CASCADE NATURAL GAS CORPORATION GENERAL RATE CASE
Docket No. UG-19____

ATTACHMENT I: AFFILIATED INTEREST

March 29, 2019

Attachment I: Index

The attachment contains files associated with the Company's affiliate transaction data as required per WAC 480-07-510(3)(g). The Excel files are voluminous and are provided in an electronic format.

Excel files:

NEW CNGC Attch I, CNGC Affiliate 2018, 3.29.19.xlsx
NEW CNGC Attch I, MDUR Allocations, 3.29.19.xlsx
NEW CNGC Attch I, UG Summary of Allocations, 3.29.19.xlsx

CASCADE NATURAL GAS CORPORATION
2018 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 2017 calendar year.

1. **<u>WAC 480-90-264 (1) –</u> 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.

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

MDU Resources Group, Inc.			
Account	**Description**	**Total Company**	**Total Washington**
	MDU/MDUR Consulting-Cap Exp	$ 905,672.23	$ 677,895.66
426.1	Donations	$ 97,646.56	$ 73,088.44
426.2	Life Insurance	$ 341,549.90	$ (255,650.10)
426.4	Political Activities	$ 163,612.54	$ 122,463.99
813	Other Gas Supply Expenses	$ 140,750.24	$ 105,351.55
870	Operation Supervision and Engineering	$ 37,773.49	$ 28,273.45
875	Measuring & Regulating Station Expenses General	$ 100,805.64	$ 75,453.02
880	Other Expenses	$ 330,627.73	$ 247,474.81
885	Maintenance Supervision and Engineering	$ 5,315.24	$ 3,978.45
887.1	Pipeline Integrity	$ 279.46	$ 209.15
894	Maintenance of Other Equipment	$ 1,909.97	$ 1,429.61
901	Supervision	$ 42,213.43	$ 31,596.80
902	Meter Reading Expenses	$ 221,386.78	$ 165,707.95
903	Customer Records & Collection Expenses	$ 525,8124.18	$ 3,935,705.88
904	Uncollectible Accounts	$ 866,122.01	$ 695,083.94

909	Informational & Instructional Advertising Expenses	$ 11,361.99	$ 8,504.45
910	Miscellaneous customer service and informational expenses	$ 169,614.20	$ 126,956.20
913	Promotional Advertising	$ 2.50	$ 1.87
920	Administrative & General Salaries	$ 5,598,734.83	$ 4,190,653.17
921	Office Supplies & Expenses	$ 3,172648.34	$ 2,374,727.26
922	Administrative Expenses Transferred Credit	$ (162,833.95)	$ (121,881.17)
923	Outside Services Employed	$ 379,208.74	$ 283,837.72
925	Injuries & Damages	$ 2,173.28	$ 1,626.68
926	Employee Pensions & Benefits	$ 24,637.99	$ 18,441.58
930.1	General Advertising Expenses	$ 24,239.81	$ 18,143.50
930.2	Misc. General Expenses	$ 548,180.69	$ 410,313.27
931	Rents	$ 332,788.16	$ 249,091.90
932	Maintenance of general plant	$ 985.61	$ 737.73
	Other Svc (Intercompany)	$ 1,583,934.03	$ 1,081,052.02
	Grand Total	**$ 20,199,465.62**	**$ 15,061,568.98**

Affiliate/Subsidiary	**Total Company**	**Total Washington**
Future Source Capital Corp.	$13,695.67	$10,251.21
Knife River Corporation	$139,642.76	$0.00
Montana-Dakota Utilities Co.	$16,328,713.24	$12,222,041.86
Intermountain Gas Company	$1,695,537.12	$1,269,109.53
Centennial Holdings Capital LLC	$1,430,595.60	$1,070,800.81

3. <u>WAC 480-90-264(2)</u> – 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 2017.

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

Year ended December 31,	**2018**
Balance sheet data (000's)	
ASSETS	
Current assets:	
Cash and cash equivalents	$2,271
Receivables, net	92,724
Accounts rec from subsidiaries	36,015
Inventories	13,293
Prepayments and other current assets	14,488
	158,791
Investments	76,202
Investments in subsidiaries	1,790,886
Property, plant and equipment	2,846,715
Less accumulated depreciation, depletion	
And amortization	836,735
Net property, plant and equipment	2,009,980
Deferred charges and other assets	
Goodwill	4,812
Other	180,473
Total deferred charges and other assets	185,285
Total identifiable assets	**$4,221,144**
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Long-term debt due within one year	$ 200,711
Accounts payable	50,051
Accts pay to subsidiaries	12,438
Taxes payable	24,704
Dividends payable	39,695
Accrued compensation	14,346
Other accrued liabilities	54,099
	396,044
Long-term debt	586,012
Deferred credits and other liabilities:	
Deferred income taxes	165,122
Other	507,191
Total deferred credits and other liabilities	672,313
Stockholders' equity:	
Preferred stocks	-
Common stock	195,565
Other paid-in capital	1,248,576
Retained earnings	1,163,602
Accumulated other comprehensive loss	(38,342)
Treasury stock at cost – 538,921 shares	(3,626)

Total stockholders' equity:	2,566,775
Total liabilities and stockholders' equity	**$4,221,144**

Year ended December 31,	**2018**
Income statement data (000's)	
Operating revenues	$628,331
Operating expenses	540,125
Operating income	88,206
Other income	1,504
Interest expense	32,761
Income (loss) before taxes	56,949
Income taxes	(4,259)
Dividends declared on preferred stocks	
Net Income	58,208

Intermountain Gas Company

Year ended December 31,	**2018**
Balance sheet data (000's)	
Property, plant and equipment	$710,663
Less accumulated depreciation, depletion and amortization	263,797
	446,866
Deferred charges and other assets:	12,019
Total identifiable assets	**$458,885**

Year ended December 31,	**2018**
Income statement data (000's)	
Operating revenues	$243,204
Operating expenses:	
Purchased natural gas sold	137,070
Operations	51,436
Depreciation and amortization	20,553
Taxes other than income	11,051
Total operating expenses	220,110
Operating income	23,094
Other income (loss)	(723)

