

CASCADE NATURAL GAS CORPORATION
2016 Affiliated Interest Report and Subsidiary Transactions report to the
Washington Utilities and Transportation Commission

This report provides the information required per WAC 480-90-264 for the 2016 calendar year.

- WAC 480-90-264 (1) – The affiliated interest and subsidiary transaction report must include a corporate organizational chart of the utility and its affiliated interest and subsidiaries.**

See the attached organizational chart.

- WAC 480-90-264 (1) – Provide a summary of all transactions, except transactions at tariff rates, that occurred between the utility and its affiliated interest and the utility and its subsidiaries.**

MDU Resources Group, Inc.			
Account	Description	Total Company	Total Washington
	MDU/MDUR Consulting-Cap Exp	\$ 1,092,388.73	\$ 822,241.00
426.1	Donations	\$ 12,384.55	\$ 9,321.85
426.4	Political Activities	\$ 24,026.40	\$ 18,084.65
426.5	Other	\$ 631.73	\$ 475.50
813	Other Gas Supply Expenses	\$ 204,114.54	\$ 153,637.05
875	Measuring & Regulating Station Expenses General	\$ 117,980.37	\$ 88,803.83
880	Other Expenses	\$ 589,845.44	\$ 443,976.60
881	Rents	\$ -	\$ -
902	Meter Reading Expenses	\$ 148,054.60	\$ 111,440.75
903	Customer Records & Collection Expenses	\$ 6,429,386.39	\$ 4,839,399.24
909	Informational & Instructional Advertising Expenses	\$ 20,037.44	\$ 15,082.19
913	Promotional Advertising	\$ 41.10	\$ 30.93
920	Administrative & General Salaries	\$ 4,596,117.99	\$ 3,459,498.06
921	Office Supplies & Expenses	\$ 2,206,639.39	\$ 1,660,937.39
922	Administrative Expenses Transferred Credit	\$ (172,133.18)	\$ (129,564.64)
923	Outside Services Employed	\$ 339,016.10	\$ 255,177.42

925	Injuries & Damages	\$ 52.00	\$ 39.14
926	Employee Pensions & Benefits	\$ (94,211.52)	\$ (70,913.04)
930.1	General Advertising Expenses	\$ 20,803.97	\$ 15,659.16
930.2	Misc. General Expenses	\$ 427,431.98	\$ 321,728.06
931	Rents	\$ 1,604,464.85	\$ 1,207,680.73
	Other Svc (Intercompany)	\$ 675,700.57	\$ 464,310.21
	Grand Total	\$ 18,242,773.44	\$ 13,687,046.07

Affiliate/Subsidiary	Total Company	Total Washington
Future Source Capital Corp.	\$26,816.48	\$20,184.76
Knife River Corporation	\$58,840.99	\$0.00
Montana-Dakota Utilities Co.	\$14,193,771.43	\$10,683,651.76
Intermountain Gas Company	\$1,964,536.84	\$1,478,706.88
Centennial Holdings Capital LLC	\$1,293,546.10	\$973,652.15

3. WAC 480-90-264(2) – When total transactions with an affiliated interest or subsidiary equal or exceed one hundred thousand dollars, the utility must provide:

(a) A balance sheet and income statement for such affiliated interest.

Below are the Income Statements and Balance Sheets for each company where transactions with Cascade Natural Gas Corporation exceeded \$100,000 in 2016.

MDU Resources Group, Inc. / Montana-Dakota Utilities Co.

Year ended December 31,	2016
Balance sheet data (000's)	
ASSETS	
Current assets:	
Cash and cash equivalents	\$4,159
Receivables, net	80,467
Accounts rec from subsidiaries	34,424
Inventories	17,352
Prepayments and other current assets	24,531
	160,933
Investments	70,370
Investments in subsidiaries	1,603,874
Property, plant and equipment	2,502,264

Less accumulated depreciation, depletion And amortization	756,191
Net property, plant and equipment	1,746,073
Deferred charges and other assets	
Goodwill	4,812
Other	183,654
Total deferred charges and other assets	188,466
Total identifiable assets	\$3,769,716

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Long-term debt due within one year	\$ 110
Accounts payable	37,697
Accts pay to subsidiaries	5,592
Taxes payable	14,992
Dividends payable	37,767
Accrued compensation	16,086
Other accrued liabilities	34,929
	147,173

Long-term debt	679,667
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Deferred credits and other liabilities:

Deferred income taxes	270,126
Other	356,506
Total deferred credits and other liabilities	626,632

Stockholders' equity:

