rollover contributions, until you retire, are disabled (as determined by the Plan Administrator), die, or otherwise terminate employment with the Company, except as noted elsewhere in this section. The primary reason for the existence of the Plan is to afford financial security for your retirement. It is not to be viewed as a short-term account.

Distribution of your accounts at retirement, disability, death, or other termination of employment is made in the form of cash for any monies invested in other than MDU Resources Group, Inc. Common Stock. MDU Resources Group, Inc. Common Stock is distributed in the form of a Direct Registration System statement rather than an actual stock certificate, with any fractional shares in cash. Any MDU Resources Group, Inc. Common Stock included in a direct transfer will be electronically transferred to the IRA or qualified plan Trustee or Custodian.

You will have the opportunity to elect distribution of your account in annual installments, not to exceed 5 years, or in a single-sum payment. Other options may be available as described on the appropriate benefit election form.

If the value of your account does not exceed \$1,000, distribution will be made to you in a single sum payment. If the value of your account is greater than \$1,000, no distribution of your accounts will be made without your written consent. Further, if you do not request a distribution before you attain age 70½, you will be deemed to have elected to defer payment until your attainment of age 70½, at which time your accounts will be distributed to you as soon as administratively feasible. For information on taxes, see "Federal Income Taxes" section.

You will be provided with the appropriate distribution forms after your employment with the Company has ended. Qualifying distributions will be made as soon as administratively feasible upon the receipt of the completed election form.

If you continue to be employed by the Company beyond age 70½, you may defer distribution until such time as your employment terminates if you are not a 5% owner.

16. WHAT HAPPENS IN THE EVENT OF DEATH

If you die while employed by the Company, or if you die after terminating employment with the Company, but before receiving a complete distribution of your vested account, your vested account will be paid to the beneficiary or beneficiaries whom you have designated in writing to the Company; provided, however, that in the event you were married for at least a one-year period on the date of your death, such beneficiary will be your surviving spouse. You may elect to change or revoke your spouse as your beneficiary, but you must have written consent from your spouse, witnessed by a notary public or Plan Representative. You may change or revoke your beneficiary designation at any time by completion of a new Beneficiary Designation Form. If you have not designated a beneficiary, or if the beneficiary whom you have selected should die before receiving the amount credited to your accounts, the benefits will be payable to your estate.

Upon your death, your vested account balance will be distributed as follows: If your beneficiary is your spouse, he or she must begin distributions by December 31 of the year following the year in which you die, or if later, December 31 of the year in which you would have reached age 70½. If your beneficiary is not your spouse, your beneficiary must begin distributions by December 31 of the calendar year after your death. If your beneficiary is designated as or is deemed to be your estate, distribution of your vested account balance will be made no later than the December 31 of the calendar year that contains the fifth anniversary of your death.

Your beneficiary may direct the investment among all the funds available under the Plan. If your beneficiary is your surviving spouse, or an alternate payee who is a spouse or former spouse, your beneficiary has the same choices as employees for rolling over a payment from the Plan. If your beneficiary or alternate payee is not your spouse, he or she will be eligible for direct rollover of any rollover-eligible payments into an IRA treated as an inherited IRA. If he or she elects to receive payment from the Plan, he or she will not be able to subsequently elect a rollover to an IRA.

17. FEDERAL INCOME TAXES

In 2003, the Company received a favorable determination from the Internal Revenue Service that the Plan, as amended, continues to meet the requirements, as to form, of Sections 401(a) and 401(k) of the Code, and that the Trust established under the Plan is exempt from Federal income taxes under Section 501(a) of the Code such that any Employer contributions paid to the Trust under the Plan will be allowable Federal income tax deductions subject to the conditions and limitations of Section 404 of the Code.

The following statements are intended only as an outline of the tax consequences of participation in the Plan. Because the applicable provisions of the Code are quite technical and subject to amendment and differing interpretations and because their application may vary in individual cases, you are advised to consult with your personal tax consultant regarding these matters. The Company makes no representation or warranty on the adequacy or accuracy of the following information.

Since the Internal Revenue Service has determined that the Plan continues to be a qualified plan, the Company believes the following tax effects will occur:

- a. Any Company contributions under the Plan, and dividends, interest, and other income attributable to such contributions and to a participating employee's savings contributions under the Plan are not taxable to the participating employee when received by the Plan Trustee and credited to the employee's account. These amounts are usually taxable when they are withdrawn or distributed to the participating employee.
- b. Employee contributions which are made to the Plan within applicable limits are not included in the participating employee's taxable wages as reported on the employee's Federal income tax return for the year for which such contributions are made, and thus reduce the amount of the employee's wages subject to withholding. These amounts are usually taxable when they are withdrawn or distributed to the participating employee. ***However, the savings contributions are taken into account for purposes of FICA and FUTA when contributed to the Plan.***
- c. To the extent that distributions or withdrawals are taxable, they will usually be taxed as ordinary income. A Special Tax Notice will be sent to you if you request any type of distribution form.
- d. If a participant receives a distribution which includes MDU Resources Group, Inc. Common Stock, any "net unrealized appreciation" (i.e., the difference between the stock's current value and its purchase price) in value of the MDU Resources Group, Inc. Common Stock will not be taxed to the participant at the time of such distribution.

Such net unrealized appreciation will be taken into account as capital gain for tax purposes when realized upon the taxable sale or disposition of such stock. However, the participant may elect to include such net unrealized appreciation in income at the time of distribution.

- e. In addition to the tax consequences described above, a taxable distribution or withdrawal received from the Plan by a participant who has not attained age 59^{1/2} and not directly transferred to another Plan is generally subject to an additional 10% income tax. The additional 10% tax generally does not apply to (1) payments that are paid after you separate from service with your employer during or after the year you reach age 55; (2) payments that are paid because of death or total and permanent disability of participant; (3) dividends on Company stock that are paid to you rather than reinvested in the K-Plan; (4) payments that are paid directly to the government to satisfy a federal tax levy; (5) payments that are paid to an alternate payee under a qualified domestic relations order; or (6) payments that do not exceed the amount of your deductible medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

Upon a distribution or withdrawal it will be necessary for the participating employee to determine the precise effect upon the employee's Federal and state tax returns of the distribution or withdrawal.

18. VOTING AND TENDERING OF COMMON STOCK UNDER THE PLAN

The Company will provide the Plan Trustee and the participants with materials or a notice and a means to access the materials to inform them when voting rights are to be exercised with respect to Common Stock. These materials may include a notice, an annual report to stockholders, a proxy statement and a means to provide voting directions to the Plan Trustee. Generally, voting rights are determined on the record date based on the equivalent share value of your MDU Resources Group, Inc. Common Stock Fund account. Full equivalent shares of Common Stock credited to a participant's accounts will be voted by the Plan Trustee in accordance with directions provided by the participant. Fractional equivalent shares will be combined and voted by the Plan Trustee to the extent possible to reflect the directions of participants credited with such shares. If a participant does not give valid directions or grant a proxy to the Plan Trustee with respect to exercise of voting rights for the shares in the participant's accounts, such shares shall be voted by the Plan Trustee in accordance with the Board of Directors' recommendation on all of the matters.

A participant shall have the right to instruct the Plan Trustee in writing as to the manner in which to respond to a tender or exchange offer for the shares of Common Stock in the participant's accounts. The Company will provide to participants any information distributed to the shareholders of the Company in connection with any such tender or exchange offer and a form with which to provide instructions to the Plan Trustee. If a participant does not give instructions to the Plan Trustee regarding any tender or exchange offer for Common Stock, the Trustee shall have no discretion in such matter and shall take no action with respect thereto.

19. DIVIDENDS ON COMMON STOCK UNDER THE PLAN

Dividends may be paid on shares held by the MDU Common Stock Fund. If any portion of your account is invested in the MDU Common Stock Fund, as of the record date for a Company dividend, you will receive a prorated dividend based on your ending balance on the record date. You can elect to (1) have those dividends reinvested in MDU Common Stock and paid to you when you retire or otherwise terminate employment, or (2) elect to have the dividends distributed to you each quarter. MDU Common Stock Fund dividends are 100% vested. An election to have the dividends distributed to you each quarter not only decreases your future retirement accumulation but will also increase your current taxable income. Although the K-Plan has been amended to provide you with additional options for receiving dividends, you are encouraged to continue to accumulate funds for your retirement. Therefore, dividends on Common Stock will continue to be reinvested in the MDU Common Stock Fund unless you elect otherwise.

You can elect a quarterly distribution of dividends by accessing the *Benefit Complete*[®] website at www.bcomplete.com or calling 1-800-294-3575. It will be necessary to have your social security number and personal identification number (PIN) available prior to contacting *Benefit Complete*[®]. Any actual or automatic election with respect to dividends remains in effect until changed. Any change in your election will only apply to MDU Stock Fund dividends paid after your new election is processed.

20. IDENTIFICATION INFORMATION

A. Plan Name:

The name of the Company's 401(k) Plan is the MDU Resources Group, Inc. 401(k) Retirement Plan. As of December 31, 2007, the Plan held 10,866,261 shares of MDU Resources Group, Inc. Common Stock which were registered under the Securities Act of 1933. As of December 31, 2007, there were 2,110,272 additional shares registered under the Securities Act of 1933.

B. Plan Number Assigned by the Plan Administrator:

004

C. Type of Plan:

The Plan is a defined contribution plan.

D. Plan Year:

The Plan Year for the Plan ends on December 31.

E. Plan Sponsor and Plan Administrator:

MDU Resources Group, Inc. is the Plan Sponsor. The Employee Benefits Committee is designated as the Plan Administrator, reflecting a name change from the Employee Benefits Administrative Committee, as of February 14, 2008. This Committee consists of those individuals serving in the position of (or related position) of Chief Financial Officer of the Company, Vice President – Human Resources of the Company, and any other individuals appointed by the Chief Executive Officer of the Company who are

employed by the Company or an Affiliate of the Company. This Committee is responsible for managing the Plan, including, without limitation, construing and interpreting the Plan in its sole discretion, prescribing procedures for administration, preparing and distributing information, explaining the Plan, receiving information and preparing reports with respect to administration of the Plan, furnishing each participant with statements showing the status of the participant's interest in the Plan, monitoring the Plan to meet the non-discrimination rules of the Internal Revenue Code, keeping accounts and records, and determining rights to benefits.

Any correspondence or questions concerning the Plan or its administrators should be addressed to:

Employee Benefits Committee
c/o Corporate Human Resources Department
MDU Resources Group, Inc.
Corporate Campus
1200 W. Century Ave.
P.O. Box 5650
Bismarck, North Dakota 58506-5650
Telephone Number: (701) 530-1074

The employer identification number assigned to MDU Resources Group, Inc. by the Internal Revenue Service is 41-0423660.

F. Plan Trustee:

The Trustee of the Plan is:

New York Life Trust Company
169 Lackawanna Avenue – Section B1
Parsippany, NJ 07054

The Plan Trustee has been appointed by the Company pursuant to the terms of a Trust Agreement, as amended, effective as of January 1, 1998. The Plan Trustee is responsible for the safekeeping and investment of all contributions made to the Plan.

