NOTES TO THE FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.
7. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
8. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
9. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

PAGE 122 INTENTIONALLY LEFT BLANK
SEE PAGE 123 FOR REQUIRED INFORMATION.

Definitions

The following abbreviations and acronyms used in the Notes are defined below:

Abbreviation or Acronym

AFUDC	Allowance for funds used during construction
ASC	FASB Accounting Standards Codification
ASU	FASB Accounting Standards Update
Big Stone Station	475-MW coal-fired electric generating facility near Big Stone City, South Dakota (22.7 percent ownership)
BSSE	345-kilovolt transmission line from Ellendale, North Dakota, to Big Stone City, South Dakota (50 percent ownership)
Company	Montana-Dakota Utilities Co., a direct wholly owned subsidiary of MDU Energy Capital
Coyote Creek	Coyote Creek Mining Company, LLC, a subsidiary of The North American Coal Corporation
Coyote Station	427-MW coal-fired electric generating facility near Beulah, North Dakota (25 percent ownership)
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GAAP	Accounting principles generally accepted in the United States of America
Great Plains	Great Plains Natural Gas Co., a public utility division of the Company
K-Plan	MDU Resources Group, Inc.'s 401(k) Retirement Plan
LIBOR	London Inter-bank Offered Rate
MDU Energy Capital	MDU Energy Capital, LLC, a direct wholly owned subsidiary of MDU Resources
MDU Resources	MDU Resources Group, Inc., a holding company indirectly owning all of the outstanding capital stock of the Company
MISO	Midcontinent Independent System Operator, Inc., the organization that provides open-access transmission services and monitors the high-voltage transmission system in the Midwest United States and Manitoba, Canada and a southern United States region which includes much of Arkansas, Mississippi and Louisiana
MNPUC	Minnesota Public Utilities Commission
MTDEQ	Montana Department of Environmental Quality
MTPSC	Montana Public Service Commission
MW	Megawatt
NDPSC	North Dakota Public Service Commission
SDPUC	South Dakota Public Utilities Commission
SOFR	Secured Overnight Financing Rate
Wygen III	100-MW coal-fired electric generating facility near Gillette, Wyoming (25 percent ownership)
WYPSC	Wyoming Public Service Commission

Notes to Financial Statements

Note 1 - Basis of Presentation

The Company is incorporated under the laws of the state of Delaware and is a wholly owned subsidiary of MDU Energy Capital. The Company is comprised of Montana-Dakota and Great Plains, a public utility division of Montana-Dakota. The Company is organized into two utility functions, electric and natural gas distribution. The Company's utility functions are determined based on the separate services and regulation.

Montana-Dakota generates, transmits, and distributes electricity and distributes natural gas in Montana, North Dakota, South Dakota, and Wyoming. Great Plains distributes natural gas in western Minnesota and southeastern North Dakota. These operations also supply related value-added services. The Company provides service to approximately 145,000 electric and 311,000 natural gas residential, commercial, industrial and municipal customers in 290 communities and adjacent rural areas as of December 31, 2022.

Montana-Dakota and Great Plains are regulated businesses which account for certain income and expense items under the provisions of regulatory accounting, which requires them to defer as regulatory assets or liabilities certain items that would have otherwise been reflected as expense or income, respectively, based on the expected regulatory treatment in future rates. The expected recovery or refund of these deferred items generally is based on specific ratemaking decisions or precedent for each item. Regulatory assets and liabilities are being amortized consistently with the regulatory treatment established by the FERC and the applicable state public service commissions. See Note 5 for more information regarding the nature and amounts of these regulatory deferrals.

Montana-Dakota is subject to regulation by the FERC, NDPSC, MTPSC, SDPUC, and WYPSC. Great Plains is subject to regulation by the MNPUC and the NDPSC.

The Company has ownership interests in the assets, liabilities and expenses of jointly owned electric transmission and generating facilities.

The financial statements were prepared in accordance with the accounting requirements of the FERC as set forth in the Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than GAAP. The following areas represent the significant differences between the Uniform System of Accounts and GAAP:

- Current maturities of long-term debt are included as long-term debt in the FERC presentation, while GAAP presentation requires such maturities to be classified as current liabilities.
- Plant material and operating supplies are included as current and accrued assets in the FERC presentation, while GAAP presentation is presented as noncurrent.
- Accumulated deferred income taxes are shown as long-term assets and liabilities at their gross amounts in the FERC presentation, in contrast to the GAAP presentation as net long-term assets and liabilities.
- Regulatory assets and liabilities are classified as noncurrent deferred debits and credits, respectively in the FERC presentation, while GAAP presentation requires regulatory assets and liabilities be classified as current and noncurrent.
- Removal costs for future removal obligations are classified as accumulated depreciation on the utility plant in the FERC presentation and as regulatory liabilities in the GAAP presentation.
- Deferred financing costs are included as deferred debits in the FERC presentation, while GAAP presentation includes them with the long-term debt.
- No operating lease assets or liabilities are recognized under FERC. An operating lease right-of-use asset and lease liability are recognized for most operating leases under GAAP.