Preferred stocks	15,000
Common stock	195,843
Other paid-in capital	1,232,478
Retained earnings	912,282
Accumulated other comprehensive loss	(35,733)
Treasury stock at cost – 538,921 shares	(3,626)

Total stockholders' equity:	2,316,244
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Total liabilities and stockholders' equity	\$3,769,716
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Year ended December 31, 2016

Income statement data (000's)

Operating revenues	\$561,266
Operating expenses	469,062
Operating income	92,204
Other income	1,491
Interest expense	31,519
Income (loss) before taxes	62,176

Income taxes	6,355
Dividends declared on preferred stocks	685
Net Income	55,136

Intermountain Gas Company

Year ended December 31,	2016
Balance sheet data (000's)	
Property, plant and equipment	629,967
Less accumulated depreciation, depletion and amortization	(235,081)
	394,886
Deferred charges and other assets:	21,739
Total identifiable assets	\$416,625

Year ended December 31,	2016
Income statement data (000's)	
Operating revenues	\$258,186
Operating expenses:	
Purchased natural gas sold	164,394
Operations	48,220
Depreciation and amortization	20,255
Taxes other than income	10,942
Total operating expenses	243,811
Operating income	14,375
Other income	34
Interest expense	4,137
Income (loss) before taxes	10,272
Income taxes	1,962
Net Income	\$8,310

Centennial Holdings Capital LLC

Year ended December 31,	2016
Balance sheet data	
Property, plant and equipment	49,229,052

Less accumulated depreciation, depletion And amortization	(14,100,483)
Net property, plant and equipment	35,128,569
Non current investments	10,448,780
Deferred tax asset	553,113
Total identifiable assets	\$46,130,462

Year ended December 31,	2016
Income statement data (000's)	
Operating revenues	\$8,643,222
Operating expenses:	
Operations	2,831,306
Depreciation	2,067,352
Taxes other than income	137,981
Gain on disp. of property	(49,990)
Loss on disp. of property	3,584
Total operating expenses	4,990,233
Operating income	3,652,989
Interest income	404,193
Intercompany interest income	449,887
Other deductions	245,254
Income (loss) before taxes	4,261,815
Income taxes	1,531,579
Net Income	\$2,730,236

(b) A description of the products or services provided to or from the utility and each such affiliated interest or subsidiary.

- MDU Resources Group, Inc, the parent Company to Cascade Natural Gas Corporation, provides management/consulting/legal services to Cascade Natural Gas Corporation.
- Montana-Dakota Utilities Co. (MDU) – Cascade provides 24/7 gas control monitoring of MDU’s distribution system and provides notification to the appropriate personnel when a problem is detected.
- Intermountain Gas Co. (IGC) - Cascade provides 24/7 gas control monitoring of IGC’s distribution system and provides notification to the appropriate personnel when a problem is detected.
- Centennial Holdings Capital LLC carries various liability insurance policies on behalf of Cascade Natural Gas Corporation.

- (c) A description of the Pricing Basis or Costing Method, and procedures for allocating costs for such products or services, and the amount and the accounts charged during the year.**

See the attached Intercompany Administrative Services Agreement for costing method procedures regarding MDU Resources Group, Inc.

- (d) A Description of Terms of any Loans between the utility and each such affiliated interest or subsidiary and a listing of the year-end loan amounts and maximum loan amounts outstanding during the year.**

No loans were made to an affiliate or subsidiary during 2016.

- (e) A Description of the terms and total amount of any obligation or liability assumed by the utility for each such affiliated interest or subsidiary.**

None.

- (f) A Description of the activities of each such affiliated interest or subsidiary with which the utility has transactions.**

- MDU Resources Group, Inc, the parent Company to Cascade Natural Gas Corporation, provides management/consulting/legal services to Cascade Natural Gas Corporation.
- Montana-Dakota Utilities Co. (MDU) – Cascade provides 24/7 gas control monitoring of MDU’s distribution system and provides notification to the appropriate personnel when a problem is detected.
- Intermountain Gas Co. (IGC) - Cascade provides 24/7 gas control monitoring of IGC’s distribution system and provides notification to the appropriate personnel when a problem is detected.
- Centennial Holdings Capital LLC carries various liability insurance policies on behalf of Cascade Natural Gas Corporation.

- (g) A List of all common officers and Directors between the gas utility and each such affiliated interest or subsidiary, along with their titles in each organization.**

Please see the attached lists.