Interest expense	4,884
Income (loss) before taxes	17,487
Income taxes	3,369
Net Income	$14,118

Centennial Holdings Capital LLC

Year ended December 31,	**2018**
Balance sheet data	
Property, plant and equipment	$28,108,746
Less accumulated depreciation, depletion And amortization	10,210,118
	17,898,628
Non current investments	
Deferred tax asset	356,351
Total identifiable assets	**$18,254,979**

Year ended December 31, **Income statement data (000's)**	**2018**
Operating revenues	$11,259,305
Operating expenses:	
Operations	8,970,621
Depreciation	1,954,411
Taxes other than income	107,814
Gain on disp. of property	-
Loss on disp. of property	137,277
Total operating expenses	11,170,122
Operating income	89,183
Interest income	1,630,981
Other income	190,577
Income (loss) before taxes	1,529,587
Income taxes	622,885
Net Income	$906,701

(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 2018.

(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

	Title
David L. Goodin	Director
Nicole A. Kivisto	Director
Daniel S. Kuntz	Director
Jason L. Vollmer	Director

Officers

	Title
Mark A. Chiles	Vice President - Regulatory Affairs and Customer Service
Patrick C. Darras	Vice President –Engineering and Operations Services
Hart Gilchrist	Vice President -Safety, Process Improvement and Operations
David L. Goodin	Chair 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 – Business Development and Gas Supply
Eric P. Martuscelli	Vice President – Field Operations
Tammy J. Nygard	Controller

Garret Senger	Executive Vice President – Regulatory Affairs, Customer Service and Administration
Jason L. Vollmer	Treasurer

Montana-Dakota Utilities Co.

Primary Address
400 North Fourth Street
Bismarck, North Dakota 58501-4092

Officers

	Title
Mark A. Chiles	Vice President - Customer Service
Patrick C. Darras	Vice President – Engineering and Operations Services
Hart Gilchrist	Vice President -Safety, Process Improvement and 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 Gas Supply
Eric P. Martuscelli	Vice President – Field Operations
Tammy J. Nygard	Controller

Garret Senger	Executive Vice President -Regulatory Affairs, Customer Service and Administration
Jay Skabo	Vice-President Electric Supply

Committee Members

	Title
David L. Goodin	Managing Committee Chair
Nicole A. Kivisto	Managing Committee Member
Daniel S. Kuntz	Managing Committee Member
Jason L. Vollmer	Managing Committee Member

Intermountain Gas Company

Primary Address
555 South Cole Road
Boise, Idaho 83709

Directors

	Title
David L. Goodin	Director
Nicole A. Kivisto	Director
Daniel S. Kuntz	Director
Jason L. Vollmer	Director

Officers

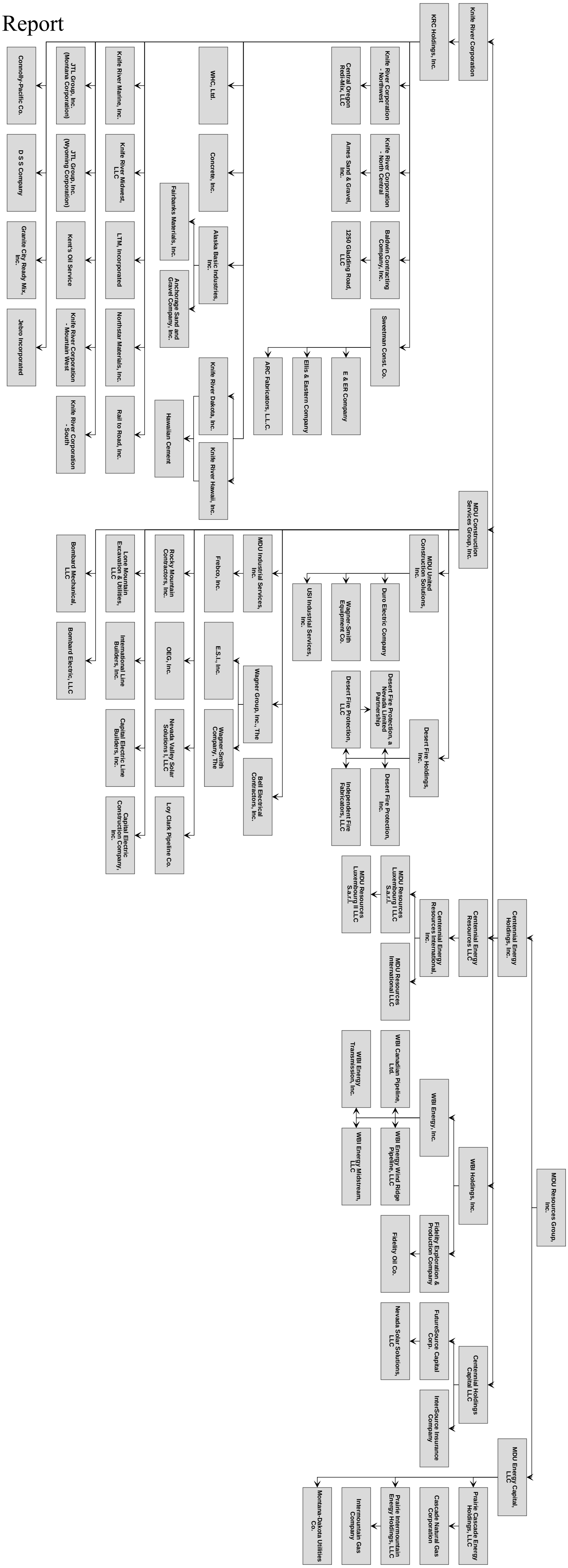
	Title
Mark A. Chiles	Vice President - Regulatory Affairs and Customer Service
Patrick C. Darras	Vice President – Engineering and Operations Services
Hart Gilchrist	Vice President – Safety, Process Improvement and Operations Systems
David L. Goodin	Chair of the Board

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 - Business Development and Gas Supply
Eric P. Martuscelli	Vice President – Field Operations
Tammy J. Nygard	Controller
Garret Senger	Executive Vice President – Regulatory Affairs, Customer Service and Administration
Jason L. Vollmer	Treasurer

Centennial Holdings Capital LLC

Officers	Title
David L. Goodin	Chairman of the Board, President and Chief Executive Officer
Daniel S. Kuntz	General Counsel and Secretary
Jason L. Vollmer	Vice President and Treasurer

Managers	Title
David L. Goodin	Manager
Daniel S. Kuntz	Manager
Jason L. Vollmer	Manager



As of March 13, 2019

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.