G. Legal Services:

Legal process may be served on the Plan by directing such service to:

Paul K. Sandness
General Counsel
MDU Resources Group, Inc.
Corporate Campus
1200 W. Century Ave.
P.O. Box 5650
Bismarck, North Dakota 58506-5650

In addition, legal process may be served upon the Plan Trustee.

21. NO ASSIGNMENT OF BENEFITS

Plan benefits may not be sold, transferred, assigned, pledged, encumbered or otherwise disposed of, or made subject to the claims of any creditor except as otherwise provided by law or the issuance of a domestic relations order which is determined to be qualified in accordance with the Internal Revenue Code (QDRO).

A domestic relations order is any judgment, decree, or order which relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent and is made pursuant to a state domestic relations law. A QDRO recognizes the existence of another person's right to, or assigns another person the right to, receive all or a portion of benefits payable with respect to a participant under a plan and meets certain requirements under the Internal Revenue Code. Copies of the Plan's procedures for determining whether an order constitutes a QDRO are available free of charge from *Benefit Complete*[®] upon written request.

22. INSIDER RESTRICTIONS

While the Plan does not place restrictions on resales of Common Stock distributed from the Plan, shares of MDU Resources Group, Inc. Common Stock acquired under the Plan by an "affiliate," as that term is defined in Rule 405 under the Securities Act of 1933, may only be resold pursuant to the registration requirements of that Act or an applicable exemption therefrom. Further, acquisitions and dispositions of MDU Resources Group, Inc. Common Stock by an officer or director of the Company (who is an "insider" under federal securities laws) within any period of less than six months may give rise to the right of the Company to recapture any profit from such transactions pursuant to Section 16(b) of the Securities Exchange Act of 1934.

"Insiders" are restricted in their ability to make elections regarding or transactions in MDU Resources Group, Inc. Common Stock under the Plan, including loans and hardship or other withdrawals from the Plan. Insiders must read Section 12.1 of the Plan carefully and notify the General Counsel before making elections regarding or transactions in MDU Resources Group, Inc. Common Stock under the Plan.

23. CONTINUANCE OF THE PLAN

The Company expects to continue the Plan indefinitely, but reserves the right to amend or terminate it at any time. This includes, but is not limited to, the right to change investment options. The Company's decision to amend or terminate the Plan may be due to changes in federal or state laws governing retirement benefits, the requirements of the Internal Revenue Code or the Employee Retirement Income Security Act of 1974 (ERISA), or any other reason.

If the Plan is terminated, you will have a fully vested, non-forfeitable right to your accounts as of the date of such event.

All amendments shall be made by action of the Board of Directors of the Company, or by a person or persons, or committee(s) duly authorized by resolution of said Board to take such

action and shall be evidenced by such proper resolution of such Board of Directors (or such other person or persons) certified by the secretary or assistant secretary of the Company.

No verbal or written representations contrary to the terms of the Plan, or its written amendments, shall be binding upon the Plan, the Plan Administrator, the Company or any Participating Employer.

24. TOP-HEAVY RULES

The Plan will become "top-heavy" if the present value of the cumulative accounts and accrued benefits (for employees covered by a pension plan sponsored by the Plan Sponsor) for "key employees" exceeds 60% of all the present value of cumulative accounts of all employees. In view of the large number of non-key employees benefited by this Plan, it is very unlikely that this Plan will ever become top-heavy. If it does, certain minimum benefits, if not already provided, will be provided.

A more detailed explanation of these provisions will be provided if and when the Plan becomes top-heavy.

25. CLAIMS PROCEDURE

How to Bring Claim for Benefits

You may make a claim under the Plan by communicating your request for benefits in writing to the Plan Administrator. You will be notified in writing if additional information is needed to complete the processing of your claim for benefits.

The Plan Administrator will review your claim according to the terms and conditions of the Plan and respond in writing within 90 days after receiving the claim. The Plan Administrator may extend this 90-day period for an additional 90 days for special circumstances by notifying you in writing before the end of the original 90-day period. If your claim is wholly or partially denied, the Plan Administrator will provide you a written notice of denial, which will:

- State the specific reasons for the denial,
- Refer to provisions of the Plan on which the determination is based,
- Describe any additional material or information necessary for you to perfect the claim and explain why the information is necessary,
- Explain how you may submit the claim for review and state applicable time limits, and
- Explain your right to bring a civil action under Section 502(a) of ERISA if benefits are denied following an appeal.

How to Appeal the Denial of a Claim

If your claim for a benefit under the Plan is denied, you may file a written request for review with the Employee Benefits Committee within 60 days after receiving the Plan Administrator's notice of denial. You must send your request for review, together with a written statement of your position and any other comments, documents, records, or information that you believe relevant to the claim, to the Plan Administrator. The Employee Benefits Committee will notify you in writing of its decision within 60 days after receiving

your request for review. This 60-day period may be extended an additional 60 days if special circumstances warrant the extension and if you are notified in writing before the original 60-day period ends. If your appeal is wholly or partially denied, the Plan Administrator will provide you a written notice of denial which will explain the reasons for the decision, refer to the specific Plan provisions on which the decision is based, and include a statement that you are entitled to receive upon request and free of charge, reasonable access to copies of all documents, records, and other information relevant to your claim for benefits. The Employee Benefits Committee's written decision shall be final and binding on all parties.

The Company has complete discretionary authority to make all determinations under the Plan, including eligibility for benefits and factual determinations, and to interpret the terms and provisions of the Plan. Benefits will be paid under the Plan only if the Company determines in its sole discretion that the claimant is entitled to them.

Legal Action

If the Employee Benefits Committee denies your claim for a benefit under the Plan, then you may bring suit in Federal Court. You may not file a lawsuit or legal action regarding benefits under the Plan unless you first follow the entire claims and appeal process described above. You may only bring suit in Federal Court if you file such action within 180 days after the date of the final denial of your claim by the Employee Benefits Committee.

26. PENSION BENEFIT GUARANTY CORPORATION

As a defined contribution plan, the Plan is not covered by Title IV of ERISA; therefore, benefits under the Plan are not insured by the Pension Benefit Guaranty Corporation.

27. ERISA RIGHTS

As a participant in the Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all Plan participants shall be entitled to:

1. Examine, without charge, at the Plan Administrator's office and at other specified locations, all documents governing the Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
2. Obtain copies of all documents governing the operation of the Plan upon written request to the Plan Administrator, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.
3. Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.
4. Obtain a statement telling you the amount credited to your account under the Plan due to contributions made by you and any Company. You will normally be furnished with such a statement on a quarterly basis by the Plan Trustee.

In addition to creating rights for Plan participants ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate the Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries. No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit under the Plan or exercising your rights under ERISA.

If your claim for a benefit under the Plan is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of plan documents or the latest annual report from the Plan Administrator and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court within 180 days of exhaustion of the Plan's claims and appeals procedures. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in Federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and legal fees. If you lose, the court may order you to pay these costs and legal fees, for example, if it finds your claim is frivolous.

If you have any questions about the Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

28. COMPANY UNDERTAKING

The Company hereby undertakes to provide without charge to each person to whom this document is delivered, upon the written or oral request of any such person, a copy of any or all of the documents (i) incorporated by reference in Item 3 of Part II of the Company's latest Registration Statement on Form S-8 relating to the Plan (such documents are hereby incorporated by reference into the Section 10(a) prospectus) and (ii) required to be delivered

pursuant to Rule 428(b) of Regulation C under the Securities Act of 1933. Requests for such documents as well as for additional information about the Plan or its administrators should be directed to:

Office of the Treasurer
MDU Resources Group, Inc.
Corporate Campus
1200 W. Century Ave.
P.O. Box 5650
Bismarck, North Dakota 58506-5650
Telephone (701) 530-1074

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ADDENDUM A – PARTICIPATING AFFILIATES

Participating Affiliate (dba/administrative name)

Ames Sand & Gravel, Inc. (dba Knife River Materials – North Dakota Division)	Kent's Oil Service
Anchorage Sand and Gravel Company, Inc.	Knife River Corporation
Baldwin Contracting Company, Inc.	Knife River Corporation - North Central (dba Knife River – Central Minnesota Division)
Bell Electrical Contractors, Inc.	Knife River Corporation - North Central (dba Knife River – North Dakota Division)
Bitter Creek Pipelines, LLC	Knife River Corporation - South (dba Knife River – Central Texas Division)
Bombard Electric, LLC	Knife River Corporation - South (dba Knife River – East Texas Division)
Bombard Mechanical, LLC	Knife River Midwest, LLC
Capital Electric Construction Company, Inc.	KRC Aggregate, Inc.
Capital Electric Line Builders, Inc.	Lone Mountain Excavation & Utilities, LLC
Cascade Natural Gas Corporation	Loy Clark Pipeline Co.
Concrete, Inc.	LTM, Incorporated
Connolly-Pacific Co.	MDU Construction Services Group, Inc.
Desert Fire Protection, LP	MDU Resources Group, Inc.
DSS Company	Midland Technical Crafts, Inc.
E.S.I., Inc.	Montana-Dakota Utilities Co.
Fidelity Exploration & Production Company	Morse Bros., Inc. (dba Knife River – Western Oregon Division)
Fidelity Exploration & Production Company of Texas LLC	Northstar Materials, Inc. (dba Knife River Materials – Northern Minnesota Division)
Frebco, Inc.	Oregon Electric Construction, Inc.
Granite City Ready Mix, Inc. (dba Knife River Materials – Central Minnesota Division)	Pouk & Steinle, Inc.
Great Plains Natural Gas Co.	Prairielands Energy Marketing, Inc.
Hamlin Electric Company	Rocky Mountain Contractors, Inc.
Hap Taylor & Sons, Inc. (dba Knife River – Central Oregon Division)	Rogue Aggregates, Inc.
Hap Taylor & Sons, Inc. (dba Knife River – Southern Idaho Division)	USI Industrial Services, Inc.
Hap Taylor & Sons, Inc. (dba Knife River – Spokane Division)	Wagner Industrial Electric, Inc.
Hawaiian Cement	Wagner-Smith Equipment Co.
International Line Builders, Inc.	WBI Holdings, Inc.
Jebro Incorporated	WHC, Ltd.
JTL Group, Inc. a Montana Corporation (dba Knife River – Mountain Region)	Williston Basin Interstate Pipeline Company
JTL Group, Inc. a Wyoming Corporation (dba Knife River - Mountain Region)	

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ADDENDUM B – INVESTMENT PERFORMANCE AND FEE INFORMATION

The annual total returns as of each of the following dates are as follows:

	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2005</u>
Stable Value Option	4.78%	4.16%	3.89%
MainStay Indexed Bond Fund	6.92%	3.74%	2.10%
Dodge & Cox Balanced Fund	1.73%	13.86%	6.59%
Growth Fund of America	10.88%	10.91%	14.22%
MainStay S&P 500 Index Fund	5.18%	15.51%	4.61%
Baron Asset Fund	10.13%	14.64%	12.46%
Davis New York Venture Fund	4.97%	15.12%	10.68%
MainStay Small Cap Opportunity Fund	(17.09%)	13.08%	11.14%
Royce Total Return Fund	2.39%	14.54%	8.23%
Forward Hoover Small Cap Equity Fund	7.36%	9.43%	9.63%
Alliance Bernstein International Value Fund	5.26%	N/A	N/A
EuroPacific Growth Fund	18.87%	21.83%	21.05%
MDU Resources Group, Inc. Common Stock	9.85%	20.10%	25.69%

Past performance is not indicative of future results.