Attachments

Cascade Natural Gas Corporation

Primary Address

8113 West Grandridge Boulevard
Kennewick, Washington 99336-7166

Directors

	<u>Title</u>
David L. Goodin	Director
Nicole A. Kivisto	Director
Daniel S. Kuntz	Director
Doran N. Schwartz	Director

Officers

	<u>Title</u>
Mark A. Chiles	Vice President - Regulatory Affairs and Customer Service
David L. Goodin	Chairman of the Board
Anne M. Jones	Vice President - Human Resources
Nicole A. Kivisto	President and Chief Executive Officer
Julie A. Krenz	Assistant Secretary
Daniel S. Kuntz	General Counsel and Secretary
Karl A. Liepitz	Assistant Secretary
Margaret (Peggy) A. Link	Chief Information Officer
Scott W. Madison	Executive Vice President - Western Region Operations, Business Development and Strategy
Eric P. Martuscelli	Vice President - Operations
Tammy J. Nygard	Controller
Garret Senger	Executive Vice President – Regulatory Affairs, Customer Service and Gas Supply
Jason L. Vollmer	Treasurer

Montana-Dakota Utilities Co.

Primary Address

400 North Fourth Street
Bismarck, North Dakota 58501-4092

Officers

	<u>Title</u>
Mark A. Chiles	Vice President - Customer Service
Patrick C. Darras	Vice President – Operations
Kirsti B. Hourigan	Assistant Secretary
Anne M. Jones	Vice President - Human Resources
Nicole A. Kivisto	President and Chief Executive Officer
Julie A. Krenz	Assistant Secretary
Daniel S. Kuntz	General Counsel and Secretary
Karl A. Liepitz	Assistant Secretary
Margaret (Peggy) A. Link	Chief Information Officer
Scott W. Madison	Executive Vice President - Business Development and Strategy
Tammy J. Nygard	Controller
Garret Senger	Executive Vice President – Regulatory Affairs, Customer Service and Gas Supply
Jay Skabo	Vice President - Electric Supply

Committee Members

	<u>Title</u>
David L. Goodin	Managing Committee Chairman
Nicole A. Kivisto	Managing Committee Member
Daniel S. Kuntz	Managing Committee Member
Doran N. Schwartz	Managing Committee Member

Intermountain Gas Company

Primary Address

555 South Cole Road
Boise, Idaho 83709

Directors

	<u>Title</u>
David L. Goodin	Director
Nicole A. Kivisto	Director
Daniel S. Kuntz	Director
Doran N. Schwartz	Director

Officers

	<u>Title</u>
Mark A. Chiles	Vice President - Regulatory Affairs and Customer Service
Hart Gilchrist	Vice President - Operations
David L. Goodin	Chairman of the Board
Anne M. Jones	Vice President - Human Resources
Nicole A. Kivisto	President and Chief Executive Officer
Julie A. Krenz	Assistant Secretary
Daniel S. Kuntz	General Counsel and Secretary
Karl A. Liepitz	Assistant Secretary
Margaret (Peggy) A. Link	Chief Information Officer
Scott W. Madison	Executive Vice President - Western Region Operations, Business Development and Strategy
Tammy J. Nygard	Controller
Garret Senger	Executive Vice President – Regulatory Affairs, Customer Service and Gas Supply
Jason L. Vollmer	Treasurer

Centennial Holdings Capital LLC

Officers

	<u>Title</u>
David L. Goodin	Chairman of the Board
Daniel S. Kuntz	General Counsel and Secretary
Doran N. Schwartz	President and Chief Executive Officer
Jason L. Vollmer	Vice President and Treasurer

Managers

	<u>Title</u>
David L. Goodin	Manager
Daniel S. Kuntz	Manager
Doran N. Schwartz	Manager

- Knife River Hawaii, Inc. (100%)
 - Hawaiian Cement (50%)
- Knife River Marine, Inc. (100%)
- Knife River Midwest, LLC (100%)
- LTM, Incorporated (100%)
- Northstar Materials, Inc. (100%)
- WHC, Ltd. (100%)
- MDU Construction Services Group, Inc. (100%)
 - BEH Electric Holdings, LLC (100%)
 - Bombard Electric, LLC (100%)
 - Bell Electrical Contractors, Inc. (100%)
 - BMH Mechanical Holdings, LLC (100%)
 - Bombard Mechanical, LLC (100%)
 - Capital Electric Construction Company, Inc. (100%)
 - Capital Electric Line Builders, Inc. (100%)
 - Continental Line Builders, Inc. (100%)
 - Desert Fire Holdings, Inc. (100%)
 - Desert Fire Protection, a Nevada Limited Part (99%)
 - Desert Fire Protection, Inc. (100%)
 - Desert Fire Protection, LLC (100%)
 - Desert Fire Protection, a Nevada Limited Part (1%)
 - Independent Fire Fabricators, LLC (100%)
 - Harp Engineering, Inc. (100%)
 - International Line Builders, Inc. (100%)
 - LME&U Holdings, LLC (100%)
 - Lone Mountain Excavation & Utilities, LLC (100%)
 - Loy Clark Pipeline Co. (100%)
 - MAAK Holdings, Inc. (100%)
 - MDU Industrial Services, Inc. (100%)
 - Frebco, Inc. (100%)
 - Wagner Industrial Electric, Inc. (100%)
 - MDU United Construction Solutions, Inc. (100%)
 - Duro Electric Company (100%)
 - USI Industrial Services, Inc. (100%)
 - Wagner-Smith Equipment Co. (100%)
 - Nevada Valley Solar Solutions I, LLC (100%)

