

**MONTANA-DAKOTA UTILITIES CO.
BENEFITS EXPENSE - UTILITY
TWELVE MONTHS ENDING DECEMBER 31, 2014
PRO FORMA**

	<u>2014</u>	<u>% Change</u>	
<u>Medical/Dental (5194)</u>			
Electric	\$3,232,922		
Gas	3,194,146		
Total	<u>6,427,068</u>	<u>4.10%</u>	HR - increase in premium of 5.1% partially offset by changes in employees between plans
<u>Pension (5195)</u>			
Electric	\$212,078		
Gas	182,101		
Total	<u>394,179</u>	<u>136.31%</u>	Actuary report
<u>Post-retirement (5196)</u>			
Electric	(\$179,853)		
Gas	(106,185)		
Total	<u>(286,038)</u>	<u>-166.04%</u>	Actuary report
<u>401K (5197)</u>			
Electric	\$3,021,993		
Gas	2,487,946		
Total	<u>5,509,939</u>	<u>4.55%</u>	overall labor change
<u>Other (5192)</u>			
Electric	\$88,783		
Gas	75,215		
Total	<u>163,998</u>	<u>4.55%</u>	overall labor change
Workers Compensation (5199)	\$38,797		
South Dakota Gas Labor	5,193,079		
% Workers Comp to Labor	0.7471%		

	<u>Actuarial Study (in 000s)</u>			<u>Projected 2015</u>	<u>% Change</u>
	<u>Actual 2013</u>	<u>Actual 2014</u>	<u>% Change</u>		
<u>Pension (5195)</u>					
Union	\$787	280	-64.42%	635	126.79%
Non-Union	850	257	-69.76%	634	146.69%
Total	<u>1,637</u>	<u>537</u>	<u>-67.20%</u>	<u>1269</u>	<u>136.31%</u>
<u>Post-retirement (5196)</u>					
Utility	(59)	(480)	713.56%	317	-166.04%

MDU Resources Corp - Forecast of ASC 715 Expense (in 000s) - Set 2

Plan/Allocation	2014		2014	2015+	Set 2				
	Allocation %	Allocation %	Discount Rate	Discount Rate	2015	2016	2017	2018	2019
Qualified Plans									
MDU Bargaining	280	100.00	4.53%	3.53%	655	660	525	460	392
Utilities	257	81.84			634	631	419	310	265

Postretirement Welfare

Utilities	(480)				317	200	23	(111)	(104)
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Discount Rate for Expense	Various	See Above	See Above	Same as 2015	Same as 2015	Same as 2015	Same as 2015	Same as 2015
Expected Return on Assets - Pension	7.00%			7.00%	7.00%	7.00%	7.00%	7.00%
Actual Return on Assets (prior year) — Pension				5.00%	7.00%	7.00%	7.00%	7.00%
Expected Return on Assets - PRW	6.00%			6.00%	6.00%	6.00%	6.00%	6.00%
Actual Return on Assets (prior year) — PRW				4.00%	6.00%	6.00%	6.00%	6.00%

Commencing 12/31/2014, ASC 715 amounts are based on assumed mortality in accordance with the RP-2014 tables with generational improvement (MP-2014).

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Mulkern, Rita

From: Kaiser, Jim
Sent: Tuesday, November 18, 2014 10:42 AM
To: Jacobson, Travis; Erickson, Rhonda
Cc: Ross, Amanda; Schlafmann, Lisa; Hirning, Jackie; Jones, Anne
Subject: RE: Urgent: Regulatory Request

Travis,

I wanted to be sure that you and Rhonda know that 4.1% is the overall employer medical cost increase for 2015. These premium building sheets can be somewhat confusing because you are going to see a reference to a 5.1% cost increase but that percentage was offset by realigning the premiums for some of the plan tiers.

Let me know if you have any questions.

Thanks,

Jim

From: Kaiser, Jim
Sent: Tuesday, November 18, 2014 10:08 AM
To: Jacobson, Travis; Erickson, Rhonda
Cc: Ross, Amanda
Subject: FW: Urgent: Regulatory Request

From: Hirning, Jackie
Sent: Tuesday, November 18, 2014 9:24 AM
To: Kaiser, Jim
Cc: Schlafmann, Lisa
Subject: RE: Urgent: Regulatory Request

Jim,
Attached are 2015 premiums.

Jackie Hirning, PHR
Benefits Analyst
MDU Resources Group, Inc.
Corporate Human Resources
PO Box 5650
Bismarck, ND 58506-5650
P: 701-530-1050
F: 701-530-1739

From: Kaiser, Jim
Sent: Monday, November 17, 2014 2:20 PM
To: Schlafmann, Lisa
Cc: Jones, Anne
Subject: FW: Urgent: Regulatory Request
Importance: High

MDU RESOURCES GROUP, INC.