- Various expenses such as donations, lobbying, and other non-regulatory expenses are presented as other income and deductions for the FERC presentation and reported as operating expenses for the GAAP presentation.

- Income tax expense related to utility operations is shown as a component of utility operating expenses in the FERC presentation, in contrast to the GAAP presentation as a below-the-line deduction from operating income.

- Non-service cost components of net periodic benefit costs that are reported on the income statement are recorded as operation expenses in the FERC presentation and as other income, net for GAAP presentation.

If GAAP were followed, these financial statement line items would increase/(decrease) from those shown by the FERC presentation of approximately:

Comparative Balance Sheet	December 31, 2022
	(In millions)
Utility plant, other property, and investments	$158.4
Current and accrued assets	8.8
Deferred debits	(96.7)
Long-term debt	(3.3)
Current and accrued liabilities	25.0
Deferred credits and other noncurrent liabilities	48.8

Statement of Income	Twelve months ended December 31, 2022
	(In millions)
Operating revenues	$6.4
Operating expenses excluding income taxes	6.7

Statement of Cash Flows	Twelve months ended December 31, 2022
	(In millions)
Cash provided by (used in) operating activities	$0.7
Cash provided by (used in) investing activities	(0.7)
Cash provided by (used in) financing activities	—
Net change in cash and cash equivalents	—

Management has also evaluated the impact of events occurring after December 31, 2022, up to the date of issuance of these financial statements on April 12, 2023, that would require recognition or disclosure in the financial statements.

Use of estimates
The preparation of financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Estimates are used for items such as long-lived assets and goodwill; property depreciable lives; tax provisions; expected credit losses; environmental and other loss contingencies; regulatory assets expected to be recovered in rates charged to customers; unbilled revenues; actuarially determined benefit costs; asset retirement obligations; and the valuation of stock-based compensation. As additional information becomes available, or actual amounts are determinable, the recorded estimates are revised. Consequently, operating results can be affected by revisions to prior accounting estimates.

Note 2 - Significant Accounting Policies
New accounting standards
The following table provides a brief description of the accounting pronouncements applicable to the Company and the potential impact on its financial statements and or disclosures:

Standard	Description	Effective date	Impact on financial statements/disclosures
Recently adopted accounting standards			
ASU 2021-10- Government Assistance	In November 2021, the FASB issued guidance on modifying the disclosure requirements to increase the transparency of government assistance including disclosure of the types of assistance, an entity's accounting for the assistance and the effect of the assistance on an entity's financial statements.	January 1, 2022	The Company determined the guidance did not have a material impact on its disclosures for the year ended December 31, 2022.
ASU 2020-04- Reference Rate Reform	In March 2020, the FASB issued optional guidance to ease the facilitation of the effects of reference rate reform on financial reporting. The guidance applies to certain contract modifications, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. Beginning January 1, 2022, LIBOR or other discontinued reference rates cannot be applied to new contracts. New contracts will incorporate a new reference rate, which includes SOFR. LIBOR or other discontinued reference rates cannot be applied to contract modifications or hedging relationships entered into or evaluated after December 31, 2022. Existing contracts referencing LIBOR or other reference rates expected to be discontinued must identify a replacement rate by June 30, 2023.	Effective as of March 12, 2020 through December 31, 2022	For more information, see ASU 2022-06- Reference Rate Reform: Deferral of Sunset Date in recently issued accounting standards not yet adopted.

Standard	Description	Effective date	Impact on financial statements/disclosures
Recently issued accounting standards not yet adopted			
ASU 2022-06- Reference Rate Reform: Deferral of Sunset Date	In December 2022, the FASB included a sunset provision within ASC 848 based on expectations of when LIBOR would cease being published. At the time ASU 2020-04 was issued, the UK Financial Conduct Authority had established its intent to cease overnight tenors of LIBOR after December 31, 2021. In March 2021, the UK Financial Conduct Authority announced that the intended cessation date of the overnight tenors of LIBOR would be June 30, 2023 which is beyond the current sunset date of ASC 848. The amendments in this Update defer the sunset date of ASC 848 from December 31, 2022 to December 31, 2024. after which entities will no longer be permitted to apply the relief in ASC 848.	December 31, 2024	The Company has updated its credit agreements to include language regarding the successor or alternate rate to LIBOR, and a review of other contracts and agreements is on-going. The Company does not expect the guidance to have a material impact on its results of operations, financial position, cash flows or disclosures.