If you choose to participate in the Plan, there are fees or commissions you will pay associated with each of the investment options. Such fees or commissions are set forth in the prospectus and are subject to change any time. As of January 1, 2008, the following fees were in effect:

- **New York Life Anchor Account (Stable Value Option)**
.30% per dollar per year
- **MainStay Indexed Bond Fund**
.43% per dollar per year
- **Dodge & Cox Balanced Fund**
.52% per dollar per year
- **Growth Fund of America Fund**
.65% per dollar per year
- **MainStay S&P 500 Index Fund**
.30% per dollar per year.
The original fee for this fund is .55%; however, the fund manager has waived .25% of the fee for institutional investors until further notice.
- **Baron Asset Fund**
1.34% per dollar per year
- **Davis New York Venture Fund**
.84% per dollar per year
- **MainStay Small Cap Opportunity Fund**
1.17% per dollar per year
- **Royce Total Return Fund**
1.09% per dollar per year
- **Forward Hoover Small Cap Equity Fund**
1.69% per dollar per year
- **AllianceBernstein International Value Fund**
1.19% per dollar per year
- **American EuroPacific Fund**
.82% per dollar per year
- **MDU Resources Group, Inc. Common Stock (MDU)**
\$.035 per share at purchase if purchased on the open market. If shares are purchased directly from the Company, no fees are included.

Earnings on the non-MDU stock funds are reduced by the fees before the earnings are actually allocated to your account.

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**ADDENDUM C - WHAT DOES THE COMPANY CONTRIBUTE
AND PLAN SAVINGS EXAMPLE**

Ames Sand & Gravel, Inc. <i>(dba Knife River Materials – North Dakota)</i>	Hawaiian Cement (Salaried)
Anchorage Sand and Gravel Company, Inc.	International Line Builders, Inc.
Baldwin Contracting Company, Inc.	Jebro Incorporated
Bitter Creek Pipelines, LLC	Kent's Oil Service
Bombard Mechanical, LLC	Knife River Corporation
Capital Electric Construction Company, Inc.	Knife River Corporation - North Central <i>(dba Knife River – Central Minnesota Division)</i>
Capital Electric Line Builders, Inc.	Knife River Corporation - North Central <i>(dba Knife River – North Dakota Division)</i>
Concrete, Inc.	Knife River Midwest, LLC
Connolly-Pacific Co.	KRC Aggregate, Inc.
Desert Fire Protection, LP	Lone Mountain Excavation & Utilities, LLC
DSS Company	Loy Clark Pipeline Co.
E.S.I., Inc.	LTM, Incorporated (Non-Bargaining)
Fidelity Exploration & Production Company	MDU Construction Services Group, Inc.
Fidelity Exploration & Production Company of Texas LLC	MDU Resources Group, Inc.
Frebco, Inc.	Midland Technical Crafts, Inc.
Granite City Ready Mix, Inc. <i>(dba Knife River Materials – Central Minnesota Division)</i>	Montana-Dakota Utilities Co.
Great Plains Natural Gas Co.	Northstar Materials, Inc. <i>(dba Knife River Materials – Northern Minnesota Division)</i>
Hap Taylor & Sons, Inc. <i>(dba Knife River – Central Oregon Division)</i>	Prairielands Energy Marketing, Inc.
Hap Taylor & Sons, Inc. <i>(dba Knife River – Southern Idaho Division)</i>	USI Industrial Services, Inc.
Hap Taylor & Sons, Inc. <i>(dba Knife River – Spokane Division)</i>	Wagner Industrial Electric, Inc.
	Wagner-Smith Equipment Co.
	WBI Holdings, Inc.
	Williston Basin Interstate Pipeline Company

WHAT IT IS

This Addendum is intended to supplement the K-Plan Summary Plan Description. Please refer to the full K-Plan Summary Plan Description for a complete explanation of the Plan.

WHO CAN PARTICIPATE

This Addendum applies to the employees of the companies referenced above who meet the eligibility requirements found in the K-Plan Summary Plan Description.

WHAT DOES THE COMPANY CONTRIBUTE

The Company's matching contribution to the Plan is based on your savings contribution. For each \$1.00 you contribute to the Plan, up to 6% of your wages, the Company contributes \$.50.

The Company matching contribution is calculated on a payperiod basis with a year-end recalculation as explained below. For example, if you were to elect a 4% contribution to the Plan for the first six months of the year, and an 8% contribution for the last six months of the year, the following illustrates how the Company matching contribution is calculated:

First Six Months of the Year @ 4%:

\$2,000.00 Monthly Earnings	
x 4% (matched contributions) =	\$80.00
x \$.50/\$1.00 match rate =	\$40.00
x 6 months =	\$240.00 Company Contribution

Last Six Months of the Year @ 8%:

\$2,000.00 Monthly Earnings	
x 6% (matched contributions) =	\$120.00
x \$.50/\$1.00 match rate =	\$60.00
x 6 months =	\$360.00 Company Contribution

Total Company Matching Contribution for Year = \$600.00 (Before year-end recalculation)

When a percentage of your contributions are unmatched during any part of the year (i.e. you were contributing at least 7%) and if you contributed less than 6% during other times of the year, through the year-end recalculation, your account will be credited with the amount of Company matching contributions you would have received otherwise. Such adjustment will only be based on compensation received while you are eligible for the K-Plan.

The year-end recalculation in this example results in an additional company contribution described as follows:

Total Employee Contributions before Adjustment	\$1,440
Total Wages Eligible for K-Plan	\$24,000
Actual Average Employee Contribution Rate	6%

Since the employee contributed 6% of their eligible compensation to the K-Plan, they should receive full Company matching contributions as follows:

Full Match	
(\$.50 of each \$1.00 of employee contributions, up to 6%)..	\$720
Actual Employer Matching Contribution	\$600
Additional Match at Year-end Recalculation =	\$120

Any matching contributions attributable to K-Plan deferrals deducted from your compensation will be invested according to your investment direction. It is expected that Company matching contributions will be made bi-weekly. Company matching contributions are 100% vested immediately.

PLAN SAVINGS EXAMPLE

If you are earning \$25,000 a year and elect a 7% contribution rate, you will save \$1,750 annually toward your retirement. The Company will match up to 6% or \$1,500 (at 50 cents on a dollar), resulting in a Company matching contribution of \$750. If you decide that 30% of your \$1,750 of deferrals will go to the Small-Cap Fund, 40% to the Equity Fund and 30% to MDU Resources Group, Inc. Common Stock, you will be investing the following in each option:

Small-Cap Fund	\$ 525	(\$1,750 x 30%)
Equity Fund	700	(\$1,750 x 40%)
MDU Resources Group Inc. Common Stock	<u>525</u>	(\$1,750 x 30%)
Subtotal	\$1,750	
Plus MDU Resources Match*	<u>750</u>	
Total	\$2,500	

*Company matching contribution

The \$1,750 you contribute would generally lower your gross income subject to taxation, in the example, from \$25,000 to \$23,250. Assuming this \$1,750 is subject to a federal income tax rate of 28%, you would recognize a tax deferral of \$490.

ADDENDUM D-19 – SPECIAL CONTRIBUTION FEATURE

Great Plains Natural Gas Co.	Montana-Dakota Utilities Co.
Hawaiian Cement	Prairielands Energy Marketing, Inc.
Knife River Corporation	WBI Holdings, Inc.
MDU Construction Services Group, Inc.	Williston Basin Interstate Pipeline Company
MDU Resources Group, Inc.	

WHAT IT IS

This Addendum is intended to describe the Special Contribution Feature of the K-Plan for eligible employees of the companies referenced above and is meant to supplement the K-Plan Summary Plan Description. Please refer to the full 401(k) Plan Summary Plan Description for a complete explanation of the Plan.

WHO CAN PARTICIPATE

Employees of the companies referenced above who are hired or rehired after December 31, 2005 and who are eligible for the K-Plan (even if you are not making contributions to the Plan) are also eligible to participate in the Special Contribution Feature. If the Company makes a contribution for any given Plan Year (see the next section), you will be eligible to share in that contribution if you are compensated for at least 1,000 hours of employment in that Plan Year; provided, however, that if your failure to complete 1,000 Hours of Service in the Plan Year is due to your Disability, Death or Retirement on or after attaining age 65 during such Plan Year, you shall be entitled to share in the allocation of Special Contribution for such Plan Year.

Williston Basin Interstate Pipeline Company and Montana-Dakota Utilities Co. employees covered by a collective bargaining agreement are eligible to participate in this Special Contribution Feature, but any other employees covered by a collective bargaining agreement are not eligible to participate in the Special Contribution Feature unless participation in the Special Contribution Feature is specifically bargained for.

WHAT DOES THE COMPANY CONTRIBUTE

For each Plan Year, the Company will credit eligible employees with a contribution equal to five percent (5%) of their eligible Compensation as a Special Contribution. Eligible Compensation means your total compensation paid by the Company during that Plan Year (not in excess of \$230,000 in 2008, as indexed) and includes overtime, alternate rate and premium pay, but excludes relocation allowance and any other extra or additional compensation which does not constitute direct earnings such as bonuses.

INVESTMENT OF SPECIAL CONTRIBUTION

Any Special Contribution you receive will be credited to a Special Contribution Account established in your name under the K-Plan. You may direct the investment of your Special Contribution Account among the investment funds offered in the K-Plan.

VESTING

Even though you may be a participant in the Special Contribution Feature, you must first be vested before you have any non-forfeitable right to a benefit under this feature. Vesting is defined as a present, non-forfeitable right to a future benefit. The right means that it belongs to you and cannot be taken away.

Even though you are immediately vested in the standard K-Plan matching contributions, the Special Contribution Feature requires three (3) years of vesting service.

Once you have completed three (3) years of vesting service, you will become fully vested in your current Special Contribution Account and any future contributions. If you terminate your employment with the Company or any affiliate prior to becoming vested in your Special Contribution Account, your entire Special Contribution Account balance will be forfeited. A year of vesting service is generally defined as any calendar year in which you are compensated for at least 1,000 hours of employment. Notwithstanding the foregoing, a participant shall be vested in his or her Special Contribution Account upon death, disability or upon attaining age 65.

DISTRIBUTION OF SPECIAL CONTRIBUTION FEATURE

The vested balance in your Special Contribution Account may be distributed at the same time and in the same manner as the balances in your other 401(k) Plan accounts.

REEMPLOYMENT

If you terminate employment before becoming vested in your Special Contribution Account and later become reemployed by the Company or any affiliate, your Special Contribution account will be reinstated if you have not incurred five (5) consecutive One-Year breaks in service. A break in service is defined as a Plan Year in which a terminated employee is compensated for less than 500 hours.

IMPORTANT PLAN INFORMATION

This Special Contribution Feature is not a guarantee of employment. The Board of Directors of the Company has authority to change or discontinue the Special Contribution Feature at any time.

Section 11 401(K) Plan

Section 11 – 401(K) Plan Summary Plan Description

This document and the attached addendums constitute part of a prospectus covering securities that have been registered under the Securities Act of 1933.

Dated: February 15, 2007

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Section 11

401(K) Plan

11.1 – WHAT IS THE K-PLAN

The MDU Resources Group, Inc. 401(k) Retirement Plan is a means to defer income for investment and additional financial security toward retirement for its employees and those of its affiliates.