Comparison 2015 Premiums to 2014 Premiums

Total Plan Increase: 5.1%

REVISED: Change Child Subsidy (Alt-Tier Relationships)

EMPLOYER INCREASE CONSISTENT WITH OVERALL TREND 105.1%

	2015 Medical Premiums			2014 Medical Premiums			% Change			EE Increase	ER Increase	Total Increase
	EE Monthly	ER Monthly	TOTAL Monthly	EE Monthly	ER Monthly	TOTAL Monthly	EE Monthly	ER Monthly	TOTAL Monthly			
MDUR/MDU/CNG/GPNG/IGC/WBIH/Bitter Creek/FE&P/PEMI/WBIP/CSG Corporate/Knife River Corporate												
BlueCard PPO												
Single	\$79	\$364	\$443	\$76	\$346	\$422	3.4%	5.1%	5.0%	\$3	\$18	\$21
Employee + Child	\$137	\$617	\$754	\$137	\$622	\$759	-0.2%	-0.8%	-0.7%	\$0	-\$5	-\$5
Employee + Children ^{1/}	\$170	\$761	\$931	\$162	\$724	\$886	4.9%	5.1%	5.1%	\$8	\$37	\$45
Employee + Spouse ^{1/}	\$211	\$809	\$1,020	\$191	\$770	\$961	10.6%	5.1%	6.1%	\$20	\$39	\$59
Family	\$299	\$1,095	\$1,394	\$282	\$1,042	\$1,324	6.0%	5.1%	5.3%	\$17	\$53	\$70
HSA Plan												
Single	\$9	\$347	\$356	\$8	\$330	\$338	7.7%	5.1%	5.2%	\$1	\$17	\$18
Employee + Child	\$15	\$589	\$604	\$15	\$594	\$609	2.6%	-0.8%	-0.8%	\$0	-\$5	-\$5
Employee + Children	\$21	\$726	\$747	\$19	\$691	\$710	11.6%	5.1%	5.2%	\$2	\$35	\$37
Employee + Spouse	\$44	\$774	\$818	\$35	\$736	\$771	25.7%	5.1%	6.1%	\$9	\$38	\$47
Family	\$72	\$1,046	\$1,118	\$67	\$995	\$1,062	7.7%	5.1%	5.3%	\$5	\$51	\$56

4.1%

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MDU RESOURCES GROUP, INC
 2015 MEDICAL REVENUE PROJECTIONS
 ACTIVE EMPLOYEES ONLY - CONSOLIDATED PLAN

	2014 Counts	2014 Rate	2014 Monthly Revenue	2015		CHANGING RELATIONSHIPS	
				2015 Rate	2015 Monthly w/ 2014 Enrollment	NEW 2015 Rate	2015 Monthly w/ 2014 Enrollment
PPO							
Single	1,186	\$422	\$500,492	\$443	\$525,655	\$443	\$525,766
Employee + Child	184	\$759	\$139,656	\$798	\$146,793	\$754	\$138,668
Employee + Children	187	\$886	\$165,682	\$931	\$174,051	\$931	\$174,088
Employee + Spouse	699	\$961	\$671,739	\$1,011	\$706,364	\$1,020	\$712,710
Family	1,035	\$1,324	\$1,370,340	\$1,392	\$1,440,870	\$1,394	\$1,443,009
	<u>3,291</u>						
HSA							
Single	753	\$338	\$254,514	\$355	\$267,655	\$356	\$267,711
Employee + Child	126	\$609	\$76,734	\$640	\$80,616	\$604	\$76,154
Employee + Children	108	\$710	\$76,680	\$746	\$80,616	\$747	\$80,633
Employee + Spouse	366	\$771	\$282,186	\$810	\$296,617	\$818	\$299,282
Family	734	\$1,062	\$779,508	\$1,116	\$819,491	\$1,118	\$820,708
	<u>2,087</u>						
TOTAL							
Single	1,939	\$389	\$755,006	\$409	\$793,310	\$409	\$793,478
Employee + Child	310	\$698	\$216,390	\$734	\$227,410	\$693	\$214,821
Employee + Children	295	\$822	\$242,362	\$863	\$254,668	\$863	\$254,721
Employee + Spouse	1,065	\$896	\$953,925	\$942	\$1,002,981	\$950	\$1,011,992
Family	1,769	\$1,215	\$2,149,848	\$1,278	\$2,260,361	\$1,280	\$2,263,717
Monthly Total	<u>5,378</u>		<u>4,317,531</u>		<u>4,538,730</u>		<u>4,538,730</u>
			12		12		12
Annual Total			<u>51,810,372</u>		<u>54,464,755</u>		<u>54,464,755</u>
Annual Revenue Per EE			\$9,634		\$10,127		\$10,127
					105.1%		105.1%