Cash and cash equivalents
The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

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

The Company generates revenue from the sales of electric and natural gas products and services, which includes retail and transportation services. The Company establishes a customer's retail or transportation service account based on the customer's application/contract for service, which indicates approval of a contract for service. The contract identifies an obligation to provide service in exchange for delivering or standing ready to deliver the identified commodity; and the customer is obligated to pay for the service as provided in the applicable tariff. The product sales are based on a fixed rate that includes a base and per-unit rate, which are included in approved tariffs as determined by state or federal regulatory agencies. The quantity of the commodity consumed or transported determines the total per-unit revenue. The service provided, along with the product consumed or transported, are a single performance obligation because both are required in combination to successfully transfer the contracted product or service to the customer. Revenues are recognized over time as customers receive and consume the products and services. The method of measuring progress toward the completion of the single performance obligation is on a per-unit output method basis, with revenue recognized based on the direct measurement of the value to the customer of the goods or services transferred to date. For contracts governed by the Company’s utility tariffs, amounts are billed monthly with the amount due between 15 and 22 days of receipt of the invoice depending on the applicable state’s tariff. For other contracts not governed by tariff, payment terms are net 30 days. At this time, the Company has no material obligations for returns, refunds or other similar obligations.

The Company recognizes all other revenues when services are rendered or goods are delivered.

Legal costs
The Company expenses external legal fees as they are incurred.

Receivables and allowance for expected credit losses
Receivables consist primarily of trade receivables from the sale of goods and services, which are recorded at the invoiced amount, net of expected credit losses. The Company's trade receivables are all due in 12 months or less. The total balance of receivables past due 90 days or more was $1.3 million and $885,000 at December 31, 2022 and 2021, respectively.

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

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

	Electric	Natural gas distribution	Total
		(In thousands)	
At January 1, 2021	$ 899	$ 764	$ 1,663
Current expected credit loss provision	1,099	1,088	2,187
Less write-offs charged against the allowance	2,139	1,939	4,078
Credit loss recoveries collected	410	383	793
At December 31, 2021	269	296	565
Current expected credit loss provision	1,325	1,880	3,205
Less write-offs charged against the allowance	1,625	2,243	3,868
Credit loss recoveries collected	406	543	949
At December 31, 2022	**$ 375**	**$ 476**	**$ 851**

Receivables also consist of accrued unbilled revenue representing revenues recognized in excess of amounts billed. Accrued unbilled revenue was $80.9 million and $68.3 million at December 31, 2022 and 2021, respectively.

Inventories and natural gas in storage
Natural gas in storage is valued at cost using the last-in, first-out method. All other inventories are valued at the lower of cost or net realizable value using the average cost method. The portion of the cost of natural gas in storage expected to be used within 12 months was included in inventories. Inventories at December 31 consisted of:

	2022	2021
	(In thousands)	
Plant materials and operating supplies	**$ 29,063**	$ 29,446
Gas stored underground-current	**6,608**	11,232
Fuel stock	**4,693**	4,170
Total	**$ 40,364**	$ 44,848

The remainder of natural gas in storage, which largely represents the cost of gas required to maintain pressure levels for normal operating purposes was $1.6 million at both December 31, 2022 and 2021.

Property, plant and equipment
Additions to property, plant and equipment are recorded at cost. When regulated assets are retired, or otherwise disposed of in the ordinary course of business, the original cost of the asset is charged to accumulated depreciation. With respect to the retirement or disposal of all other assets, the resulting gains or losses are recognized as a component of income.

The Company is permitted to capitalize AFUDC on regulated construction projects and to include such amounts in rate base when the related facilities are placed in service. The amount of AFUDC for the years ended December 31 were as follows:

	2022	2021
	(In thousands)	
AFUDC - borrowed	**$ 1,878**	$ 654
AFUDC - equity	**$ 1,588**	$ 685

Property, plant and equipment are depreciated on a straight-line basis over the average useful lives of the assets. The Company collects removal costs for certain plant assets in regulated utility rates. These amounts are included in accumulated provision for depreciation and amortization.