DK

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

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

DK

By: ______________________
David L. Goodin
President and Chief Executive Officer

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

DK

By: ______________________
David L. Goodin
President and Chief Executive Officer

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

DK

By: ______________________
David L. Goodin
President and Chief Executive Officer

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

DK

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

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

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

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

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

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

By: David L. Goodin
David L. Goodin
Title: President

Cascade Natural Gas

Cost Allocation Manual

2017

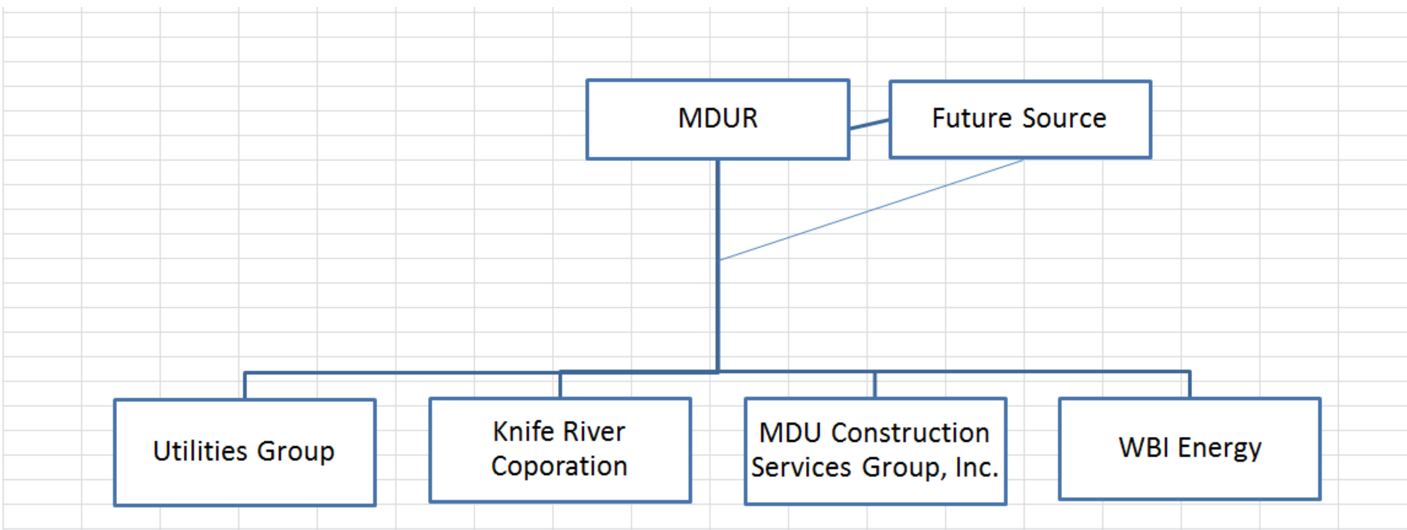
Table of Contents

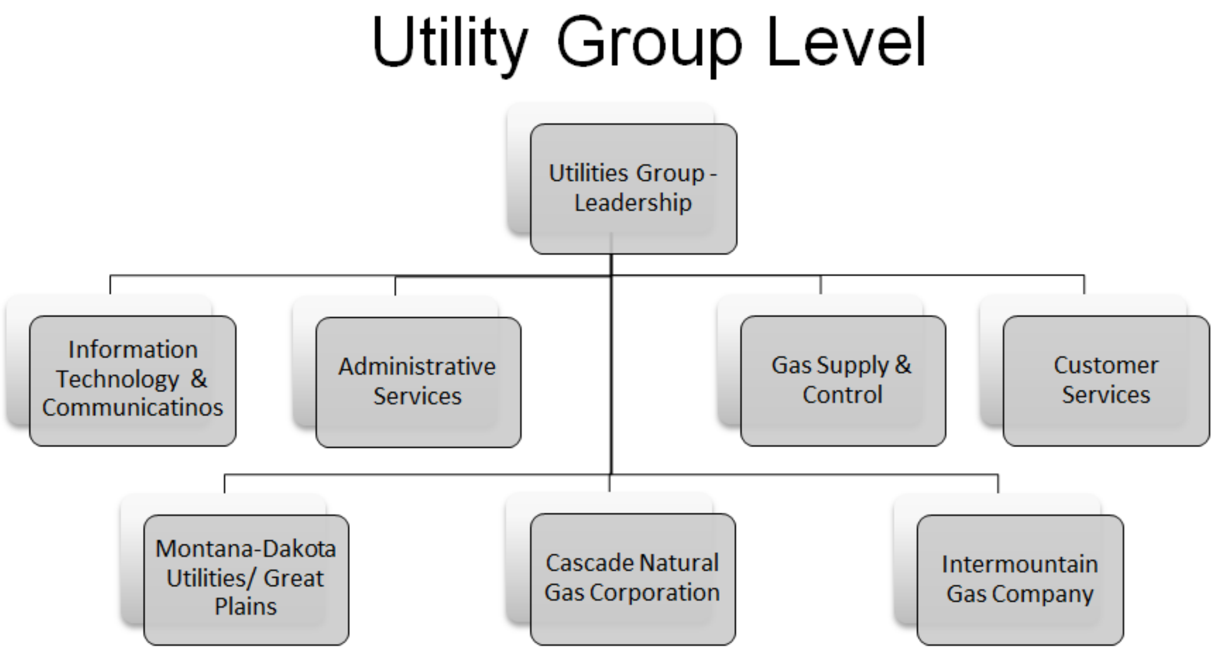
Overview

Cascade Natural Gas Corporation (Cascade), a subsidiary of MDU Resources Group, Inc. (MDUR), conducts business in two states with regulated gas distribution operations.