- On Electric Group, Inc. (100%)
- Rocky Mountain Contractors, Inc. (100%)
- Wagner Group, Inc., The (100%)
 - E.S.I., Inc. (100%)
 - Wagner-Smith Company, The (100%)
 - Wagner-Smith Pumps & Systems, Inc. (100%)
- WBI Holdings, Inc. (100%)
 - Fidelity Exploration & Production Company (100%)
 - Fidelity Oil Co. (100%)
 - WBI Energy Services, Inc. (100%)
 - Prairielands Energy Marketing, Inc. (100%)
 - WBI Energy, Inc. (100%)
 - WBI Canadian Pipeline, Ltd. (100%)
 - WBI Energy Midstream, LLC (100%)
 - WBI Energy Transmission, Inc. (100%)
 - WBI Energy Wind Ridge Pipeline, LLC (100%)
- Great Plains Natural Gas Co. (100%)
- MDU Energy Capital, LLC (100%)
 - Prairie Cascade Energy Holdings, LLC (100%)
 - Cascade Natural Gas Corporation (100%)
 - Prairie Intermountain Energy Holdings, LLC (100%)
 - Intermountain Gas Company (100%)
- MDU Holdings, LLC (100%)
- Montana-Dakota Utilities Co. (100%)
 - Big Stone-Grant Industrial Development and Tr (22.20%)

**AMENDMENT TO INTERCOMPANY
ADMINISTRATIVE SERVICES AGREEMENT**

This Amendment To Intercompany Administrative Services Agreement (hereinafter the "Amendment") is made and entered into effective as of March 18, 2009, by and between MDU Resources Group, Inc., and its utility divisions and subsidiaries that are a party to this Agreement.

RECITALS

A. WHEREAS, MDU Resources Group, Inc., Montana-Dakota Utilities Co., a division of MDU Resources Group, Inc., Great Plains Natural Gas Co., a division of MDU Resources Group, Inc., and Cascade Natural Gas Corporation entered into that certain Intercompany Administrative Services Agreement dated July 2, 2007 (the "Agreement").

B. WHEREAS, subsequent to the parties executing the Agreement, MDU Resources Group, Inc. acquired the issued and outstanding stock of Intermountain Gas Company,

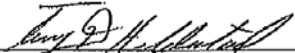
C. WHEREAS, the parties wish to amend the Agreement to include Intermountain Gas Company as a party to the Agreement.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration receipt of which is hereby acknowledged, the parties agree as follows:

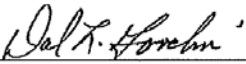
1. **Amendment to the Agreement.** The defined terms "Utility" and "Utilities" shall be amended to include Montana-Dakota Utilities Co., a division of MDU Resources Group, Inc., Great Plains Natural Gas Co., a division of MDU Resources Group, Inc., Cascade Natural Gas Corporation, and Intermountain Gas Company.
2. **Effective Date.** This Amendment shall be effective as of the date set forth above; provided, however, that in those jurisdictions in which regulatory approval is required before the Amendment becomes effective, the effective date shall be as of the date of such approval.
3. **Other Terms Unchanged.** Except as expressly modified or amended by this Amendment, all of the terms and conditions of the Agreement remain in full force and effect.
4. **Execution in Counterparts.** This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date and year first above written.

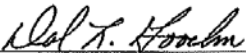
MDU RESOURCES GROUP, INC.