Impairment of long-lived assets, excluding goodwill
The Company reviews the carrying values of its long-lived assets whenever events or changes in circumstances indicate that such carrying values may not be recoverable. The Company tests long-lived assets for impairment at a level significantly lower than that of goodwill impairment testing. Long-lived assets or groups of assets that are evaluated for impairment at the lowest level of largely independent identifiable cash flows at an individual operation or group of operations collectively serving a local market. The determination of whether an impairment has occurred is based on an estimate of undiscounted future cash flows attributable to the assets, compared to the carrying value of the assets. If impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the assets and recording a loss if the carrying value is greater than the fair value. The impairments are recorded in other income and deductions on the Statement of Income.

No impairment losses were recorded in 2022 or 2021. Unforeseen events and changes in circumstances could require the recognition of impairment losses at some future date.

Regulatory assets and liabilities
The Company is subject to various state and federal agency regulations. The accounting policies followed by the Company are generally subject to the Uniform System of Accounts of the FERC as well as the provisions of ASC 980 - *Regulated Operations*.

The Company accounts for certain income and expense items under the provisions of regulatory accounting, which requires the Company to defer as regulatory assets or liabilities certain items that would have otherwise been reflected as expense or income, respectively. The Company records regulatory assets or liabilities at the time the Company determines the amounts to be recoverable in current or future rates. Regulatory assets and liabilities are being amortized consistently with the regulatory treatment established by the FERC and the applicable state public service commission. See Note 5 for more information regarding the nature and amounts of these regulatory deferrals.

Natural gas costs recoverable or refundable through rate adjustments
Under the terms of certain orders of the applicable state public service commissions, the Company is deferring natural gas commodity, transportation and storage costs that are greater or less than amounts presently being recovered through its existing rate schedules. Such orders generally provide that these amounts are recoverable or refundable through rate adjustments. Natural gas costs recoverable through rate adjustments were $20.2

million and $36.9 million at December 31, 2022 and 2021, respectively which was included in unrecovered purchased gas costs.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net tangible and intangible assets acquired in a business combination. Goodwill is required to be tested for impairment annually, which the Company completes in the fourth quarter, or more frequently if events or changes in circumstances indicate that goodwill may be impaired.

The Company has determined that the reporting units for its goodwill impairment test are its utility functions, or components of a utility function, that constitute a business for which discrete financial information is available and for which management regularly reviews the operating results. Goodwill impairment, if any, is measured by comparing the fair value of each reporting unit to its carrying value. If the fair value of a reporting unit exceeds its carrying value, the goodwill of the reporting unit is not impaired. If the carrying value of a reporting unit exceeds its fair value, the Company must record an impairment loss for the amount that the carrying value of the reporting unit, including goodwill, exceeds the fair value of the reporting unit. For the years ended December 31, 2022 and 2021, there were no impairment losses recorded. The Company performed its annual goodwill impairment test in the fourth quarter of 2022 and determined the fair value exceeded the carrying value of its reporting units at October 31, 2022.

Investments

The Company's investments include the cash surrender value of life insurance policies, insurance contracts, and other miscellaneous investments. The Company measures its investment in the insurance contracts at fair value with any unrealized gains and losses recorded on the Statement of Income. The Company has not elected the fair value option for its other investments. For more information, see Notes 7 and 13.

Asset retirement obligations

The Company records the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the Company capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the Company either settles the obligation for the recorded amount or incurs a regulatory asset or liability.

Income taxes

MDU Resources and its subsidiaries file consolidated federal income tax returns and combined and separate state income tax returns. Pursuant to the tax sharing agreement that exists between MDU Resources and its subsidiaries, federal income taxes paid by MDU Resources, as parent of the consolidated group, are allocated to the individual subsidiaries based on the ratio of the separate company computations of tax. MDU Resources makes a similar allocation for state income taxes paid in connection with combined state filings. MDU Resources provides deferred federal and state income taxes on all temporary differences between the book and tax basis of the Company's assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. Excess deferred income tax balances associated with the Company's rate-regulated activities have been recorded as regulatory liabilities. These regulatory liabilities are expected to be reflected as a reduction in future rates charged to customers in accordance with applicable regulatory procedures.

The Company uses the deferral method of accounting for investment tax credits and amortizes the credits on regulated electric and natural gas distribution plant over various periods that conform to the ratemaking treatment prescribed by the applicable state public service commissions.

The Company records uncertain tax positions in accordance with accounting guidance on accounting for income taxes on the basis of a two-step process in which (1) the Company determines whether it is more-likely-than-not that the tax position will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of the tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. Tax positions that do not meet the more-likely-than-not criteria are reflected as a tax liability. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in interest and penalties, respectively.