Below is an overview of the operational structure for the purpose of assigning costs. The diagrams presented are intended to provide an overview for cost allocation only and are not intended to represent the legal structure of the Corporation. Note that costs from MDUR and FutureSource are directly assigned or allocated and charged to the operating companies (i.e. Utilities Group, WBI Energy, etc.)

Corporate Level





This document is intended to provide an overview of the different types of allocations and the processes employed to direct costs to the proper utility and state jurisdiction for Cascade.

This document will discuss the allocations from:

- MDUR and FutureSource to Cascade Natural Gas
- Montana-Dakota/Great Plains (MDU) and Intermountain Gas Company (IGC) to Cascade Natural Gas
- Cascade to MDU and IGC
- State jurisdictions

Overall, the approach to allocating costs at each level is to directly assign costs when applicable and to allocate costs based on the function or driver of the cost.

MDU Resources Group, Inc. (MDUR) Allocations

The MDUR corporate staff consists of shared services departments (payroll, procurement and enterprise technology) and administrative and general departments.

Shared Services

MDU Resources Group, Inc. has several departments that provide specific services to the operating companies. These departments have developed a pricing methodology which is updated annually for the allocation of costs to the MDUR operating companies that utilize their services. (See Exhibit III)
These departments include:

Payroll Shared Services

Payroll Shared Services department provides comprehensive payroll services for MDUR companies and employees. It processes payroll in compliance with appropriate federal, state and local tax laws and regulations. Payroll Shared Services is also responsible for preparation, filing and payment of all payroll related federal, state and local tax returns. It also maintains and facilitates payments and accurate reporting to payroll vendors for employee benefits and other payroll deductions. For Cascade, the payroll shared services department is also responsible for the accumulation of time entry records and maintenance of employee records. Cascade does not have any departments that provide these payroll related services.

Procurement Shared Services

Procurement Shared Services creates and maintains the Corporation’s national accounts for the purchase of products, goods and services. National accounts take advantage of the combined purchasing power of all of the Corporation’s operating companies. National accounts, or preferred vendor agreements, typically are negotiated at the corporate level rather than at the local company level. Procurement Shared Services also is responsible for monitoring the level of services, quantities, discounts and rebates associated with established national accounts. Cascade has a single procurement department that places specific purchase requests for materials and services required to conduct business with approved vendors.

Enterprise Technology Service

Enterprise Technology Services (ETS) provides policy guidance, infrastructure related IT functions and security-focused governance. ETS seeks to increase the return on investment in technology through consolidation of common IT systems and services, while eliminating waste and duplication. ETS works to increase the quality and consistency of technology, increase functionality and service to the enterprise, provide governance for managing and controlling risk and reduce costs through economies of scale.

Cascade's IT department consists of Montana-Dakota/Great Plains employees physically located in Kennewick, Washington, Boise, Idaho, and Bismarck, North Dakota. This Department is responsible for supporting applications specific to the utility group such as the Customer Care & Billing System, the JD Edwards financial software, Scada and mobile applications, Enterprise GIS, and PowerPlan which is the project and fixed asset accounting software. In addition the utility group IT department develops business continuity plans in the case of disaster recovery.

General and Administrative Services

Administrative and general functions performed by MDUR for the benefit of the operating companies include the following departments:

- Corporate governance, accounting & planning
- Communications & public affairs
- Human resources
- Internal audit
- Investor relations
- Legal
- Risk management
- Tax and compliance
- Travel
- Treasury services

Cascade receives an allocation of these corporate costs. Corporate Policy No. 50.9 states "*It is the policy of the Company to allocate MDU Resources Group, Inc.'s (MDU) administrative costs and general expenses to the MDU's business units*". Business units described in the policy have been referred to as operating companies in this document. The policy states that costs that directly relate to a business unit will be directly assigned to the applicable business unit and only the remaining unassigned expenses will be allocated to the operating companies using the corporate allocation methodology. The allocation factor developed to apportion MDUR's unassigned administrative costs is a capitalization factor which is based on 12 month average capitalization at March 31, effective July 1 and at September 30, effective January 1 each year. Capitalization includes total equity and current and non-current long-term debt (including capital lease obligations). The computation of the Corporate Overhead Allocation Factors is shown in Exhibit I.

Cascade is reflected as CNGC in the Corporate Overhead Allocation Factors in Exhibit I. Operating companies that receive allocated costs on a monthly basis from MDUR include:

- Montana Dakota – Electric utility segment

- Montana Dakota/Great Plains – Gas utility segment
- Cascade Natural Gas Corporation (CNGC)
- Intermountain Gas Company (IGC)
- WBI Energy Transmission
- WBI Midstream
- Knife River (KR)
- MDU Construction Services Group, Inc.

The corporate costs allocated to Cascade are subsequently allocated to the state jurisdictions. Corporate costs are recorded in the administrative and general (A&G) function for Cascade. (See state jurisdictional allocation discussion on page 8.)

Montana-Dakota/Great Plains Allocation of Cost to/from Others

Allocations to/from other MDUR Companies

Certain Montana-Dakota/Great Plains owned assets, such as the General Office/Annex facility, located at the utility headquarters in Bismarck, and the assets associated with the contribution made for FutureSource assets, are also used for the benefit of other MDUR operating companies. To cover the cost of ownership and operating costs associated with these owned assets, a revenue requirement (asset return plus annual operating expenses) is computed for the shared assets. The expense component included in the return is composed of operating and maintenance costs, depreciation, income tax and property tax expenses. The resulting revenue requirement is billed to the other MDUR operating companies, including CNGC and IGC, as a monthly fee. The costs are allocated based on the number of customers served by each utility.

Intermountain Gas owns the customer care center located in Meridian, ID. To cover the cost of ownership and operating costs associated with that owned asset, a revenue requirement (asset return plus annual operating expenses) is computed similarly to Montana-Dakota owned assets. The expense component included in the return is composed of operating and maintenance costs, depreciation, income tax and property tax expenses. The resulting revenue requirement is billed to the Montana-Dakota/Great Plains and Cascade as a monthly fee. The costs are allocated based on the number of customers served by each utility.