The MDU Resources Group, Inc. 401(k) Retirement Plan presently covers eligible employees of the following affiliates (together, referred to as the "Company" and individually as "any company"):

Anchorage Sand and Gravel Company, Inc.	JTL Group, Inc., a Montana corporation
Atlas, Inc.	JTL Group, Inc., a Wyoming corporation
Baldwin Contracting Company, Inc.	Kent's Oil Service
Bell Electrical Contractors, Inc.	Knife River Corporation
Bitter Creek Pipelines, LLC	Knife River Corporation – North Central
Bombard Electric, LLC	KRC Aggregate, Inc.
Bombard Mechanical, LLC	KRC Holdings, Inc.
Capital Electric Construction Company, Inc.	Loy Clark Pipeline Co.
Capital Electric Line Builders, Inc.	LTM, Incorporated
Centennial Energy Resources LLC	Masco, Inc.
Colorado Energy Management, Inc.	MDU Construction Services Group, Inc.
Concrete, Inc.	MDU Resources Group, Inc.
Connolly-Pacific Co.	Midland Technical Crafts, Inc.
Continental Line Builders, Inc.	Montana-Dakota Utilities Co.
Coordinating and Planning Services, Inc.	Morse Bros., Inc.
Desert Fire Protection, LP	Norm's Utility Contractor, Inc.
DSS Company	Northstar Materials, Inc.
E.S.I., Inc.	Oregon Electric Construction, Inc.
Fidelity Exploration & Production Company	Pouk & Steinle, Inc.
Fidelity Exploration & Production Company of Texas LLC	Prairielands Energy Marketing, Inc.
Frebco, Inc.	Rocky Mountain Contractors, Inc.
Fred Carlson Company, LLC	Rogue Aggregates, Inc.
Granite City Ready-Mix, Inc.	USI Industrial Services, Inc.
Great Plains Natural Gas Co.	Wagner Industrial Electric, Inc.
Hamlin Electric Company	Wagner-Smith Company, The
Hap Taylor & Sons, Inc.	Wagner-Smith Equipment Co.
Hawaiian Cement	WBI Holdings, Inc.
International Line Builders, Inc.	WHC, Ltd.
Jebro, Incorporated	Williston Basin Interstate Pipeline Company
	Young Contractors, Inc.

For purposes of this Summary Plan Description, the above-named plan is referred to as the "Plan" or "K-Plan."

Copies of the collective bargaining unit agreements which apply to the Plan are available upon request from the Plan Administrator.

The Plan covers employees of numerous participating employers. This Summary Plan Description (including Addendums A and B) summarizes the benefits that apply to you regarding your contributions and any company matching contributions. Separate Addendums to the Summary Plan Description explain the benefits that apply to other employees. Any other Company contributions, such as profit sharing, special contributions, variable match contributions, or Davis-Bacon, if applicable, are addressed in subsequent Addendums, other than Addendums A and B.

The Plan permits participants and beneficiaries to direct the investment of their Plan accounts in accordance with the limits and restrictions described in this Summary Plan Description and other investment literature provided to you. The Employee Retirement Income Security Act of 1974, as amended (ERISA), §404(c) provides that if a plan provides a participant with an opportunity to control the participant's plan investments, the Plan's Trustees and other fiduciaries generally are not responsible for any investment losses attributable to the participant's investment decisions.

In other words, if you control the investment of your Plan account, then you are responsible for the investment results – including both earnings *and* losses attributable to your investment decisions. In structuring the Plan to allow participant-directed investments, it is intended that the Plan qualify as an “ERISA §404(c) plan,” and the Plan's fiduciaries may be relieved of any liability for losses experienced as a direct result of your investment instructions.

MDU Resources Group, Inc. is the registrant of MDU Resources Group, Inc. Common Stock offered under the Plan.

If you were a participant in the MDU Resources Group, Inc. Employee Stock Ownership Plan (ESOP), your ESOP account became a feature of the Plan effective January 1, 1988, as a result of a merger of the Plan and the ESOP.

This Summary Plan Description is intended to help you understand your rights and benefits under the Plan. Should any inconsistencies exist between this Summary and the Plan, the provisions of the Plan and the related Trust Agreement govern.

11.2 – WHAT IS BENEFITS COMPLETE®

To help with your retirement planning, many features of the Plan are available to you 24 hours a day, seven days a week, over an automated telephone system (1-800-294-3575); or via the Internet (<http://www.bcomplete.com>), through *Benefits Complete*®. The automated telephone system also allows you access to a Participant Service Representative if you call between the hours of 8:00 AM and 7:00 PM Central Time (CT) on any business day the New York Stock Exchange (NYSE) is open (“NYSE business day”).

By using *Benefits Complete*®, you can access the following information:

- account balances as of the prior business day
- current contribution levels
- investment fund returns as of the prior month's end
- current investment choices
- a statement of your account
- education information
- retirement/college planning

You may take action on your account as follows:

- change the amount of your contribution
- change the investment of future contributions
- transfer your existing account balances
- request plan forms (i.e., loans, in-service withdrawals, and rollovers)
- suspend contributions and restart contributions

11.3 – WHO MAY PARTICIPATE

You are eligible to participate in the Plan immediately upon hire if you are a regular full-time employee or part-time employee scheduled to work at least 1,000 hours a year of a company described in Section 11.1 and you are at least 18 years of age and actively employed by the Company in other than a temporary or occasional position. (However, if a temporary or occasional employee or part-time employee completes more than 1,000 hours of service within a twelve-month period beginning on their employment date or in any subsequent plan year, then such employee will become eligible to participate in the Plan upon completion of 1,000 hours of service. An hour of service is each hour for which an employee is directly or indirectly paid or entitled to payment by the Company and each hour for which back pay has either been awarded or agreed to by the Company.)

Leased employees and independent contractors are not eligible to participate in the Plan.

If you terminate employment with the Company and at that time were eligible to participate and are later reemployed with the Company, you are eligible to participate in the Plan immediately.

Employees who are eligible to participate in a retirement plan which is a multi-employer plan to which the Company contributes or covered by a collectively bargained unit which has not bargained for the Plan are not eligible to participate in the Plan.

11.4 – HOW DO I ENROLL

If you are or become eligible to participate in the Plan (as described in Section 11.3), you will be provided an Enrollment Package containing an enrollment form. To begin making contributions, you must enroll by completing this form and returning it to your payroll center. This form must be completed and returned even if you elect 0% employee deferrals. You must also complete the Beneficiary Designation form which will be included in your Enrollment Package. This form must be returned to your Human Resources Department. If you initially elect 0% employee deferral upon enrollment, you may increase your employee deferral at any time by contacting *Benefits Complete*® at 1-800-294-3575 or accessing the website: www.bcomplete.com.

If you do not elect to contribute to the Plan, no Company matching contribution will be made to the Plan on your behalf. Any other Company contributions, such as profit sharing, special contributions, variable match contributions, or Davis-Bacon, if applicable, are addressed in subsequent Addendums, other than Addendums A and B.

11.5 – HOW MUCH MAY I SAVE

Participation in the Plan is entirely voluntary. You may elect to contribute to the Plan by deducting from your paycheck, in 1% increment(s), up to the following limits:

- 50% of your wages (before federal and, in most cases, state income taxes).
- 22% of your wages (before federal and, in most cases, state income taxes) if you are a certain higher paid employee, as defined in Section 11.10.

These contributions may be made up to a maximum annual amount of \$15,500 in 2007 (as indexed), as established by the Internal Revenue Service.

Your “wages” means your total compensation (not in excess of \$225,000 in 2007, as indexed), including overtime, alternate rate, and premium pay, but excluding relocation allowance and any other extra or additional compensation which does not constitute direct earnings, such as bonuses.

These contributions will be credited to your K-Plan account.

You may change your contribution percentage rate by calling *Benefits Complete*[®] at 1-800-294-3575 or by accessing the website: www.bcomplete.com. Your most recent election remains in effect until you make a change. Changes will go into effect as soon as administratively feasible and not later than 30 days from when you request the change.

11.6 – CATCH-UP CONTRIBUTIONS

Participants, age 50 and older by the end of the applicable plan year, may be eligible to make catch-up elective deferrals. These deferrals must be over and above the applicable Plan deferral limit. For 2007, participants may make a catch-up elective deferral of up to \$5,000. However, any intended catch-up contribution will be treated as a regular pre-tax contribution until your total pre-tax contributions for the year reach the maximum permitted under the Plan. In addition, any intended catch-up contribution will not be subject to any Company matching contributions. You may make a catch-up elective deferral by calling *Benefits Complete*[®] at 1-800-294-3575 or by accessing the website: www.bcomplete.com.

11.7 – HOW ARE CONTRIBUTIONS INVESTED

At least once each month, the Company will pay all contributions to the Plan Trustee to be held in trust and invested as directed by each participant.

You may direct the investment of your entire K-Plan account (both Company contributions and your own contributions) among any of the following investment funds:

1. *Stable Value Option*

The Stable Value Option is not a mutual fund. The Option seeks to provide a low risk, stable investment offering competitive yields. The Option is invested in the New York Life Anchor Account. The Option may also invest in cash and cash equivalents from time to time, for liquidity purposes only. The rate you receive, which is subject to change daily, is a blend of the rates of the Option's investments. The New York Life Anchor Account guarantees principal and accumulated interest. The guarantee is provided by New York Life Insurance Company. While the Option's primary objective

is to maintain a stable value, the Option is not guaranteed by the Company, the Plan, the FDIC or the federal government. This Option may serve to balance other higher risk/return investments. The Option may be appropriate for investors who are seeking to accumulate current income while preserving the value of their original investment.

2. ***MainStay Indexed Bond Fund (Class I) (MIXIX)***

MainStay Indexed Bond Fund is an income mutual fund. The fund seeks to provide investment results that correspond to the total-return performance of fixed-income securities in the aggregate, as measured by the Salomon Smith Barney Broad Investment Grade Bond Index. The fund primarily invests in a diversified portfolio of investment-grade corporate and U.S. government bonds and mortgage related securities. These securities may have fixed, variable, floating or inverse floating rates of interest. Bond values are affected by various factors, including interest rates, issuer credit worthiness, market conditions, and maturities. In general, bond prices rise when interest rates fall, and vice versa. This effect is usually more pronounced for bonds with longer maturities. The fund may be appropriate for investors who are seeking current income and are comfortable with some share-price fluctuation. Details are discussed in the fund's prospectus.

3. ***Dodge & Cox Balanced Fund (DODBX)***

Dodge & Cox Balanced Fund is a growth and income mutual fund. The fund seeks to provide regular income, conservation of principal, and an opportunity for long-term growth of principal and income. The fund seeks to achieve its objectives by investing in a diversified portfolio of common stocks, preferred stocks, and bonds. The fund's manager will vary the amount invested in stocks and bonds based on the manager's opinion of business and investment prospects. Stock values fluctuate based on individual company activities and on overall market and economic factors. Bonds may have variable, fixed or floating rates of interest. In general, bond prices rise when interest rates fall, and vice versa. This effect is usually more pronounced for bonds with longer maturities. The fund may be appropriate for investors who are comfortable with stock market fluctuations while seeking the potential for long-term capital growth, and seek current income from investments in some debt securities. Details are discussed in the fund's prospectus.