Note 3 – Revenue from Contracts with Customers

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

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

Disaggregation

In the following table, revenue is disaggregated by the type of customer or service provided. The Company believes this level of disaggregation best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The table also includes a reconciliation of the disaggregated revenue by utility functions.

Year ended December 31, 2022	Electric	Natural gas distribution	Total
		(In thousands)	
Residential utility sales	$ 138,634	$ 258,661	$ 397,295
Commercial utility sales	146,182	193,277	339,459
Industrial utility sales	43,766	11,076	54,842
Other utility sales	7,597	—	7,597
Natural gas transportation	—	7,976	7,976
Other	45,607	6,838	52,445
Revenues from contracts with customers	381,786	477,828	859,614
Other revenues	(3,484)	1,689	(1,795)
Total external operating revenues	$ 378,302	$ 479,517	$ 857,819

Year ended December 31, 2021	Electric	Natural gas distribution	Total
		(In thousands)	
Residential utility sales	$ 126,841	$ 187,636	$ 314,477
Commercial utility sales	137,556	132,534	270,090
Industrial utility sales	41,757	8,096	49,853
Other utility sales	7,051	—	7,051
Natural gas transportation	—	7,377	7,377
Other	42,902	7,047	49,949
Revenues from contracts with customers	356,107	342,690	698,797
Other revenues	(5,345)	3,367	(1,978)
Total external operating revenues	$ 350,762	$ 346,057	$ 696,819

Note 4 - Property, Plant and Equipment
Property, plant and equipment at December 31 was as follows:

		2022		2021	Weighted Average Depreciable Life in Years
	(Dollars in thousands, where applicable)				
Electric:					
Generation	**$**	**938,614**	$	1,056,632	48
Distribution		**489,351**		474,037	47
Transmission		**616,611**		562,080	65
Construction in progress		**87,003**		62,781	—
Other		**139,435**		134,652	14
Natural gas:					
Distribution		**685,673**		650,085	52
Transmission		**7,530**		7,518	61
General		**62,919**		59,530	13
Construction in progress		**13,273**		7,506	—
Other		**88,219**		86,470	15
Less accumulated depreciation and amortization		**1,038,160**		1,120,372	
Net utility plant	**$**	**2,090,468**	$	1,980,919	
Nonutility property	**$**	**17,522**	$	17,290	15
Less accumulated depreciation and amortization		**9,033**		8,376	
Net nonutility property	**$**	**8,489**	$	8,914	

Note 5 - Regulatory Assets and Liabilities
The following table summarizes the individual components of unamortized regulatory assets and liabilities as of December 31:

	Estimated Recovery or Refund Period*	2022	2021
		(In thousands)	
Regulatory assets:			
Asset retirement obligations	Over plant lives	**$ 100,780**	$ 121,048
Pension and postretirement benefits	**	**85,266**	85,914
Cost recovery mechanisms	Up to 10 years	**48,660**	30,939
Plant to be retired	—	**21,525**	50,070
Taxes recoverable from customers	Over plant lives	**7,297**	7,108
Electric fuel and purchased power deferral	Up to 1 year	**(2,272)**	4,875
Other	Up to 16 years	**6,708**	8,015
Total regulatory assets		**$ 267,964**	$ 307,969
Regulatory liabilities:			
Taxes refundable to customers	Over plant lives	**$ 119,057**	$ 124,504
Cost recovery mechanisms	Up to 19 years	**14,217**	7,725
Pension and postretirement benefits	**	**5,070**	13,972
Other	Up to 15 years	**2,375**	2,025
Total regulatory liabilities		**$ 140,719**	$ 148,226

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

** Recovered as expense is incurred.

As of December 31, 2022 and 2021, approximately $64.9 million and $217.1 million, respectively, of regulatory assets were not earning a rate of return but are expected to be recovered from customers in future rates. These assets are largely comprised of the unfunded portion of pension and postretirement benefits, and accelerated depreciation on plant retirement.

In February 2019, the Company announced the retirement of three aging coal-fired electric generating units. The Company accelerated the depreciation related to these facilities in property, plant and equipment and recorded the difference between the accelerated depreciation, in accordance with GAAP, and the depreciation approved for rate-making purposes as regulatory assets. Requests were filed with the NDPSC and SDPUC, and subsequently approved, to offset the savings associated with the cessation of operations of these units with the amortization of the deferred regulatory assets. The Company ceased operations of Lewis & Clark Station in March 2021 and Units 1 and 2 at Heskett Station in February 2022. The Company subsequently reclassified the costs being recovered for these facilities from plant retirement to cost recovery mechanisms in the previous table and began amortizing the associated plant retirement and closure costs in the jurisdictions where requests were filed, as previously discussed. The Company expects to recover the regulatory assets related to the plant retirements in future rates.