Certain Cascade owned assets, such as the portion of the General Office facility used for Shared Services (i.e. Gas Control, IT), located at the utility headquarters in Kennewick, are also used for the benefit of other MDUR operating companies. To cover the cost of ownership and operating costs associated with these owned assets, a revenue requirement (asset return plus annual operating expenses) is computed for the shared assets. The expense component included in the return is composed of operating and maintenance costs, depreciation, income tax and property tax expenses. The resulting revenue requirement is billed to the other MDUR operating companies, including MDU and IGC, as a monthly fee. The costs are allocated based on the number of customers served by each utility.

Allocations to other Utility Companies

Montana-Dakota/Great Plains has several departments that provide services to all four utility operating companies (Montana-Dakota, Great Plains, Cascade Natural Gas Co. and Intermountain Gas Company). These departments include:

- Leadership Group - composed of the Executive Group and Directors that oversee shared utility specific functions
- Customer Services - (Call Center, Scheduling and Online Services)
- Information Technology and Communications- (Management Information Systems, Technology and Compliance)
- Administrative Services - (Procurement, Office Services, Fleet Operations)
- Gas Supply & Control

These operational groups have calculated the proper allocation to use to allocate the costs to the utility companies based on services performed for each utility company. The allocation methodology is included in Exhibit IV.

Standard Labor Distributions

Labor/Reimbursable expense allocations

The development of standard labor distributions for Cascade employees is described below based on the type of employee. Standard labor distributions are used for all employees to account for certain expenses as detailed below.

Labor, benefit costs and reimbursable expenses are directly assigned to a jurisdiction where possible. If the expense is not direct, the appropriate jurisdiction is charged as follows:

Union Employees

Time tickets are required for productive time. The employee specifies the proper location and FERC account based on work performed. To account for non-productive time, standard payroll labor distributions are established for all employees. These standard labor distributions are calculated for union employees based on the historical actual charges.

Non-Union Employees

Non-union employees are not required to submit detailed time tickets with applicable general ledger accounts specified. Rather each employee has a "standard" set of general ledger accounts that split the labor costs based on an expected ratio of work. This split can be unique and is based on the employee's position. Costs are distributed based on this standard labor distribution for each employee, and the allocations are reviewed periodically.

Cascade Allocations to State Jurisdictions

Cascade utilizes an automated allocation process each month to record the income statement and rate base account activity to the financial ledger (state jurisdiction) to facilitate regulatory reporting. This process is based on the general ledger account structure used in the financial software (JD Edwards). As with other items, costs are directly assigned to a jurisdiction when possible. Costs common to more than one state jurisdiction are allocated between jurisdictions. The primary driver of the allocation is the Business Unit component of the general ledger account; however, the FERC account associated with the charge is also used to determine the proper allocation method. The allocation process creates a Journal Entry to the JD Edwards jurisdictional ledgers established by state.

The allocation methodology is as follows:

The JD Edwards (JDE) software is used by Cascade for recording financial transactions as well as the jurisdictional allocation process for all accounts except those related to fixed assets.

The account structure within JDE consists of the following components:

<u>Business Unit</u> **-** The Business Unit is one of the primary components used for identifying the regulatory allocation of costs. It usually defines a location such as an operating region, operating district or facility (i.e. gas regulator station), or department (i.e. human resources, engineering).

Object **–** The object for operations and maintenance (O&M) expense accounts represents the resource consumed (i.e. payroll or materials). For balance sheet accounts, the object represents the FERC account.

Subsidiary **–** The subsidiary portion of the account for O&M accounts identifies the utility segment (2 represents gas) and the FERC account. For balance sheet accounts the subsidiary represents a further breakdown of the account such as which bank for a cash account.

Revenue Accounts – Revenues are directly assigned to the jurisdiction when possible. The applicable FERC account is part of the account structure. It is the combination of the business unit, and FERC that drive the allocation factor used. An example of revenue that is allocated to the jurisdictions is revenue from the cost of service calculation which is assigned an allocable location (Business Unit).

Operation and Maintenance (O&M) accounts – As costs are incurred, the approver of the expense assigns the general ledger account structure.

It is the combination of the location (Business Unit), and FERC that drive the allocation factor utilized. Locations are assigned a factor based on the geographic area for which they serve and the FERC function assigned. For example, location (Business Unit) 47041 represents the geographic location of the Bend, Oregon District. The Bend District is therefore directly assigned to Oregon for all FERC accounts.

Another example is location 4767000, representing the Credit and Collections Department. The allocation of costs is based on the FERC range of accounts. The location may also be a responsibility, or department. An allocation code is used to split the costs between the states. The most common allocation factor is the 3-factor formula (customer, employee and plant). However, the customer ratio, employee ratio, gross plant ratio, and rate base ratio are also used. See Exhibit II for the allocation factor calculations.

*Co	*Location	*Obj Acct	*FERC Sub 1	*FERC Sub 2	*Start Date	Stop Date	Description	Utility Alloc Code	Utility 01	Allocation Code 01
00047	47041		2870	29359999	200601	203512	Central OR District	00002	2	00038
00047	47041		4261	42659999	201208	203512	Bend District-BTL	00002	2	00038
00047	47041	4081	0	99999999	200601	203512	Central OR District-4081	00002	2	00038
00047	47041	5981	4261	4261	200902	201207	Central OR District	00002	2	00038
00047	47041	5984	4263	4263	201111	201207	OR 5984	00002	2	00038

Code 00038 = 100% allocated to Oregon

*Co	*Location	*Obj Acct	*FERC Sub 1	*FERC Sub 2	*Start Date	Stop Date	Description	Utility Alloc Code	Utility 01	Allocation Code 01
00047	4767000		0000	99999	201101	203512	Customer Service Allocated C...	00002	2	00100
00047	4767000	5211	4264	4264	201101	203512	Labor Rel & Comp	00002	2	00100
00047	4767000	5984	4263	4263	201108	203512	Corporate 5984	00002	2	00100