4. ***MainStay S&P 500 Index Fund (Class I) (MSPIX)***

MainStay S&P 500 Index Fund is a growth and income mutual fund. The fund seeks to provide investment performance (reflecting reinvestment of dividends) that corresponds to the total-return performance of common stocks in the aggregate, as represented by the Standard & Poor's 500 Index ("S&P 500"[®]). The fund seeks to mirror the performance of the S&P 500 by investing primarily in stocks included in the S&P 500 in the same proportion, to the extent feasible, as their representation in the index. Stock values fluctuate based on individual company activities and on overall market, economic and industry factors. The fund may be appropriate for investors who seek a return that corresponds to that of the broad stock market, and are willing to accept share-price fluctuations. Details are discussed in the fund's prospectus.

5. ***American Funds The Growth Fund of America (Class R4) (RGAEX)***

American Funds Growth Fund of America is a growth mutual fund. The fund seeks long-term growth of capital by investing in common stocks. Stock values fluctuate based on individual company activities and on overall market and economic factors. The fund may be appropriate for investors who are willing to accept the potential for significant fluctuations in share price while seeking potentially higher long-term returns from investments in stocks. Details are discussed in the fund's prospectus.

6. ***Baron Asset Fund (BARAX)***

Baron Asset Fund is a growth mutual fund. The fund seeks capital appreciation through investments in securities of small and medium sized companies with undervalued assets or favorable growth prospects. Production of income, if any, is incidental to this objective. These securities include primarily common stocks but may also include other equity-type securities such as convertible bonds, debentures, preferred stocks, warrants and convertible preferred stocks. Stock values fluctuate based on individual company activities and on overall market and economic factors. The fund may be appropriate for investors who are willing to accept the potential for significant fluctuations in share price while seeking potentially higher long-term returns from investments in stocks. Details are discussed in the fund's prospectus.

7. ***Davis New York Venture Fund (Class A) (NYVTX)***

Davis New York Venture Fund is a growth mutual fund. The fund seeks growth of capital by investing primarily in common stock of U.S. companies with market capitalizations of at least \$5 billion. Stock values fluctuate based primarily on individual company activities and on overall market and economic factors. This fund may be appropriate for investors who are comfortable with stock market fluctuations while seeking the potential for long-term capital growth and income. Details are discussed in the fund's prospectus.

8. ***MainStay Small Cap Opportunity Fund (Class I) (MOPIX)***

MainStay Small Cap Opportunity Fund is a growth mutual fund. The fund seeks high total return from equity investments. Stock values fluctuate based primarily on individual company activities and on overall market and economic factors. The value of stocks of smaller companies may be impacted to a greater extent by these factors. The fund may be appropriate for investors who are willing to accept the potential for significant fluctuations in share price while seeking potentially higher long-term returns from investments in stocks. Details are discussed in the fund's prospectus.

9. ***Royce Total Return Fund (RYTRX)***

Royce Total Return Fund is a growth mutual fund. The fund seeks long-term growth of capital and current income. Royce invests the fund's assets primarily in a diversified portfolio of dividend paying securities issued by small- and micro-cap companies. Stock values fluctuate based on individual company activities and on overall market and economic factors. The fund may be appropriate for investors who are willing to accept

the potential for significant fluctuations in share price while seeking potentially higher long-term returns from investments in stocks. Details are discussed in the fund's prospectus.

10. ***Forward Hoover Small Cap Equity Fund (FFSCX)***

Forward Hoover Small Cap Equity Fund is a growth mutual fund. The fund seeks long-term capital growth. Under normal market conditions, the fund invests 80% of its total assets in the equity securities of small cap U.S. companies. The fund currently intends that the market capitalization of these companies shall be no larger than \$2 billion at the time of initial purchase. In making its investments, the Fund's sub-advisor seeks out companies with characteristics such as significant potential for future growth in earnings, ability to compete in its business, a clearly defined business focus, strong financial health, and management ownership. Stock values fluctuate based on individual company activities and on overall market and economic factors. The value of stocks of smaller companies may be impacted to a greater extent by these factors. The fund may be appropriate for investors who are willing to accept the potential for significant fluctuation in share price while seeking potentially higher long-term returns from investment in stocks. Details are discussed in the fund's prospectus.

11. ***AllianceBernstein International Value Fund (Class A) (ABIAX)***

AllianceBernstein International Value Fund is an international mutual fund. The fund seeks long-term growth of capital by investing primarily in a diversified portfolio of non-U.S. equity securities. Foreign investing may be subject to greater risks than domestic investing. These risks may include securities markets that are less efficient, less liquid and more volatile than those in the United States, as well as foreign currency fluctuation and different governmental regulatory concerns. The fund may be appropriate for investors who are willing to accept significant share price fluctuations in pursuit of potentially higher long-term returns through investments in international stocks. Details are discussed in the fund's prospectus.

12. ***American Funds EuroPacific Growth Fund (Class R3) (REREX)***

American Funds EuroPacific Growth Fund is a growth mutual fund. The fund seeks to provide long-term growth of capital by investing in companies based outside the United States. Foreign investing may be subject to greater risks than domestic investing. These risks may include securities markets that are less efficient, less liquid and more volatile than those in the United States, as well as foreign currency fluctuation and different governmental regulatory concerns. Stock values fluctuate based on individual company activities and on overall market and economic factors. The fund may be appropriate for investors who are willing to accept the potential for significant fluctuations in share price while seeking potentially higher long-term returns from investments in international stocks. Details are discussed in the fund's prospectus.

13. ***MDU Resources Group, Inc. Common Stock Fund (MDU)***

The MDU Resources Group, Inc. Common Stock Fund is not a mutual fund. The fund is primarily invested in MDU Resources Group, Inc. Common Stock. The fund

will also invest a small portion of its assets in cash and cash equivalents for liquidity purposes only. The value of your investment in the fund will fluctuate daily based on the change in the share price of MDU Resources Group, Inc. Common Stock traded in the stock market. MDU Resources Group, Inc. Common Stock will be purchased by the Plan Trustee pursuant to the terms of the Trust Agreement. The Plan Trustee may purchase shares of stock directly from the Company, on the open market, in negotiated transactions, or a combination of the foregoing. The price of shares of stock purchased directly from the Company will be the average of the high and low sales prices for such shares as reported on the composite tape for New York Stock Exchange listed companies on the date the shares are purchased by the Plan Trustee. For shares of MDU Resources Group, Inc. Common Stock purchased on the open market, a commission of \$0.035 per share will be added to the purchase price. If shares are purchased directly from the Company, no commission will be charged. There are special considerations associated with an investment in MDU Resources Group, Inc. Common Stock. For a review of these considerations and other relevant matters, please refer to the Company's latest Annual Report to Stockholders and Form 10K and other reports filed with the Securities and Exchange Commission. To obtain a copy of these documents, please contact the Plan Administrator.

The value of each participant's investment could, at various times, be less than the participant's contribution. Each participant assumes all risks in connection with changes in values of their investments. None of the Company, the Committee, the Plan Trustee, or any government agency guarantees that the value of the investments will increase or will not decrease. Prior to making an investment decision, please refer to the prospectus for the appropriate fund and to the Company's Annual Report to Stockholders and Form 10K.

If you choose to participate in the Plan, you will be required to decide how much of your contributions you want invested in any or all of the options mentioned above. Your investment election can be made in 1% increment(s) and must total 100%.

For example:

Balanced Fund	25%
Equity Fund	25%
Small-Cap Fund	15%
International Fund	20%
MDU Resources Group, Inc. Common Stock	15%
Total	100%

You may change your investment election for future contributions allocated to your account, and/or your investment election for your existing account balance, through *Benefits Complete*[®]. Investment election changes made and confirmed before 3:00 PM CT on any NYSE business day will generally be effective as of the close of that day and cannot be changed or cancelled after the NYSE closes on that day. A change confirmed on or after 3:00 PM CT, or on weekends or holidays, will generally be effective as of the close of the next NYSE business day and cannot be changed or cancelled after the NYSE closes on that day. In the event the NYSE closes prior to 3:00 PM CT on any business day, a change made and confirmed before the time the NYSE closes will

generally be effective as of the close of that day and cannot be changed or cancelled after the NYSE closes on that day. A change made or confirmed on or after such closing time will generally be effective as of the close of the next NYSE business day and cannot be changed or cancelled after the NYSE closes on that day. In the event an investment option does not have sufficient liquidity to meet same day redemption requests, your change will be effective as soon as administratively possible thereafter.

NOTE: Certain actions (for example, excessive trading) may cause the mutual fund companies to impose limitations regarding your ability to change your investment election for your existing account balance and/or may result in additional fees being assessed to your account. The K-Plan will enforce any restrictions imposed by the mutual fund companies. Please refer to the underlying prospectus(es) for more information.

NOTE ALSO: If you request a transfer that results in a redemption from the Company Stock Fund, and sufficient liquidity is not available to process your request, your request will be processed on the next NYSE business day on which sufficient liquidity is available. Note also that any transaction confirmed before the NYSE closes on any business day, cannot be changed or cancelled after the NYSE closes on that day. Any transaction confirmed after the NYSE closes, or on weekends or holidays, cannot be changed or cancelled after the NYSE closes on that next business day.

Earnings and dividends on your contributions and any Company contributions will automatically be reinvested in the funds in which invested.

You will have a nonforfeitable right to the entire vested amount in your account. Upon termination of employment, you will be entitled to receive distribution of your account (See "Benefit Status at Employment Termination").

If you choose to participate in the Plan, there are fees or commissions associated with each of the investment options you will pay. Such fees or commissions are set forth in the prospectus and are subject to change any time. Current prospectuses and a complete description of the investment options are available by calling *Benefits Complete*® or accessing www.bcomplete.com.

11.8 – MAY I DISCONTINUE MY CONTRIBUTIONS

You may elect to discontinue your contributions to the Plan at any time via *Benefits Complete*® at 1-800-294-3575 or website: www.bcomplete.com. Requests to discontinue contributions are forwarded to the Company on a weekly basis and will be effective as soon as administratively feasible.

At such time you wish to restart your contributions, you must elect to do so via *Benefits Complete*® at 1-800-294-3575 or website: www.bcomplete.com. Your request to restart your contributions may be made at any time. Requests to change contributions are also forwarded to the Company on a weekly basis and will take effect as soon as administratively feasible, but no later than 30 days from when you request the change.

Upon re-entry following discontinuance, you will need to elect a contribution percentage rate. You will not be able to make up discontinued contributions.

11.9 – ROLLOVER CONTRIBUTIONS

The Plan does accept rollover contributions from other qualified retirement plans, 403(b) plans, 457(b) plans, or conduit IRA accounts, including after-tax rollovers. A conduit IRA, for this purpose, is an IRA that only holds assets distributed from a qualified plan as adjusted for earnings, losses, and gains attributable thereto. As a participant in the Plan, you may request a Rollover package through *Benefits Complete*® at 1-800-294-3575 or accessing the website: www.bcomplete.com.

By law, the rollover must be made within 60 days of your receipt of a distribution and may not include ineligible amounts. The 60-day requirement does not apply to amounts rolled over directly from an IRA or qualified retirement plan to the Plan. All rollovers must be made in cash. Contributions of property other than cash (for example, stock certificates) will not be accepted. Loans from a terminated plan of an acquired company will be accepted.