By:  ^{DK}
Terry D. Hildestad
President and Chief Executive Officer

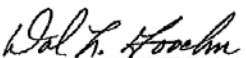
**MONTANA-DAKOTA UTILITIES CO.,
a division of MDU Resources Group, Inc.**

By:  ^{DK}
David L. Goodin
President and Chief Executive Officer


**GREAT PLAINS NATURAL GAS CO.,
a division of MDU Resources Group, Inc.**

By:  ^{DK}
David L. Goodin
President and Chief Executive Officer

**CASCADE NATURAL GAS CORPORATION,
a subsidiary of MDU Resources Group, Inc.**

By:  ^{DK}
David L. Goodin
President and Chief Executive Officer

**INTERMOUNTAIN GAS COMPANY,
a subsidiary of MDU Resources Group, Inc.**

By:  ^{DK}
David L. Goodin
President and Chief Executive Officer

INTERCOMPANY ADMINISTRATIVE SERVICES AGREEMENT

BY and AMONG

MDU Resources Group, Inc.

AND

Its Utility Business Units

This Intercompany Administrative Services Agreement ("Agreement") is entered into effective as of July 2, 2007 by and among MDU Resources Group, Inc. (hereinafter the "Company") and its utility divisions and subsidiaries party to this Agreement (hereinafter a "Utility" or the "Utilities") (each a "Party" and together the "Parties").

WHEREAS, the Company provides senior management, executive oversight and other administrative services that provide value to and benefit the Utilities;

WHEREAS, the Utilities have access to professional, technical and other specialized resources that the Company may wish to utilize from time to time in the provision of administrative services; and

WHEREAS, the Company and the Utilities may desire to utilize the professional, technical and other specialized resources of the others.

NOW, THEREFORE, in consideration of the premises and mutual agreements set forth herein, the Company and the Utilities agree as follows:

ARTICLE 1. PROVISION OF ADMINISTRATIVE SERVICES

Upon and subject to the terms of this Agreement, services will be provided between and among the Company and the Utilities that are not directly applicable to the production, distribution or sale of a product or service available to customers of the Utilities ("Administrative Services"). For purposes of this Agreement, Administrative Services shall include, but not be limited to the following:

- a) services by the Board of Directors, and executive, management, professional, technical and clerical employees;
- b) financial and accounting services, corporate governance and compliance services, legal services, audit services, information and technology services, treasury services, investor relations services, governmental and regulatory services, human resources services, communications services, payroll processing services, employee benefits participation, procurement and fleet management, tax and related services, contract negotiation and administration services, insurance and risk management services, environmental services and engineering and technical services;
- c) the use of office facilities, including but not limited to office space, furniture, equipment, machinery, supplies, computers and computer software, communications equipment, insurance policies and other personal property;
- d) the use of automobiles, airplanes, other vehicles and equipment;

To obtain specialized expertise or to achieve efficiencies, the following situations may arise under this Agreement whereby Administrative Services may be provided between and among the Company and its Utilities,

- a) The Company may directly assign or allocate Administrative Services costs, common costs, or costs incurred for the benefit of the Utility or Utilities, to a Utility or the Utilities,
- b) The Company may procure Administrative Services from a Utility or the Utilities for the Company's benefit,
- c) The Company may procure Administrative Services from a Utility or the Utilities for subsequent allocation to some or all the Utilities commonly benefiting, or
- d) The Utilities may procure Administrative Services from each other or agree to directly assign or allocate common costs to each other.

ARTICLE 2. DEFINITIONS

For purposes of this Agreement these terms shall be defined as follows:

- (a) "Laws" shall mean any law, statute, rule, regulation or ordinance.
- (b) "State Commissions" shall mean any state public utility commission or state public service commission with jurisdiction over a Utility.
- (c) "Utilities" shall mean current and future direct and indirect major-owned electric and natural gas utilities of the Company including its utility divisions.

ARTICLE 3. EFFECTIVE DATE

This Agreement shall be effective as of the date set forth above; provided, however, that in those jurisdictions in which regulatory approval is required before the Agreement becomes effective, the effective date shall be as of the date of such approval.

ARTICLE 4. CHARGES AND PAYMENT

(a) CHARGES.

Parties shall charge for Administrative Services on the following basis:

- (i) Direct Assignment: The cost of an Administrative Service incurred specifically for a Party ("Recipient Party") will be directly assigned to that Party by the Party providing the Administrative Services ("Providing Party"), including, but not limited to, allocable salary and wages, incentives, paid absences, payroll taxes, payroll additives (insurance premiums, health care and retirement benefits and the like), direct non-labor costs, if any, and similar expenses, and reimbursement of out-of-pocket third party costs and expenses.
- (ii) Service Charges: Service Charges will be assessed for costs that are impractical to assign directly but for which a cost/benefit relationship can be reasonably identified between the Administrative Service and the Recipient Party. A practical allocation method will be established by Providing Party that allocates the cost of this service equitably and consistently to the Recipient Party.
- (iii) Allocations: Costs incurred for the general benefit of the entire utilities group for which direct charging and service charges are not practical will be allocated to the Parties. An allocation methodology will be established and used consistently from year to year.