*Co	*Location	*Obj Acct	*FERC Sub 1	*FERC Sub 2	*Start Date	Stop Date	Description	Utility Alloc Code	Utility 01	Allocation Code 01
00047	47042		2870	29359999	200601	203512	Pendleton District	00002	2	00038
00047	47042		4261	42659999	200601	203512	Pendleton District-BTL	00002	2	00038
00047	47042	4081	0	9999999	200601	203512	Pendleton District-4081	00002	2	00038

Allocation Code 01 Represents the code used to allocate to a Jurisdiction
00038 = Oregon
00048 = Washington
00100 = 3 Factor Formula (customer, employee, plant)
00101 = Customer Ratio
00102 = Employee Ratio
00103 = Gross Plant Ratio

Co	Juris Alloc Code	Juris Start Date	Juris Stop Date	Description 10	State 01	Percent 01	State 02	Percent 02
00047	00100	201501	201512	3 Factor formula -(customer, employee, plant)	OR	24.270000	WA	75.730000
00047	00101	201501	201512	Customer Ratio	OR	24.940000	WA	75.060000
00047	00102	201501	201512	Employee Ratio	OR	25.440000	WA	74.560000
00047	00103	201501	201512	Gross Plant Ratio	OR	22.420000	WA	77.580000
00047	00104	201501	201512	Rate Base Ratio	OR	23.540000	WA	76.460000

Exhibit I- MDUR Corporate Overhead factor

MDU Resources Group Inc.
Corp Overhead Alloc Factors Jan-Jun 2017

	MONTANA-DAKOTA ELECTRIC	MONTANA-DAKOTA GAS DIST	CNG	IGC	TOTAL UTILITY	WBI	FIDELITY EXPLOR. & PROD.	WBI NON-REGULATED	KRC	CSG	
Corporate factor	19.8	13.2	13.6	9.4	56.0	7.4	0.0	5.6	22.3	8.7	100.00

Average Capitalization - 12 months ended 09/30/2015 for Corporate Overhead Factors Effective January 1, 2016

	Utility Group	WBI Energy	Knife River	Construction Services	Total
Debt and Equity					
Short-term borrowings	---	6,583,333.33	---	---	6,583,333.33
LTD due within one year	51,215,181.58	43,416,666.66	75,482,018.10	35,014,109.04	205,127,975.38
Long-term debt	944,553,238.29	265,383,037.36	295,332,700.51	75,297,579.08	1,580,566,555.24
Total Debt	**995,768,419.87**	**315,383,037.35**	**370,814,718.61**	**110,311,688.12**	**1,792,277,863.95**
Stockholders' equity:					
Preferred stocks	15,000,000.00				15,000,000.00
Common stock	195,212,981.75		800,000.00	1,000.00	196,013,981.75
Other paid-in capital	1,654,872,956.62		489,889,551.81	134,623,649.93	2,279,386,158.36
Retained earnings	1,492,116,748.63		122,708,512.63	93,237,371.98	1,708,062,633.24
Accumulated other comprehensive loss	(40,262,509.76)		(23,497,919.69)	(2,496,243.34)	(66,256,672.79)
Treasury stock	(3,625,812.59)		(3,625,812.59)	---	(7,251,625.18)
Equity at WBI - Equity components provided in total	---	316,551,619.60	---	---	316,551,619.60
Total common stockholders' equity	3,298,314,364.65	316,551,619.60	586,274,332.16	225,365,778.57	4,426,506,094.98
Total stockholders' equity	3,313,314,364.65	316,551,619.60	586,274,332.16	225,365,778.57	4,441,506,094.98
Total liabilities and stockholders' equity	4,309,082,784.52	631,934,656.95	957,089,050.77	335,677,466.69	6,233,783,958.93
IC investment in subsidiaries	2,280,176,898.63	---	---	---	2,280,176,898.63
Capitalization	2,028,905,885.89	631,934,656.95	957,089,050.77	335,677,466.69	3,953,607,060.30
	51.3%	16.0%	24.2%	8.5%	100.0%

	9/30/2016 Capitalization	Share of Corp. Allocation	Corporate Allocation
Montana-Dakota	**1,366,017**	**58.9%**	**33.0%**
Cascade	**565,055**	**24.3%**	**13.6%**
Intermountain	**389,942**	**16.8%**	**9.4%**
Total Utilities Group	**2,321,014**	**100.0%**	**56.0%**

Exhibit II- Cascade Allocation Factors

Cascade Natural Gas Corportation
CY 2016 Allocation Factors

Cascade Natural Gas Corporation
State Allocation Formulas
2016

	Washington	Oregon	Total
Customers	74.68%	25.32%	100.00%
Employees	72.99%	27.01%	100.00%
Gross Plant	77.45%	22.55%	100.00%
3-Factor Formula	75.04%	24.96%	100.00%
Rate Base Ratio	77.16%	22.84%	100.00%

Cascade Natural Gas Corporation
Average No. of Employees
2016

Source: Customers Per Employee report

	Mo-Yr	Washington District Employees (1)	Oregon District Employees (1)	
	Dec-15	171	62	
	Jan-16	171	62	
	Feb-16	175	66	
	Mar-16	180	65	
	Apr-16	180	66	
	May-16	181	65	
	Jun-16	182	64	
	Jul-16	191	71	
	Aug-16	191	72	
	Sep-16	190	73	
	Oct-16	189	73	
	Nov-16	185	70	
	Dec-16	186	67	
		2,372	876	
Average of Monthly Averages		183	68	250
	Percentage	72.99%	27.01%	100.00%

(1) Excludes Interstate employees

Cascade Natural Gas Corporation
Gross Plant Percentage
2016

	Washington Incl. CCNC	Oregon Incl. CCNC	Total
Avg. of Mo. Avg.s	677,494,189	197,221,697	874,715,886
Percentage	77.45%	22.55%	100.00%

Cascade Natural Gas Corporation
Average Number of Customers
2016

	Average No. of Customers	Percentage
Washington	207,869	74.68%
Oregon	70,484	25.32%
Total	278,353	100.00%

Cascade Natural Gas Corporation
Rate Base Ratio
2016

The following percentages are used for allocating interest on debt:

	2016 Average Rate Base	Plant Formula
Washington	266,545,413	77.16%
Oregon	78,897,061	22.84%
	345,442,474	100.00%

Exhibit III- MDUR Shared Services Pricing Methodology

MDU Resources Shared Services

Pricing Methodology - Effective for 2017

Note: MDU Resources' use of Shared Services – MDU Resources costs for each shared services function is charged based on the corporate allocation factor.