You may withdraw your rollover contributions from the Plan at any time and for any reason.

11.10 – CONTRIBUTION LIMITATIONS

The Internal Revenue Code limits the amount of contributions that can be made to a 401(k) plan by a participant. The annual maximum amount employees can contribute to the Plan is \$15,500 in 2007. Any contributions made by the Company, on your behalf, are not included in the maximum.

Under special nondiscrimination rules, if you are considered a "higher paid employee," the percentage of your savings contributions and the Company contributions made on your behalf are limited by, and related to, the savings contributions and any Company contributions made by and on behalf of other eligible employees. You will be notified if any of your Plan contributions are so limited. For purposes of these limitations, a "higher paid employee" in 2007 generally means any employee who, during the current Plan Year or preceding Plan Year was a 5% owner, or received compensation in excess of \$100,000 in the previous year, as indexed, from the Company.

In addition, the Internal Revenue Code imposes special overall limitations on contributions and benefits which are allowed under qualified plans which receive favorable tax treatment, including the Plan. These limitations are based, in part, on your aggregate compensation from the Company.

11.11 – DO I RECEIVE A STATEMENT OF MY ACCOUNTS

The Company has hired New York Life Investment Management LLC to maintain your account records. As a participant in the Plan, you will receive statements on a quarterly basis. You may request a statement at any time by contacting *Benefits Complete*® at 1-800-294-3575 or by accessing the website: www.bcomplete.com.

The statements will describe all transactions involving your K-Plan and ESOP accounts, including the value of your accounts to the date of the statement.

11.12 – LOAN PROCEDURES

Since the primary purpose of the K-Plan is to encourage long-term retirement savings, distribution of your account normally cannot be made before your retirement or other termination of employment. However, while you remain employed by the Company, you may be able to borrow from your account. In accordance with the provisions of the Sarbanes-Oxley Act, executive officers (all persons who report under Section 16(a)), may not borrow from their account.

How much can I borrow?

You are allowed to take out a loan for any reason. You may have up to two loans at the same time and all loans must be for at least \$1,000. The maximum loan amount available to you equals the lower of i) 50% of your vested account balance, and ii) \$50,000 reduced by your highest outstanding loan balance for the previous 12-month period. While you are employed by the Company, loans must be repaid within 5 years (60 months), except in the case of a loan for a principal residence which can be repaid over a period not to exceed 15 years. All loans must meet mandatory requirements, be repaid via payroll deduction and will bear a constant interest rate which is based on the prime interest rate at the time of loan origination, as published in *The Wall Street Journal*, plus one percent. Interest will begin to accrue on the day the loan is made. The interest you pay on a K-Plan loan is credited to your K-Plan account.

The following represents examples of how the maximum amount available for loan is calculated:

Examples:

- If your total vested K-Plan account balance is \$40,000 and you have not had a Plan loan outstanding in the past twelve months, the maximum amount available for loan would be \$20,000.
- If your total vested K-Plan account balance is \$125,000 and you have not had a Plan loan outstanding in the past twelve months, the maximum amount available for loan would be \$50,000.

Example - If already carrying a loan:

- If your total vested K-Plan account balance is \$80,000, the maximum amount available for loan is \$40,000. If you are already carrying a loan with a current outstanding balance of \$10,000 and your highest outstanding balance during the previous twelve months was \$13,000, the maximum amount available for loan is calculated as follows:

The lesser of -

i) 50% of vested account balance reduced by any other outstanding loan . .	\$80,000
	<u>x 50%</u>
	40,000
	<u>(10,000)</u>
	\$30,000
ii) \$50,000 reduced by the highest outstanding loan balance for the	
previous 12-month period	\$50,000
	<u>(13,000)</u>
	\$37,000

Maximum amount available for loan = \$30,000

How do I request a loan?

You may request a K-Plan loan through *Benefits Complete*® by either calling 1-800-294-3575 or by accessing the website: www.bcomplete.com. *Benefits Complete*® allows you to model different repayment schedules and determine payment amounts.

After requesting a non-residential loan, the Plan Trustee will send the loan check, the Loan Disclosure Statement, and the Loan Agreement and Promissory Note in one package. By endorsing the back of the check, you agree to the terms of the loan as detailed in the note.

After requesting a residential loan, an application will be mailed to you along with a Promissory Note and Loan Disclosure Statement. You will be required to sign the Promissory Note and Loan Disclosure Statement and return these documents to the following address:

New York Life Investment Management LLC
P.O. Box 940
Norwood, MA 02062-2641

If you qualify for a residential loan, a check will be processed within 5 business days after New York Life Investment Management LLC receives your properly completed application and other documents.

A \$50 loan origination fee will be charged for each loan you obtain and will be deducted from your account balance at the time the loan is taken.

Where do the funds come from to make the loan?

For purposes of determining the maximum amount available for loan, the total value of your vested account will be considered. Loan repayments will be reinvested according to your current investment elections, regardless of the source of the loan funds.

How is the loan repaid?

Repayment of principal and interest of each loan will be made by regular after-tax payroll deduction. In the event you have an outstanding loan balance and are on an unpaid leave of absence, (during which loan payments can be suspended for up to 12 months) repayments must be made by cashiers check, bank check, or money order payable to NYLTC as Trustee of the MDU Resources Group, Inc. 401(k) Retirement Plan and must meet mandatory requirements. All cashiers checks for loan repayments must include your social security number. This same procedure applies to full prepayments. Partial prepayments are not allowed.

What if I terminate employment?

If, for any reason, you terminate employment with the Company, you will have at least 90 days to repay the unpaid principal and accrued interest on all outstanding loans prior to distribution. If you do not repay, the unpaid balance and accrued interest will be considered to be distributed on the earlier of:

1. the date distribution of your account balance is made or commences, or

2. the last day of the calendar quarter following the calendar quarter in which the required loan repayment was due.

See 11.16 – *Federal Income Taxes* for a general discussion on the tax implementation of this distribution.

11.13 – IN-SERVICE WITHDRAWALS

Two types of distributions from your Plan account are allowed while you are still employed by the Company. They are:

- **Age 59^{1/2} Withdrawal**

You may withdraw all or any portion of the vested amount credited to your K-Plan account once per year, after attaining age 59^{1/2}, even if you are still employed with the Company. To elect such a withdrawal, call *Benefits Complete*® at 1-800-294-3575 or access the website: www.bcomplete.com which will provide you with the appropriate form you will need to complete indicating the specifics of your request. Such a withdrawal will be in the form of cash and/or an MDU Resources Common Stock certificate, as you elect.

- **Hardship Withdrawal**

Hardship withdrawals from your K-Plan account (excluding earnings on deferrals made after December 31, 1988 and any unvested portion of your account) will be allowed in accordance with applicable rules and regulations of the Internal Revenue Service.

A request for hardship withdrawal may be made at any time by calling *Benefits Complete*® at 1-800-294-3575 or accessing the website: www.bcomplete.com to request the appropriate forms and instructions. The following requirements must be met; 1) the participant must have an *immediate* and *heavy* financial need, and 2) the amount of the withdrawal must be *necessary* to meet that need.

Immediate heavy financial needs are limited to amounts necessary for:

1. unreimbursed medical expenses incurred by you, your spouse, or your dependents;
2. prevention of foreclosure on or eviction from your principal residence;
3. costs directly related to the purchase of a principal residence (excluding mortgage payments);
4. tuition, room and board, and related educational fees for the next twelve months of post-secondary education for you, your spouse, children, or dependents;
5. funeral or burial expenses for your deceased parent, spouse, children, or dependents; or
6. costs for repair of damages to your principal residence that would qualify for a casualty loss deduction.

You will be required to furnish reasonable documentation in support of your request.

If a hardship withdrawal is granted, the participant must suspend making contributions to the Plan for six months after the hardship distribution is received. The participant must also suspend making contributions to any other deferred compensation plan maintained by the Company for six months.

If approved by the Plan Trustee, such withdrawal shall equal the lesser of the amount required to be distributed to meet the need created by the hardship (including any amounts necessary to pay any federal, state, or local income taxes or penalties reasonably anticipated to result from the withdrawal) or the value of your contributions, plus any vested Company contributions.

If your hardship request is approved by the Plan Trustee, the amount available for a hardship withdrawal will be based on the value of your account on the day the hardship withdrawal is approved.

Distributions are made in the form of cash as soon as practicable after approval of the hardship request.

A hardship withdrawal may be made only after the participant has obtained all distributions, including distribution of dividends on Company stock, and all non-taxable loans currently available under all qualified plans (and any other employee benefit plan specified in Internal Revenue Service rules and regulations applicable to such hardship withdrawals) maintained by the Company or an affiliate included in this Plan.

The Internal Revenue Code generally imposes a 10% additional income tax on amounts withdrawn before age 59^{1/2}. See the "Federal Income Taxes" section for more information on taxation. Amounts withdrawn on account of medical hardship are generally not subject to this tax.

Amounts received as hardship withdrawals will not be subject to mandatory federal income tax withholding and, if applicable, state tax withholding (and will not be eligible to be rolled over). You should be aware, however, that this will not change your tax liability for making such a withdrawal from the Plan.

11.14 – BENEFIT STATUS AT EMPLOYMENT TERMINATION

You are not eligible to receive any portion of your Plan accounts, except previous rollover contributions, until you retire, are disabled, die, or otherwise terminate employment with the Company, except as noted elsewhere in this section. The primary reason for the existence of the Plan is to afford financial security for your retirement. It is not to be viewed as a short-term passbook savings account.

Distribution of your accounts at retirement, disability, death, or other termination of employment is made in the form of cash for any monies invested in other than MDU Resources Group, Inc. Common Stock. MDU Resources Group, Inc. Common Stock is distributed in the form of a stock certificate, with any fractional shares in cash. Any MDU Resources Group, Inc. Common Stock included in a direct transfer to an IRA or qualified plan will be electronically transferred to the IRA or qualified plan Trustee or Custodian.

You will have the opportunity to elect distribution of your account in annual installments, not to exceed 5 years, or in a single-sum payment.

If the value of your account is less than \$1,000, distribution will be made to you in a single sum payment. Unless the value of your account is less than \$1,000, no distribution of your accounts will be made by the Plan Trustee without your written consent. If the value of your account exceeds \$1,000, your funds will not be distributed to you before your attainment of age 62 without your written consent. Further, if you do not request a distribution before you attain age 70^{1/2}, you will be deemed to have elected to defer payment until your attainment of age 70^{1/2}, at which time your accounts will be distributed to you as soon as administratively feasible. For information on taxes, see "Federal Income Taxes" section.

The Plan Trustee will provide the appropriate distribution forms after your employment with the Company has ended. Qualifying distributions will be made as soon as administratively feasible upon the receipt of the completed election form.

If you continue to be employed by the Company beyond age 70^{1/2}, you may defer distribution until such time as your employment terminates if you are not a 5% owner.