MDU RESOURCES GROUP, INC
2015 MEDICAL RATE PROJECTION ASSUMPTIONS
ACTIVE EMPLOYEES ONLY - CONSOLIDATED PLAN

Relative Plan Factors	Plan Relativity For Premiums	Plan Change ^{/1}
2 Years Prior - 2012		
PPO	1.000	
High Ded. Plan (W/O HRA Funding) / HSA	0.842	
Act. Value of Plan Change to 2014	0.997	
Plan Mix Change to 2014	0.944	
One Year Prior - 2013		
PPO	1.000	
HSA	0.846	
Act. Value of Plan Change to 2014	1.000	
Plan Mix Change to 2014	0.977	
Current Year - 2014		
PPO	1.000	
HSA	0.858	
Act. Value of Plan Change to 2014	1.000	
Plan Mix Change to 2014	1.000	
Pricing Year - 2015		
PPO	1.000	1.000
HSA	0.858	1.000
Act. Value of Plan Change to 2015	1.000	
Plan Mix Change	1.000	

Experience Blending For 3-Year Average	
2 Years Prior - 2012	33%
One Year Prior - 2013	33%
Current Year - 2014	33%

Rate Relativities	Original	NEW
Single	1.000	1.000
EE + Child	1.800	1.700
EE + Children	2.100	2.100
EE + Spouse	2.280	2.300
Family	3.141	3.145

Medical Trends	
2013 vs. 2012	8.0%
2014 vs. 2013	6.5%
2015 vs. 2014	6.5%

Fixed Charges	PCPY	PCPM
BCBS Admin Fees	\$437.64	\$36.47
BCBS Access Fees	\$73.80	\$6.15
Program Fees (i.e. Healthy Start)	\$3.79	\$0.32
Other Administrative Fees (e.g. actuarial fees)	\$7.20	\$0.60
	<u>\$522.43</u>	<u>\$43.54</u>
ACA Fees		
Transitional Reinsurance Fee	\$105.60	\$8.80
Comparative Assessment Fee	\$5.29	\$0.44
Subtotal	<u>\$110.89</u>	<u>\$9.24</u>
Total Fixed Charges and ACA Fees	\$633.33	\$52.78

^{/1} Actuarial value of Benefit Plan Changes from 2014 to 2015, estimated by BCBSM.

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MDU RESOURCES GROUP, INC
 2015 MEDICAL RATE PROJECTION
 ACTIVE EMPLOYEES ONLY - CONSOLIDATED PLAN

FINAL

	Total
2012 Claims:	\$42,157,887
# Employees Covered (Average for year)	<u>5,033</u>
Average Adjusted Claims Per EE	\$8,376
Assumed Trend Factor (6.5% Annual Trend to 2014)	1.1342
Plan Design Change Factor to 2014 Plan Design	1.0000
Plan Mix Factor Relative to 2014 Plan Mix	<u>0.9439</u>
2012 Average Claims Per EE Projected to 2013	\$8,967
2013 Claims:	\$43,208,935
# Employees Covered (Average for year)	<u>5,215</u>
Average Adjusted Claims Per EE	\$8,286
Assumed Trend Factor (6.5% Annual Trend to 2014)	1.0650
Plan Design Change Factor to 2014 Plan Design	1.0000
Plan Mix Factor Relative to 2014 Plan Mix	<u>0.9769</u>
2013 Average Claims Per EE Projected to 2014	\$8,620
2014 Claims (based on Jan - June, 2014 Annualized):	48,083,125
# Employees Covered (Average for year - consistent with claims)	<u>5,317</u>
Average Adjusted Claims Per EE	\$9,043
Assumed Trend Factor (2014 claims annualized above)	1.0159
Plan Design Change Factor to 2014 Plan Design	1.0000
Plan Mix Factor Relative to 2014 Plan Mix	<u>1.0000</u>
2014 Average Claims Per EE	\$9,186
2015 COST PROJECTION:	
3-Year Average Weighted Adjusted Claims Per EE	\$8,915
Claim Trend	6.5%
Impact of Plan Design Changes	1.000
Impact of Plan Mix Change (PPO and HSA)	<u>1.000</u>
Projected Claims Costs	\$9,494
Fixed Fees	\$633
2015 Projected Plan Costs	\$10,127
2015 Average Total Cost per EE	\$10,127

CHANGE CHILD AND SPOUSE RELATIONSHIPS; RETAIN 2013 HSA NEW BASE (FOR PRICING RELATIONSHIPS)

	2015	2015	2014	\$ Change	% Change	2014 COBRA
BlueCard PPO						
Single	\$443	\$443	\$422	\$21	5.0%	\$452
Employee + Child	\$798	\$754	\$759	(\$5)	-0.7%	\$768
Employee + Children	\$931	\$931	\$886	\$45	5.1%	\$949
Employee + Spouse	\$1,011	\$1,020	\$961	\$59	6.1%	\$1,040
Family	\$1,392	\$1,394	\$1,324	\$70	5.3%	\$1,422
HSA	\$355					
Single	\$640	\$356	\$338	\$18	5.2%	\$362
Employee + Child	\$746	\$604	\$609	(\$5)	-0.8%	\$616
Employee + Children	\$810	\$747	\$710	\$37	5.2%	\$761
Employee + Spouse	\$1,116	\$818	\$771	\$47	6.1%	\$834
Family		\$1,118	\$1,062	\$56	5.3%	\$1,140

PRIOR

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