761 – Payroll Shared Services

Payroll Shared Services costs are invoiced based on the number of employees paid and stated as a cost per check. The word check, for this purpose, generically refers to paper paychecks, direct deposits and pay card transactions.

Checks are charged on a tiered structure, intended to recognize the fixed or baseline effort associated with maintaining a payroll cycle and associated reporting, regardless of number of people paid. It is also intended to reward consolidation of multiple pay groups and companies where possible and to align charges with the additional effort required to maintain multiple pay groups and pay cycles.

The monthly volume for this step pricing is accumulated individually for each pay cycle processed.

Checks for weekly pay cycles, cost per check based on the number of checks written per month:

$ 4.25 per check for the first 500 checks

$ 0.50 per check for the next 500 checks

$ 0.25 per check for each additional check

Checks for non-weekly pay cycles, cost per check based on the number of checks written per month:

$ 4.25 per check for the first 1500 checks

$ 0.50 per check for the next 500 checks

$ 0.25 per check for each additional check

Additionally, there will be a $4.65 charge for each tax payment and $250.00 charge for each quarterly tax filing and $2 charge for each W2

There is a $500 per month minimum charge for each operating company.

There is a premium charge of $50 per transaction for specific off cycle checks and back-pay calculations. Examples of transactions included in the premium charge schedule are missing hours, refunded deductions, length of service awards submitted too late for inclusion in a scheduled payroll process, and back pay calculation because an increase was submitted after the pay period that includes the effective date. Examples of transactions excluded from the premium charge calculation are bonus payments, final paychecks, certified wage settlements, or any payment required as a result of a Shared Service or system error.

762 –Procurement Shared Services:

Procurement Shared Services costs are invoiced based on five separate factors, all carrying an equal weight of 20%. The factors are:

- Number of Visa Cards as of 8/1/16
- Total Visa Spend for 2015
- National Account Spend for 2015
- Number of Construction Equipment Acquisitions in 2015
- Number of Fleet Acquisitions in 2015

	MDUR	**MDU**	**WBIE**	**KRC**	**CSG**	**CNG**	**IGC**	**Total**
# VISA cards	187	1,173	558	1,518	1,288	446	157	5,327
% of VISA cards	3.51%	22.02%	10.47%	28.50%	24.18%	8.37%	2.95%	100%
VISA spend	1,581,487	7,131,765	3,873,021	12,438,266	8,886,906	2,634,527	1,280,514	37,826,486
% of Total VISA spend	4.18%	18.86%	10.24%	32.88%	23.49%	6.96%	3.39%	100%
National Account Spend	1.891,207	17,506,783	8,234,912	95,811,922	28,575,267	7,336,137	4,365,242	163,721,470
% of National Account Spend	1.16%	10.69%	5.03%	58.52%	17.45%	4.48%	2.67%	100%
	MDUR	**MDU**	**WBIE**	**KRC**	**CSG**	**CNG**	**IGC**	**Total**
# Construction Equip	0	53	11	78	34	23	7	206

Acquisitions								
% of Construction Equip Acquisitions	0.00%	25.73%	5.34%	37.86%	16.50%	11.17%	3.40%	100%
# Fleet Acquisitions	0	70	27	189	146	33	31	496
% of Fleet Acquisitions	0.00%	14.12%	5.44%	38.10%	29.44%	6.65%	6.25%	100%
Total weighted allocation factor	1.77%	18.28%	7.31%	39.17%	22.21%	7.53%	3.73%	100.00%

766 –Time Entry Shared Services:

Service provided 100% to the MDU Utility Group.

Enterprise Technology Services (ETS):

There are several ETS departments, and each is billed out based on its own criteria. They are as follows:

Application Services (765) 100% of these costs are based on the corporate factor.

Customer Relations (965) – The enterprise costs associated with customer relations are invoiced based upon the number of devices supported by customer relations. The metric used to determine device counts is devices that have checked into active directory during a 60 day period in the summer of 2016.

	MDUR	MDU	WBIE	KRC	CSG	CNG	IGC	Total
Device Counts	284	1,181	406	2,007	1,525	469	656	6,528
% of Device Counts	4.35%	18.10%	6.22%	30.74%	23.36%	7.18%	10.05%	100%
Totals	4.35%	18.10%	6.22%	30.74%	23.36%	7.18%	10.05%	100%

Communications & Security (971)

Enterprise charges for the communications group are invoiced using three weighted allocation factors. The factors are as follows:

1. Wide Area Network/Local Area Network/Metropolitan Area Network- Number of business unit locations (40%)

2. Internet/Firewall Access – Number of user accounts (40%)

3. Security (20%)

The costs are invoiced based on the following percentages:

	MDUR	MDU	WBIE	KRC	CSG	CNG	IGC	Total
WAN/LAN/MAN	3	55	131	203	59	18	13	482
% of Business Unit Locations	0.62%	11.41%	27.18%	42.12%	12.24%	3.73%	2.70%	100%
Internet Access/Firewall	284	1,181	406	2,007	1,525	469	656	6,528
% of User Accounts	4.35%	18.10%	6.22%	30.74%	23.36%	7.18%	10.05%	100%
Voice	225	571	311	1,435	68	318	308	3,236
% of Handsets	6.95%	17.65%	9.61%	44.34%	2.10%	9.83%	9.52%	100%
Totals	3.38%	15.34%	15.28%	38.01%	14.66%	6.33%	7.00%	100.00%

Operations (972) – Enterprise charges for the operations group are invoiced using two separate factors. 95.9% of the costs are based upon the number of servers that are supported for a particular business unit. These servers are then broken out between full service servers and shared service servers. 4.1% of the costs are for costs specific to the AS/400 are invoiced upon the AS/400 allocation as agreed to by MDU and WBI.