The charges constitute full compensation to the Providing Party for all charges, costs and expenses incurred by the Providing Party on behalf of the Recipient Party in providing the Administrative Services, unless otherwise specifically agreed to in writing between the Parties.

If events or circumstances arise which, in the opinion of the Parties, render the costs of providing any Administrative

Services materially different from those charged under a specific rate or formula then in effect, the specific rate or formulas shall be equitably adjusted to take into account such events or changed circumstances.

Providing Parties will bill each and all Recipient Parties, as appropriate, for Administrative Services rendered under this Agreement in as specific a manner as practicable. To the extent that direct charging for services rendered is not practicable, the Providing Party may utilize allocation methodologies to assign charges for services rendered to the Recipient Party, reflective of the drivers of such costs. Such allocation methodologies may utilize allocation bases that include, but are not limited to: capitalization, employee labor, employee counts, assets, and multi-factor allocation formulae.

Any cost allocation methodology for the assignment of corporate and affiliate costs will comply with the following principles:

- i) For Administrative Services rendered to a Utility or each cost category subject to allocation to a Utility, the Providing Party must be able to demonstrate that such service or cost category is reasonable for the Utility for the performance of its regulated operations, is not duplicative of Administrative Services already being performed within the Utility, and is reasonable and prudent.
- ii) Parties must maintain records sufficient to specifically identify costs subject to allocation, particularly with respect to their origin. In addition, the records must be adequately supported in a manner sufficient to justify recovery of the costs in rates of the Utility.
- iii) It is the responsibility of the Utility Parties to this Agreement to ensure that costs which would have been denied recovery in rates had such costs been directly incurred by the regulated operation are appropriately identified and segregated in the books of the regulated operation.

(b) PAYMENT.

(i) Each Providing Party shall bill the Recipient Party monthly for all charges pursuant to this Agreement via billings directly to the Recipient Party or through the Company. Full payment for all Administrative Services shall be made by the end of the calendar month following the intercompany charge. Charges shall be supported by reasonable documentation, which may be maintained in electronic form.

(ii) The Parties shall make adjustments to charges as required to reflect the discovery of errors or omissions or changes in the charges. The Parties shall conduct a true-up process as appropriate to adjust charges based on reconciliation of amounts charged and costs incurred.

ARTICLE 5. GENERAL OBLIGATIONS: STANDARD OF CARE

Utility Parties will comply with all applicable State and Federal Laws regarding affiliated interest transactions, including timely filing of applications and reports. The Parties agree not to cross-subsidize between the rate-regulated and non-rate-regulated businesses or between any rate-regulated businesses, and shall comply with any applicable State Commission Laws and orders. Subject to the terms of this Agreement, the Parties shall perform their obligations hereunder in a commercially reasonable manner.

ARTICLE 6. TAXES

Each Party shall bear all taxes, duties and other similar charges except taxes based upon its gross income (and any related interest and penalties), imposed as a result of its receipt of Administrative Services under this Agreement, including without limitation sales, use, and value-added taxes.

ARTICLE 7. ACCOUNTING AND AUDITING

Parties shall maintain such books and records as are necessary to support the charges for Administrative Services, in sufficient detail as may be necessary to enable the Utilities to satisfy applicable regulatory requirements ("Records"). All Parties:

(a) shall provide access to the Records at all reasonable times;

(b) shall maintain the Records in accordance with good record management practices and with at least the same degree of completeness, accuracy and care as it maintains for its own records; and

Subject to the provisions of this Agreement, Records supporting intercompany billings shall be available for inspection and copying by any qualified representative or agent of a Party, at the expense of the inquiring Party. In addition, State Commission staff or agents may audit the accounting records of Providing Parties that form the basis for charges to Utilities, to determine the reasonableness of allocation factors used by the Providing Party to assign costs to the Recipient Party and amounts subject to allocation or direct charges. All Parties agree to cooperate fully with such audits.

ARTICLE 8. BUDGETING

In advance of each budget year, Providing Parties shall prepare and deliver to the Recipient Parties, for their review and approval, a proposed budget for Administrative Services to be performed during that year. The approved schedule of budgeted Administrative Services shall evidence the base level of Administrative Services. The schedule shall be updated at least annually. Each Party shall promptly notify the other Party in writing of any requested material change to the budget costs for any service being provided.