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

Note 6 - Goodwill and Other Intangible Assets
The carrying amount of goodwill, which is related to the natural gas distribution business, remained unchanged at $4.8 million for the years ended December 31, 2022 and 2021. This amount is included in miscellaneous deferred debits. No impairments of goodwill have been recorded.

Note 7 - Fair Value Measurements
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The fair value ASC establishes a hierarchy for grouping assets and liabilities, based on the significance of inputs. The estimated fair values of the Company's assets and liabilities measured on a recurring basis are determined using the market approach.

The Company measures its investments in certain fixed-income and equity securities at fair value with changes in fair value recognized in income. The Company anticipates using these investments, which consist of insurance contracts, to satisfy its obligations under its unfunded, nonqualified defined benefit plans for executive officers and certain key management employees, and invests in these fixed-income and equity securities for the purpose of earning investment returns and capital appreciation. These investments, which totaled $24.5 million and $28.3 million at December 31, 2022 and 2021, respectively, are classified as Other Investments on the Comparative Balance Sheet. The net unrealized gains (losses) on these investments for the years ended December 31, 2022 and 2021 were ($4.2) million and $1.9 million, respectively. The change in fair value, which is considered part of the cost of the plan, is classified in Other Income and Deductions as Life Insurance on the Statement of Income.

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

	Fair Value Measurements at December 31, 2022, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2022
	(In thousands)			
Assets:				
Money market funds	$ —	$ 1,241	$ —	$ 1,241
Insurance contracts*	—	24,460	—	$ 24,460
Total assets measured at fair value	$ —	$ 25,701	$ —	$ 25,701

* The insurance contracts invest approximately 63 percent in fixed-income investments, 15 percent in common stock of large-cap companies, 8 percent in common stock of mid-cap companies, 6 percent in common stock of small-cap companies, 6 percent in target date investments and 2 percent in cash equivalents.

	Fair Value Measurements at December 31, 2021, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2021
	(In thousands)			
Assets:				
Money market funds	$ —	$ 1,868	$ —	$ 1,868
Insurance contracts*	—	28,257	—	$ 28,257
Total assets measured at fair value	$ —	$ 30,125	$ —	$ 30,125

*The insurance contracts invest approximately 61 percent in fixed-income investments, 17 percent in common stock of large-cap companies, 8 percent in common stock of mid-cap companies, 7 percent in common stock of small-cap companies, 5 percent in target date investments and 2 percent in cash equivalents.

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

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

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

The Company's long-term debt is not measured at fair value on the Comparative Balance Sheet and the fair value is being provided for disclosure purposes only. The fair value was categorized as Level 2 in the fair value hierarchy and was based on discounted future cash flows using current market interest rates. The estimated fair value of the Company's Level 2 long-term debt at December 31 was as follows:

	2022	2021
	(In thousands)	
Carrying Amount	**$ 979,875**	$ 927,989
Fair Value	**$ 827,701**	$ 1,031,762

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

Note 8 – Debt
Certain debt instruments of the Company contain restrictive and financial covenants and cross-default provisions. In order to borrow under the debt agreements, the Company must be in compliance with the applicable covenants and certain other conditions, all of which the Company was in compliance with at December 31, 2022. In the event the Company does not comply with the applicable covenants and other conditions, alternative sources of funding may need to be pursued.

The following table summarizes the outstanding revolving credit facilities of the Company:

Company	Facility		Facility Limit	Amount Outstanding at December 31, 2022		Amount Outstanding at December 31, 2021		Letters of Credit at December 31, 2022	Expiration Date
				(Dollars in millions)					
Montana-Dakota Utilities Co	Commercial paper/Revolving credit agreement	(a)	$ 175.0	$ 117.5	(b)	$ 64.9	(b)	$ —	12/19/24

(a) The commercial paper program is supported by a revolving credit agreement with various banks (provisions allow for increased borrowings, at the option of the Company on stated conditions, up to a maximum of $225.0 million). At December 31, 2022 and 2021, there were no amounts outstanding under the revolving credit agreement.
(b) Amount outstanding included in other long-term debt on the Comparative Balance Sheet.