The costs that are based upon the number of servers are based on the following percentages:

1. Full Service Servers- (61.49%)

2. Shared Service Servers – (38.51%)

	MDUR	MDU	WBIE	KRC	CSG	CNG	IGC	Total
Full Service Servers	305	152	35	103	31	0	0	626
% of Full Service Servers	48.72%	24.29%	5.59%	16.45%	4.95%	0.00%	0.00%	100%
Shared Service Servers	18	97	39	52	73	34	79	392
% of Full Service Servers	4.59%	24.75%	9.95%	13.27%	18.62%	8.67%	20.15%	100%
Totals	31.73%	24.45%	7.27%	15.23%	10.22%	3.34%	7.76%	100%

Finance and Administration (982) –. Costs for the finance and administration group are invoiced based upon the combined methodologies of the four previously identified ETS groups.

	MDUR	MDU	WBIE	KRC	CSG	CNG	IGC	Total
% of Total Finance & Administration	18.40%	17.93%	9.50%	26.05%	15.10%	5.34%	7.68%	100%

Exhibit IV- Utility Operations Support Allocation Methodology

Utility Operations Support
Labor Distribution Allocation Methodology

Leadership Group:

- Includes Executive Vice Presidents & Directors
- Oversees all shared, utility specific functions in the following areas:
    - Customer Services
    - Administrative Services
    - Information Technology & Communications
    - Engineering and Operations Procedures
    - Gas Supply and Gas Control
- Allocation methodology:
    - Equal portion allocated to each utility company, or brand
    - For portion allocated to Montana-Dakota/Great Plains, if there is involvement with non-utility work allocate 1% (including 0.25% for Great Plains) to non-utility based on historical estimates, with remainder allocated to gas and electric based on meter count.
    - For portion allocated to Montana-Dakota/Great Plains, if there is no involvement with non-utility work, allocate between gas and electric based on meter count.

Customer Services:

- Director
    - 35% to CNG, 30% to IGC, 35% Montana-Dakota/Great Plains [1] (1% to non-utility) and remainder split between gas and electric meter count.
- Management team
    - Supervisors: Front line supervision for Customer Service Center
        - 30% to CNG, 30% to IGC, 40% Montana-Dakota/Great Plains [1] (2% to non-utility) and remainder allocated to gas and electric based on the estimate of time required to supervise
    - Manager: Customer service
        - 30% CNG, 20% IGC, 50% Montana-Dakota/Great Plains [1] (2% to non –utility) and remainder allocated to gas and electric meter count.
- Credit
    - Responsible for credit and collections for the Utility Group
    - Allocation Methodology
        - Most agents only handle credit activity for one brand, they charge all time to that brand
        - For agents that handle multiple brands, time is charged based on how much time is spent on each brand

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[1] Based on estimated time using history

        - For agents that only handle credit activity for Montana-Dakota/Great Plains:
            - Allocated to gas and electric based on meter count

          For agents that handle credit for Montana-Dakota/Great Plains and another brand, the portion is allocated to each utility based on average time spent in each utility with the Montana-Dakota/Great Plains portion allocated to gas and electric based on meter count.

- Scheduling
    - Responsible for scheduling field work for employees performing work in the field for the Utility Group
    - Responsible for emergency response 24/7
    - Allocation Methodology:
    - Management team:
        - Manager 20% IGC, 30% CNG, 50% Montana-Dakota/Great Plains[1] allocated to gas and electric based on meter count.
        - Team Leads 25% IGC, 25% CNG, 50% Montana-Dakota/Great Plains[1] allocated to gas and electric based on meter count.
        - For employees that only schedule one brand, charge time to that brand
        - For employees that schedule both IGC and CNG, split time 50/50 based on estimated time required
        - For employees who schedule all brands, split evenly
        - For employees that only schedule Montana-Dakota/Great Plains:
            - Allocated between gas and electric based on meter count
        - For employees that schedule credit for Montana-Dakota/Great Plains and another brand, the portion is allocated to each utility based on the shared utility. The Montana-Dakota/Great Plains allocation is based on the gas and electric meter count.

- Customer Service
    - Responsible for handling all inbound calls during regular operating hours
    - Allocation Methodology:
        - Teams leads and Customer Care Representatives (CCR's) when only responsible for one brand, charge all that time to one brand
        - For employees covering multiple brands, estimates are routinely made for allocations for the pay period
        - For employees responsible for Montana-Dakota/Great Plains:
            - 3% (including 0.5% for Great Plains) is charged to non-utility for credit activity associated with non-utility charges, based on best estimate of time required
            - Remainder is allocated between gas and electric based on meter count

        - For employees responsible for Montana-Dakota/Great Plains and another brand, the portion allocated to non-utility is reduced accordingly to 3% (including 0.5% for Great Plains) of the total associated with Montana-Dakota/Great Plains.

- Customer Programs & Support
    - Responsible for inbound self-service, web help, customer program transactions, and analytical support for the Utility Group
    - Allocation Methodology:
    - Manager
        - 30% IGC, 30% CNG, 40% Montana-Dakota/Great Plains[1] (allocate to gas and electric based on meter count)
            - Based on additional time for Montana-Dakota/Great Plains on social media updates & Credit Dept. responsibilities
    - Supervisor, Team Lead, and Support Staff
        - Equal portion allocated to each brand
        - For portion allocated to Montana-Dakota/Great Plains, if there is involvement with non-utility work allocate 1% (including 0.25% for GPNG) to non-utility, based on historical estimates, with remainder allocated to gas and electric based on meter count.
        - For portion allocated to Montana-Dakota/Great Plains, if there is no involvement with non-utility work, allocated to gas and electric based on meter count.

- Note: Exceptions may be made on an individual basis from these guidelines
    - Employees may be assigned special projects, and allocation methodology may be changed accordingly.
    - Labor allocation may always be made on an actual time spent basis rather than these guidelines.
    - Supervisors may alter these guidelines based on their individual scenario.