ARTICLE 9. COOPERATION WITH OTHERS

The Parties will use good faith efforts to cooperate with each other in all matters relating to the provision and receipt of Administrative Services. Such good faith cooperation will include providing electronic access in the same manner as provided other vendors and contractors to systems used in connection with Administrative Services and using commercially reasonable efforts to obtain all consents, licenses, sublicenses or approvals necessary to permit each Party to perform its obligations. Each Party shall make available to the other Party any information required or reasonably requested by the other Party regarding the performance of any Administrative Service and shall be responsible for timely providing that information and for the accuracy and completeness of that information; provided, however, that a Party shall not be liable for not providing any information that is subject to a confidentiality obligation owed by it to a person or regulatory body other than an affiliate of it or the other Party. Either Party shall not be liable for any impairment of any Administrative Service caused by it not receiving information, either timely or at all, or by it receiving inaccurate or incomplete information from the other Party that is required or reasonably requested regarding that Administrative Service. The Parties will cooperate with each other in making such information available as needed in the event of any and all internal or external audits, utility regulatory proceedings, legal actions or dispute resolution. Each Party shall fully cooperate and coordinate with each other's employees and contractors who may be awarded other work. The Parties shall not commit or permit any act, which will interfere with the performance of or receipt of Administrative Services by either Party's employees or contractors.

ARTICLE 10. COMPLIANCE WITH ALL LAWS

Each Party shall be responsible for (i) its compliance with all laws and governmental regulations affecting its business, including but not limited to, laws and governmental regulations governing federal and state affiliate transactions, workers' compensation, health, safety and security, and (ii) any use it may make of the Administrative Services to assist it in complying with such laws and governmental regulations.

ARTICLE 11. LIMITATION OF LIABILITY

Notwithstanding any other provision of this Agreement and except for (a) rights provided under Article 12 in connection with Third-Party Claims, (b) direct or actual damages as a result of a breach of this Agreement, and (c) liability caused by

a Party's negligence or willful misconduct, no Party nor their respective directors, officers, employees and agents, will have any liability to any other Party, or their respective directors, officers, employees and agents, whether based on contract, warranty, tort, strict liability, or any other theory, for any indirect, incidental, consequential, special damages, and no Party, as a result of providing a Service pursuant to this Agreement, shall be liable to any other Party for more than the cost of the Administrative Service(s) related to the claim or damages.

ARTICLE 12. INDEMNIFICATION

Each of the Parties will indemnify, defend, and hold harmless each other Party, members of its Board of Directors, officers, employees and agents against and from any third-party claims resulting from any negligence or willful misconduct of a Party's employees, agents, representatives or subcontractors of any tier, their employees, agents or representatives in the performance or nonperformance of its obligations under this Agreement or in any way related to this Agreement. If a Third-Party claim arising out of or in connection with this Agreement results from negligence of multiple Parties (including their employees, agents, suppliers and subcontractors), each Party will bear liability with respect to the Third-Party Claim in proportion to its own negligence.

ARTICLE 13. DISPUTE RESOLUTION

The Parties shall promptly resolve any conflicts arising under this Agreement and such resolution shall be final. If applicable, adjustments to the charges will be made as required to reflect the discovery of errors or omissions in the charges. If the Parties are unable to resolve any service, performance or budget issues or if there is a material breach of this Agreement that has not been corrected within ninety (90) days, representatives of the affected Parties will meet promptly to review and resolve those issues in good faith.

ARTICLE 14. TERMINATION FOR CONVENIENCE

A Party may terminate its participation in this Agreement either with respect to all, or with respect to any one or more, of the Administrative Services provided hereunder at any time and from time to time, for any reason or no reason, by giving notice of termination at least sixty (60) days in advance of the effective date of the termination to enable the other Party to adjust its available staffing and facilities. In the event of any termination with respect to one or more, but less than all, Administrative Services, this Agreement shall continue in full force and effect with respect to any Administrative Services not terminated hereby. If this Agreement is terminated in whole or in part, the Parties will cooperate in good faith with each other in all reasonable respects in order to effect an efficient transition and to minimize the disruption to the business of all Parties, including the assignment or transfer of the rights and obligations under any contracts. Transitional assistance service shall include organizing and delivering records and documents necessary to allow continuation of the Administrative Services, including delivering such materials in electronic forms and versions as reasonably requested by the Party.

ARTICLE 15. CONFIDENTIAL INFORMATION NONDISCLOSURE

To the fullest extent allowed by law, the provision of any Administrative Service or reimbursement for any Administrative Service provided pursuant to this Agreement shall not operate to impair or waive any privilege available to either Party in connection with the Administrative Service, its provision or reimbursement for the Administrative Service.