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

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

	Weighted Average Interest Rate at December 31, 2022	**2022**	2021
		(In thousands)	
Senior Notes due on dates ranging from July 15, 2024 to September 15, 2061	**4.29 %**	**$ 855,000**	$ 855,000
Commercial paper supported by revolving credit agreement	**4.78 %**	**117,500**	64,900
Term Loan Agreement due on September 3, 2032	**3.64 %**	**7,000**	7,700
Other note due on November 30, 2038	**6.00 %**	**375**	389
Total long-term debt		**$ 979,875**	$ 927,989

The Company's revolving credit agreement supports its commercial paper program. Commercial paper borrowings under this agreement are classified as long-term debt as they are intended to be refinanced on a long-term basis through continued commercial paper borrowings. The credit agreement contains customary covenants and provisions, including covenants of the Company not to permit, as of the end of any fiscal quarter, the ratio of funded debt to total capitalization (determined on a consolidated basis) to be greater than 65 percent. Other covenants include limitations on the sale of certain assets and on the making of certain loans and investments.

The Company’s ratio of total debt to total capitalization at December 31, 2022, was 51 percent.

Schedule of Debt Maturities Long-term debt maturities for the five years and thereafter following December 31, 2022, were as follows:

	2023	2024	2025	2026	2027	Thereafter
						(In thousands)
Long-term debt maturities	$ 700	$ 178,200	$ 87,700	$ 140,700	$ 700	$ 571,875

Note 9 - Asset Retirement Obligations
The Company records obligations related to retirement costs of natural gas distribution lines, natural gas transmission lines, decommissioning of certain electric generating facilities, special handling and disposal of hazardous materials at certain electric generating facilities, natural gas distribution facilities and buildings, and certain other obligations as asset retirement obligations.

A reconciliation of the Company's liability for the years ended December 31 was as follows:

	2022	2021
	(In thousands)	
Balance at beginning of year	**$ 168,489**	$ 165,009
Liabilities incurred	**528**	4,060
Liabilities settled	**(6,606)**	(10,600)
Accretion expense *	**8,253**	8,318
Revisions in estimates	**(31,634)**	1,702
Balance at end of year	**$ 139,030**	$ 168,489

* Includes $8.2 million and $8.3 million in 2022 and 2021, respectively, recorded to regulatory assets.

The 2022 revisions in estimates consist principally of updated asset retirement obligation costs associated with natural gas distribution and transmission lines.

The Company believes that largely all expenses related to asset retirement obligations will be recovered in rates over time and, accordingly, defers such expenses as regulatory assets. For more information on the Company's regulatory assets and liabilities, see Note 5.

Note 10 - Accumulated Other Comprehensive Income (Loss)
The Company's accumulated other comprehensive income is comprised of postretirement liability adjustments.

The after-tax changes in the components of accumulated other comprehensive income were as follows:

	Postretirement Liability Adjustment	Total Accumulated Other Comprehensive Income (Loss)
	(In thousands)	
At December 31, 2020	$ (6,796)	$ (6,796)
Other comprehensive income before reclassifications	45	45
Amounts reclassified from accumulated other comprehensive loss	212	212
Net current-period other comprehensive income	257	257
At December 31, 2021	(6,539)	(6,539)
Other comprehensive income before reclassifications	7,002	7,002
Amounts reclassified from accumulated other comprehensive income	(214)	(214)
Net current-period other comprehensive income	6,788	6,788
At December 31, 2022	**$ 249**	**$ 249**

The following amounts were reclassified out of accumulated other comprehensive income into net income. The amounts presented in parentheses indicate a decrease to net income on the Statement of Income. The reclassifications for the years ended December 31 were as follows:

	2022	2021	Location on Statement of Income
	(In thousands)		
Amortization of postretirement liability losses included in net periodic benefit cost	**$ 283**	$ (280)	Operating Expenses
	(69)	68	Income Taxes
Total reclassifications	**$ 214**	$ (212)	

Note 11 - Income Taxes

Income before income taxes for the years ended December 31, 2022 and 2021, was $68.3 million and $67.4 million, respectively.

Income tax expense (benefit) for the years ended December 31 was as follows:

	2022	2021
		(In thousands)
Current:		
Federal	**$ (6,893)**	$ (18,185)
State	**1,163**	(2,321)
	(5,730)	(20,506)
Deferred:		
Income taxes:		
Federal	**1,596**	12,215
State	**794**	3,571
Investment tax credit - net	**333**	970
	2,723	16,756
Total income tax benefit	**$ (3,007)**	$ (3,750)

The Company has recorded regulatory liabilities in FERC account 254 for excess deferred income taxes, including gross ups, to reflect the future revenue reduction required to return previously collected income taxes to customers. The balance of the excess deferred income tax regulatory liability, including gross ups, was $118.5 million and $123.7 million as of December 31, 2022 and 2021, respectively.