11.15 – WHAT HAPPENS IN THE EVENT OF DEATH

If you die while employed by the Company, or if you die after terminating employment with the Company, but before receiving a complete distribution of your vested account, your vested account will be paid to the beneficiary or beneficiaries whom you have designated in writing to the Company; provided, however, that in the event you were married for at least a one-year period on the date of your death, such beneficiary will be your surviving spouse. You may elect to change or revoke your spouse as your beneficiary, but you must have written consent from your spouse, witnessed by a notary public or Plan Representative. If your beneficiary is someone other than your spouse they will have five years after your death to elect a distribution from your account. You may change or revoke your beneficiary designation at any time by completion of a new Beneficiary Designation Form. If you have not designated a beneficiary, or if the beneficiary whom you have selected should die before receiving the amount credited to your accounts, the benefits will be payable to your estate.

11.16 – FEDERAL INCOME TAXES

In 2003, the Company received a favorable determination from the Internal Revenue Service that the Plan, as amended, continues to meet the requirements, as to form, of Sections 401(a) and 401(k) of the Code, and that the Trust established under the Plan is exempt from Federal income taxes under Section 501(a) of the Code such that any Employer contributions paid to the Trust under the Plan will be allowable Federal income tax deductions subject to the conditions and limitations of Section 404 of the Code.

The following statements are intended only as an outline of the tax consequences of participation in the Plan. Because the applicable provisions of the Code are quite technical and subject to amendment and differing interpretations and because their application may vary in individual cases, you are advised to consult with your personal tax consultant regarding these matters. The Company makes no representation or warranty on the adequacy or accuracy of the following information.

Since the Internal Revenue Service has determined that the Plan continues to be a qualified plan; the Company believes the following tax effects will occur:

- a. Any Company contributions under the Plan, and dividends, interest, and other income attributable to such contributions and to a participating employee's savings contributions under the Plan are not taxable to the participating employee when received by the Plan Trustee and credited to the employee's account. These amounts are usually taxable when they are withdrawn or distributed to the participating employee.
- b. Employee contributions which are made to the Plan within applicable limits are not included in the participating employee's taxable wages as reported on the employee's Federal income tax return for the year for which such contributions are made, and thus reduce the amount of the employee's wages subject to withholding. These amounts are usually taxable when they are withdrawn or distributed to the participating employee. ***However, the savings contributions are taken into account for purposes of FICA & FUTA when contributed to the Plan.***
- c. To the extent that distributions or withdrawals are taxable, they will usually be taxed as ordinary income. A Special Tax Notice will be sent to you if you request any type of distribution form.
- d. If a participant receives a distribution of which includes MDU Resources Group, Inc. Common Stock of the employer, any "net unrealized appreciation" (i.e., the difference between the stock's current value and its purchase price) in value of the MDU Resources Group, Inc. Common Stock will not be taxed to the participant at the time of such distribution. Such net unrealized appreciation will be taken into account as capital gain for tax purposes when realized upon the taxable sale or disposition of such stock. However, the participant may elect to include such net unrealized appreciation in income at the time of distribution.
- e. In addition to the tax consequences described above, a taxable distribution or withdrawal received from the Plan by a participant who has not attained age 59^{1/2} and not directly transferred to another Plan is generally subject to an additional 10% income tax. The additional 10% tax generally does not apply to (1) payments that are paid after you separate from service with your employer during or after the year you reach age 55; (2) payments that are paid because of death or total and permanent disability of participant; (3) dividends on Company stock that are paid to you rather than reinvested in the K-Plan; (4) payments that are paid directly to the government to satisfy a federal tax levy; (5) payments that are paid to an alternate payee under a qualified domestic relations order; or (6) payments that do not exceed the amount of your deductible medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

Upon a distribution or withdrawal it will be necessary for the participating employee to determine the precise effect upon the employee's Federal and state tax returns of the distribution or withdrawal.

11.17 – VOTING AND TENDERING OF COMMON STOCK UNDER THE PLAN

The Company will provide the Plan Trustee and the participants with notices and information statements when voting rights are to be exercised with respect to Common Stock. Full shares of Common Stock credited to a participant's accounts will be voted

by the Plan Trustee in accordance with directions provided by the participant. Fractional shares will be combined and voted by the Plan Trustee to the extent possible to reflect the directions of participants credited with such shares. If a participant does not give valid directions or grant a proxy to the Plan Trustee with respect to exercise of voting rights for the shares in the participant's accounts, such shares shall be voted by the Plan Trustee in accordance with the Board of Directors' recommendation on all of the matters.

A participant shall have the right to instruct the Plan Trustee in writing as to the manner in which to respond to a tender or exchange offer for the shares of Common Stock in the participant's accounts. The Company will provide to participants any information distributed to the shareholders of the Company in connection with any such tender or exchange offer and a form with which to provide instructions to the Plan Trustee. If a participant does not give instructions to the Plan Trustee regarding any tender or exchange offer for Common Stock, the Trustee shall have no discretion in such matter and shall take no action with respect thereto.

11.18 – DIVIDENDS ON COMMON STOCK UNDER THE PLAN

If any portion of your account is invested in the MDU Common Stock Fund, as of the record date for a Company dividend, you can elect to (1) have those dividends reinvested in MDU Common Stock and paid to you when you retire or otherwise terminate employment, or (2) elect to have the dividends distributed to you each quarter. MDU Common Stock Fund dividends are 100% vested. An election to have the dividends distributed to you each quarter not only decreases your future retirement accumulation but will also increase your current taxable income. Although the K-Plan has been amended to provide you with additional options for receiving dividends, you are encouraged to continue to accumulate funds for your retirement. Therefore, dividends on Common Stock will continue to be reinvested in the MDU Common Stock Fund unless you elect otherwise.

You can elect a quarterly distribution of dividends by accessing the *Benefit Complete*[®] website at www.bcomplete.com or calling 1-800-294-3575. It will be necessary to have your social security number and personal identification number (PIN) available prior to contacting *Benefit Complete*[®]. Any actual or automatic election with respect to dividends remains in effect until changed. Any change in your election will only apply to MDU Stock Fund dividends paid after your new election is processed.

11.19 – IDENTIFICATION INFORMATION

A. Plan Name:

The name of the Company's 401(k) Plan is the MDU Resources Group, Inc. 401(k) Retirement Plan. As of December 31, 2006, the Plan held 11,508,241 shares of MDU Resources Group, Inc. Common Stock which were registered under the Securities Act of 1933. As of December 31, 2006, there were 2,746,241 additional shares registered under the Securities Act of 1933.

B. Plan Number Assigned by the Plan Administrator:

004

C. Type of Plan:

The Plan is a defined contribution plan.

D. Plan Year:

The Plan Year for the Plan ends on December 31.

E. Plan Administrator and Plan Sponsor:

The Employee Benefits Administrative Committee (EBAC) is designated as the Plan Administrator. MDU Resources Group, Inc. is the Plan Sponsor. The EBAC consists of those individuals serving in the position or related position of Chief Administrative Officer of the Company, Chief Financial Officer of the Company, Vice President–Human Resources of the Company and any number of individuals appointed by the Chief Executive Officer who are employed by the Company or an Affiliate of the Company. The Committee is responsible for managing the Plan, including, without limitation, construing and interpreting the Plan in its sole discretion, prescribing procedures for administration, preparing and distributing information, explaining the Plan, receiving information and preparing reports with respect to administration of the Plan, furnishing each participant with statements showing the status of the participant's interest in the Plan, monitoring the Plan to meet the non-discrimination rules of the Internal Revenue Code, keeping accounts and records, and determining rights to benefits.

Any correspondence or questions concerning the Plan or its administrators should be addressed to:

Employee Benefits Administrative Committee
c/o Corporate Human Resources Department
MDU Resources Group, Inc.
Corporate Campus
1200 W. Century Ave.
P.O. Box 5650
Bismarck, North Dakota 58506-5650
Telephone Number: (701) 530-1074

The employer identification number assigned to MDU Resources Group, Inc. by the Internal Revenue Service is 41-0423660.

F. Plan Trustee:

The Trustee of the Plan is:

New York Life Trust Company
169 Lackawanna Avenue – Section B1
Parsippany, NJ 07054

The Plan Trustee has been appointed by the Company pursuant to the terms of a Trust Agreement, as amended, effective as of January 1, 1998. The Plan Trustee is responsible for the safekeeping and investment of all contributions made to the Plan.

G. Legal Services:

Legal process may be served on the Plan by directing such service to:

Paul K. Sandness
General Counsel
MDU Resources Group, Inc.
Corporate Campus
1200 W. Century Ave.
P.O. Box 5650
Bismarck, North Dakota 58506-5650

In addition, legal process may be served upon the Plan Trustee.

11.20 – NO ASSIGNMENT OF BENEFITS

Plan benefits may not be sold, transferred, assigned, pledged, encumbered or otherwise disposed of, or made subject to the claims of any creditor except as otherwise provided by law or the issuance of a domestic relations order which is determined to be qualified in accordance with the Internal Revenue Code (QDRO).

A domestic relations order is any judgment, decree, or order which relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent and is made pursuant to a state domestic relations law. A QDRO recognizes the existence of another person's right to, or assigns another person the right to, receive all or a portion of benefits payable with respect to a participant under a plan and meets certain requirements under the Internal Revenue Code. Copies of the Plan's procedures for determining whether an order constitutes a QDRO are available from the Committee upon written request.

11.21 – INSIDER RESTRICTIONS

While the Plan does not place restrictions on resales of Common Stock distributed from the Plan, shares of MDU Resources Group, Inc. Common Stock acquired under the Plan by an "affiliate," as that term is defined in Rule 405 under the Securities Act of 1933, may only be resold pursuant to the registration requirements of that Act or an applicable exemption therefrom. Further, acquisitions and dispositions of MDU Resources Group, Inc. Common Stock by an officer or director of the Company (who is an "insider" under federal securities laws) within any period of less than six months may give rise to the right of the Company to recapture any profit from such transactions pursuant to Section 16(b) of the Securities Exchange Act of 1934.

"Insiders" are restricted in their ability to make elections regarding or transactions in MDU Resources Group, Inc. Common Stock under the Plan, including loans and hardship or other withdrawals from the Plan. Insiders must read Section 12.1 of the Plan carefully and notify the General Counsel before making elections regarding or transactions in MDU Resources Group, Inc. Common Stock under the Plan.

11.22 – CONTINUANCE OF THE PLAN

The Company expects to continue the Plan indefinitely, but reserves the right to amend or terminate it at any time. This includes, but is not limited to, the right to change investment options. The Company's decision to amend or terminate the Plan may be due to changes in

federal or state laws governing retirement benefits, the requirements of the Internal Revenue Code or the Employee Retirement Income Security Act of 1974 (ERISA), or any other reason.

If the Plan is terminated, you will have a fully vested, non-forfeitable right to your accounts as of the date of such event.

All amendments shall be made by action of the Board of Directors of the Company, or by a person or persons, or committee(s) duly authorized by resolution of said Board to take such action and shall be evidenced by such proper resolution of such Board of Directors (or such other person or persons) certified by the secretary or assistant secretary of the Company.

No verbal or written representations contrary to the terms of the Plan, or its written amendments, shall be binding upon the Plan, the Plan Administrator, the Company or any Participating Employer.

11.23 – TOP-HEAVY RULES

The Plan will become "top-heavy" if the present value of the cumulative accounts and accrued benefits (for employees covered by a pension plan sponsored by the Plan Sponsor) for "key employees" exceeds 60% of all the present value of cumulative accounts of all employees. In view of the large number of non-key employees benefited by this Plan, it is very unlikely that this Plan will ever become top-heavy. If it does, certain minimum benefits, if not already provided, will be provided.