All Parties will maintain in confidence Confidential Information provided to each other in connection with this Agreement and will use the Confidential Information solely for the purpose of carrying out its obligations under this Agreement. The term Confidential Information means any oral or written information, (including without limitation, computer programs, code, macros or instructions) which is made available to the Company, its Utilities or one of its representatives, regardless of the manner in which such information is furnished. Confidential Information also includes the following:

- a. All information regarding the Administrative Services, including, but not limited to, price, costs, methods of operation and software, shall be maintained in confidence.

b. Systems used to perform the Administrative Services provided hereunder are confidential and proprietary to the Company, its Utilities or third party vendors. Parties shall treat these systems and all related procedures and documentation as confidential and proprietary to the Company, the Utilities or its third party vendors.

c. All systems, procedures and related materials provided to either Party are for its internal use only and only as related to the Administrative Services or any of the underlying systems used to provide the Administrative Services.

Notwithstanding anything in this Article 15 to the contrary, the term "Confidential Information" does not include any information which (i) at the time of disclosure is generally available to and known by the public (other than as a result of an unpermitted disclosure made directly or indirectly by a Party), (ii) was available to a Party on a nonconfidential basis from another source (provided that such source is not or was not bound by a confidentiality agreement with a Party or had any other duty of confidentiality to a Party), or (iii) has been independently acquired or developed without violating any of the obligations under this Agreement.

The Parties shall use good faith efforts at the termination or expiration of this Agreement to ensure that all user access and passwords are cancelled.

All Confidential Information supplied or developed by a Party shall be and remain the sole and exclusive property of the Party who supplied or developed it.

ARTICLE 16. PERMITTED DISCLOSURE

Notwithstanding provisions of this Agreement to the contrary, each Party may disclose Confidential Information (i) to the extent required by a State Commission, a court of competent jurisdiction or other governmental authority or otherwise as required by law, including without limitation disclosure obligations imposed under the federal securities laws, provided that such Party has given the other Party prior notice of such requirement when legally permissible to permit the other Party to take such legal action to prevent the disclosure as it deems reasonable, appropriate or necessary, or (ii) on a "need-to-know" basis under an obligation of confidentiality to its consultants, legal counsel, affiliates, accountants, banks and other financing sources and their advisors.

ARTICLE 17. SUBCONTRACTORS

To the extent provided herein, the Parties shall be fully responsible for the acts or omissions of any subcontractors of any tier and of all persons employed by such subcontractors and shall maintain complete control over all such subcontractors. It being understood and agreed that nothing contained herein shall be deemed to create any contractual relation between the subcontractor of any tier and the Parties.

ARTICLE 18. NONWAIVER

The failure of a Party to insist upon or enforce strict performance of any of the terms of this Agreement or to exercise any rights herein shall not be construed as a waiver or relinquishment to any extent of its right to enforce such terms or rights on any future occasion.

ARTICLE 19. SEVERABILITY

Any provision of this Agreement prohibited or rendered unenforceable by operation of law shall be ineffective only to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement.

ARTICLE 20. ENTIRE AGREEMENT/DOCUMENTS INCORPORATED BY REFERENCE

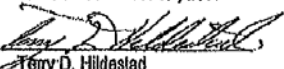
All understandings, representations, warranties, agreements and any referenced attachments, if any, existing between the Parties regarding the subject matter hereof are merged into this Agreement, which fully and completely express the agreement of the Parties with respect to the subject matter hereof.

ARTICLE 21. OTHER AGREEMENTS

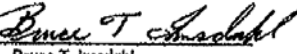
This Agreement does not address or govern the Parties' relationship involving: (a) the tax allocation agreement nor (b) any other relationships not specifically identified herein. All such relationships not addressed or governed by this Agreement will be governed and controlled by a separate agreement or tariff specifically addressing and governing those relationships or by applicable Laws or orders.

This agreement has been duly executed on behalf of the Parties as follows:

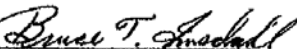
MDU RESOURCES GROUP, INC.

By: 
Terry D. Hildestad
Title: President and Chief Executive Officer

MONTANA-DAKOTA UTILITIES CO.
a division of MDU Resources Group, Inc.

By: 
Bruce T. Insdahl
Title: President and Chief Executive Officer

GREAT PLAINS NATURAL GAS CO.
a division of MDU Resources Group, Inc.

By: 
Bruce T. Insdahl
Title: President and Chief Executive Officer

CASCADE NATURAL GAS CORPORATION
a subsidiary of MDU Resources Group, Inc.

By: 
David L. Goodin
Title: President