A more detailed explanation of these provisions will be provided if and when the Plan becomes top-heavy.

11.24 – CLAIMS PROCEDURE

You may make a claim under the Plan by communicating your request for benefits in writing to the Plan Administrator. You will be notified in writing if additional information is needed to complete the processing of your claim for benefits.

If your claim is wholly or partially denied, the Plan Administrator will provide you written notice of such denial within 90 days, unless special circumstances are involved and more than 90 days may be required to make a decision. In this case, the Plan Administrator must notify you that more time (up to 90 days additional) is needed and explain the reasons.

The Plan Administrator's notice that a claim is denied will explain the reasons for denial and make reference to the applicable Plan provisions. If the Plan Administrator requires additional information in order to process your claim, a description of this information will be furnished in conjunction with an explanation of why it is necessary.

If you disagree with a notice of denial of benefits, you have the right to file a written petition for review with the Plan Administrator within 60 days of receiving the notice. You or your representative must state the specific reasons for making the claim. Pertinent documents and records may be reviewed by you or your representative to help you in stating your claim.

Within the latter of 60 days after receiving your petition for review or the next regularly scheduled EBAC meeting (or 120 days if you have been notified of the existence of special circumstances) the Plan Administrator will notify you in writing of the final decision and the reasons for reaching this decision. Benefits will be paid under the Plan only if the Plan Administrator determines in its discretion that the claimant is entitled to them.

No action at Law or in Equity shall be brought to recover under this Plan until the appeal rights herein provided have been exercised and the Plan benefits requested in such appeal have been denied in whole or in part. If your claim for Plan benefits is finally denied by the Plan Administrator, then you may bring suit in Federal court, but you must do so within 180 days.

11.25 – PENSION BENEFIT GUARANTY CORPORATION

As a defined contribution plan, the Plan is not covered by Title IV of ERISA and, therefore, benefits under the Plan are not insured by the Pension Benefit Guaranty Corporation.

11.26 – ERISA RIGHTS

As a participant in the Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all Plan participants shall be entitled to:

1. Examine, without charge, at the Plan Administrator's office and at other specified locations, all documents governing the Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
2. Obtain copies of all documents governing the operation of the Plan upon written request to the Plan Administrator, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.
3. Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.
4. Obtain a statement telling you the amount credited to your account under the Plan due to contributions made by you and any Company. You will normally be furnished with such a statement on a quarterly basis by the Plan Trustee.

In addition to creating rights for Plan participants ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate the Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries. No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit under the Plan or exercising your rights under ERISA.

If your claim for a benefit under the Plan is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of plan documents or the latest annual report from the Plan Administrator and do not receive them within 30 days, you may file suit in a Federal court. In such a case,

the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and legal fees. If you lose, the court may order you to pay these costs and legal fees, for example, if it finds your claim is frivolous.

If you have any questions about the Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

11.27 – COMPANY UNDERTAKING

The Company hereby undertakes to provide without charge to each person to whom this document is delivered, upon the written or oral request of any such person, a copy of any or all of the documents (i) incorporated by reference in Item 3 of Part II of the Company's latest Registration Statement on Form S-8 relating to the Plan (such documents are hereby incorporated by reference into the Section 10(a) prospectus) and (ii) required to be delivered pursuant to Rule 428(b) of Regulation C under the Securities Act of 1933. Requests for such documents as well as for additional information about the Plan or its administrators should be directed to:

Office of the Treasurer
MDU Resources Group, Inc.
Corporate Campus
1200 W. Century Ave.
P.O. Box 5650
Bismarck, North Dakota 58506-5650
Telephone (701) 530-1074

ADDENDUM A – INVESTMENT PERFORMANCE AND FEE INFORMATION

The annual total returns as of each of the following dates are as follows:

	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>
Stable Value Option	4.16%	3.89%	3.91%
MainStay Indexed Bond Fund	3.74%	2.10%	3.82%
Dodge & Cox Balanced Fund	13.86%	6.59%	13.30%
Growth Fund of America	10.91%	14.22%	11.93%
MainStay S&P 500 Index Fund	15.51%	4.61%	10.60%
Baron Asset Fund	14.64%	12.46%	27.13%
Davis New York Venture Fund	15.12%	10.68%	12.37%
MainStay Small Cap Opportunity Fund	13.08%	11.14%	25.79%
Royce Total Return Fund	14.54%	8.23%	17.52%
Forward Hoover Small Cap Equity Fund	9.43%	9.63%	N/A
Alliance Bernstein International Value Fund	N/A	N/A	N/A
EuroPacific Growth Fund	21.83%	21.05%	19.63%
MDU Resources Group, Inc. Common Stock	20.10%	25.69%	15.21%

Past performance is not indicative of future results.

If you choose to participate in the Plan, there are fees or commissions associated with each of the investment options that you will pay. Such fees or commissions are set forth in the prospectus and are subject to change any time. As of January 1, 2007, the following fees were in effect:

- **New York Life Anchor Account (Stable Value Option)**
.30% per dollar per year
- **MainStay Indexed Bond Fund**
.43% per dollar per year
- **Dodge & Cox Balanced Fund**
.53% per dollar per year
- **Growth Fund of America Fund**
.66% per dollar per year
- **MainStay S&P 500 Index Fund**
.30% per dollar per year. The original fee for this fund is .55%; however, the fund manager has waived .25% of the fee for institutional investors until further notice.
- **Baron Asset Fund**
1.33% per dollar per year
- **Davis New York Venture Fund**
.87% per dollar per year

- **MainStay Small Cap Opportunity Fund**
1.17% per dollar per year
- **Royce Total Return Fund**
1.12% per dollar per year
- **Forward Hoover Small Cap Equity Fund**
1.73% per dollar per year
- **AllianceBernstein International Value Fund**
1.19% per dollar per year
- **American EuroPacific Fund**
.83% per dollar per year
- **MDU Resources Group, Inc. Common Stock (MDU)**
\$.035 per share at purchase if purchased on the open market. If shares are purchased directly from the Company, no fees are included.

Earnings on the non-MDU stock funds are reduced by the fees before the earnings are actually allocated to your account.

**ADDENDUM B - WHAT DOES THE COMPANY CONTRIBUTE
AND PLAN SAVINGS EXAMPLE**

Anchorage Sand and Gravel Company, Inc.	Jebro, Incorporated
Atlas, Inc.	Kent's Oil Service
Baldwin Contracting Company, Inc.	Knife River Corporation
Bitter Creek Pipelines, LLC	Knife River Corporation – North Central
Bombard Mechanical, LLC	KRC Aggregate, Inc.
Capital Electric Construction Company, Inc.	KRC Holdings, Inc.
Capital Electric Line Builders, Inc.	Loy Clark Pipeline Co.
Centennial Energy Resources, LLC	LTM, Incorporated
Concrete, Inc.	Masco, Inc.
Connolly-Pacific Co.	MDU Construction Services Group, Inc.
Desert Fire Protection, LP	MDU Resources Group, Inc.
DSS Company	Midland Technical Crafts, Inc.
E.S.I., Inc.	Montana-Dakota Utilities Co.
Fidelity Exploration & Production Company	Norm's Utility Contractor, Inc.
Fidelity Exploration & Production Company of Texas LLC	Northstar Materials, Inc.
Frebco, Inc.	Prairielands Energy Marketing, Inc.
Fred Carlson Company, LLC	USI Industrial Services, Inc.
Granite City Ready-Mix, Inc.	Wagner Industrial Electric, Inc.
Great Plains Natural Gas Co.	Wagner-Smith Company, The
Hap Taylor & Sons, Inc.	Wagner-Smith Equipment Co.
Hawaiian Cement	WBI Holdings, Inc.
International Line Builders, Inc.	Williston Basin Interstate Pipeline Company

WHAT IT IS

This Addendum is intended to supplement the K-Plan Summary Plan Description. Please refer to the full K-Plan Summary Plan Description for a complete explanation of the Plan.

WHO CAN PARTICIPATE

This Addendum applies to the employees of the companies referenced above who meet the eligibility requirements found in the K-Plan Summary Plan Description.

WHAT DOES THE COMPANY CONTRIBUTE

The Company's matching contribution to the Plan is based on your savings contribution. For each \$1.00 you contribute to the Plan, up to 6% of your wages, the Company contributes \$.50.

The Company matching contribution is calculated on a payperiod basis with a year-end recalculation as explained below. For example, if you were to elect a 4% contribution to the Plan for the first six months of the year, and an 8% contribution for the last six months of the year, the following illustrates how the Company matching contribution is calculated:

First Six Months of the Year @ 4%:

\$2,000.00 Monthly Earnings	
x 4% (matched contributions) =	\$80.00
x \$.50/\$1.00 match rate =	\$40.00
x 6 months =	\$240.00 Company Contribution

Last Six Months of the Year @ 8%:

\$2,000.00 Monthly Earnings	
x 6% (matched contributions) =	\$120.00
x \$.50/\$1.00 match rate =	\$60.00
x 6 months =	\$360.00 Company Contribution

Total Company Matching Contribution for Year = \$600.00 (Before year-end recalculation)

When a percentage of your contributions are unmatched during any part of the year (i.e. you were contributing at least 7%) and if you contributed less than 6% during other times of the year, through the year-end recalculation, your account will be credited with the amount of Company matching contributions you would have received otherwise. Such adjustment will only be based on compensation received while you are eligible for the K-Plan.

The year-end recalculation in this example results in an additional company contribution described as follows:

Total Employee Contributions before Adjustment	\$1,440
Total Wages Eligible for K-Plan	\$24,000
Actual Average Employee Contribution Rate	6%

Since the employee contributed 6% of their eligible compensation to the K-Plan, they should receive full Company matching contributions as follows:

Full Match	
(\$.50 of each \$1.00 of employee contributions, up to 6%) . .	\$720
Actual Employer Matching Contribution	\$600
Additional Match at Year-end Recalculation =	\$120

Any matching contributions attributable to K-Plan deferrals deducted from your compensation will be invested according to your investment direction. It is expected that Company matching contributions will be made monthly. Company matching contributions are 100% vested immediately.

PLAN SAVINGS EXAMPLE

If you are earning \$25,000 a year and elect a 7% contribution rate, you will save \$1,750 annually toward your retirement. The Company will match up to 6% or \$1,500 (at 50 cents on a dollar), resulting in a Company matching contribution of \$750. If you decide that 30% of your \$1,750 of deferrals will go to the Small-Cap Fund, 40% to the Equity Fund and 30% to MDU Resources Group, Inc. Common Stock, you will be investing the following in each option:

Small-Cap Fund	\$ 525	(\$1,750 x 30%)
Equity Fund	700	(\$1,750 x 40%)
MDU Resources Group Inc. Common Stock	<u>525</u>	(\$1,750 x 30%)
Subtotal.	\$1,750	
Plus MDU Resources Match*	<u>750</u>	
Total	\$2,500	

**Company matching contribution*

The \$1,750 you contribute would generally lower your gross income subject to taxation, in the example, from \$25,000 to \$23,250. Assuming this \$1,750 is subject to a federal income tax rate of 28%, you would recognize a tax deferral of \$490.