Components of deferred tax assets and deferred tax liabilities at December 31 were as follows:

	2022	2021
		(In thousands)
Deferred tax assets:		
Postretirement	**$ 10,624**	$ 15,283
Customer advances	**4,365**	3,752
Compensation-related	**3,153**	4,299
Other	**7,223**	6,067
Total deferred tax assets	**25,365**	29,401
Deferred tax liabilities:		
Basis differences on property, plant and equipment	**217,894**	203,113
Postretirement	**25,289**	26,933
Plants to be retired	**5,747**	12,704
Unrecovered purchased gas costs	**5,278**	9,387
Cost recovery mechanisms	**12,480**	8,091
Other	**5,038**	5,317
Total deferred tax liabilities	**271,726**	265,545
Net deferred income tax liability	**$ (246,361)**	$ (236,144)

The Company had state income tax credit carryforwards of $26.9 million and $27.7 million at December 31, 2022 and 2021, respectively. These state income tax credit carryforwards are due to expire between 2025 and 2029.

Changes in tax regulations or assumptions regarding current and future taxable income could require valuation allowances in the future.

The following table reconciles the change in the net deferred income tax liability from December 31, 2021, to December 31, 2022, to deferred income tax expense:

	2022
	(In thousands)
Change in net deferred income tax liability from the preceding table	**$ 10,217**
Excess deferred income tax amortization	**(3,877)**
Deferred taxes associated with other comprehensive loss	**(2,190)**
Other	**(1,427)**
Deferred income tax expense for the period	**$ 2,723**

Total income tax benefit differs from the amount computed by applying the statutory federal income tax rate to income before taxes. The reasons for this difference were as follows:

Years ended December 31,	**2022**		2021	
	Amount	%	Amount	%
	(Dollars in thousands)			
Computed tax at federal statutory rate	**$ 14,334**	**21.0**	$ 14,152	21.0
Increases (reductions) resulting from:				
Production tax credit	**(15,343)**	**(22.5)**	(13,914)	(20.6)
Excess deferred income tax amortization	**(3,877)**	**(5.7)**	(4,770)	(7.1)
Amortization and deferral of investment tax credit	**333**	**0.5**	970	1.4
Research and development tax credit	**(1,250)**	**(1.8)**	(1,000)	(1.5)
Deductible K-Plan dividends	**(478)**	**(0.7)**	(502)	(0.7)
AFUDC equity	**(333)**	**(0.5)**	(144)	(0.2)
State income taxes, net of federal income tax	**1,690**	**2.5**	789	1.2
Nonqualified benefit plan	**1,053**	**1.5**	(691)	(1.0)
Other	**864**	**1.3**	1,360	2.0
Total income tax benefit	**$ (3,007)**	**(4.4)**	$ (3,750)	(5.5)

MDU Resources and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company is no longer subject to U.S. federal income tax examinations by tax authorities for years ending prior to 2019. With few exceptions, as of December 31, 2022, the Company is no longer subject to state income tax examinations by tax authorities for years ending prior to 2019.

For the years ended December 31, 2022 and 2021, total reserves for uncertain tax positions were not material. The Company recognizes interest expense related to uncertain tax positions in interest expense and penalties related to income taxes in income tax expense.

Note 12 – Cash Flow Information
Cash expenditures for interest and income taxes for the years ended December 31 were as follows:

		2022		2021
		(In thousands)		
Interest, net*	**$**	**36,697**	$	33,105
Income taxes refunded, net	**$**	**(8,366)**	$	(26,217)

*AFUDC - borrowed was $1,878 and $654 for the years ended December 31, 2022 and 2021, respectively.

Noncash investing and financing transactions at December 31 were as follows:

		2022		2021
		(In thousands)		
Property, plant and equipment additions in accounts payable	**$**	**12,299**	$	8,081

Note 13 - Employee Benefit Plans
Pension and other postretirement benefit plans
The Company has noncontributory qualified defined benefit pension plans and other postretirement benefit plans for certain eligible employees. The Company uses a measurement date of December 31 for all of its pension and postretirement benefit plans.

Prior to 2013, all of the Company's defined benefit pension plans were frozen. These employees were eligible to receive additional defined contribution plan benefits.

Effective January 1, 2010, eligibility to receive retiree medical benefits was modified. Current employees who had attained age 55 with 10 years of continuous service by December 31, 2010, were provided the option to choose between a pre-65 comprehensive medical plan coupled with a Medicare supplement or a specified company funded Retiree Reimbursement Account, regardless of when they retire. All other eligible employees must meet the new eligibility criteria of age 60 and 10 years of continuous service at the time they retire to be eligible for a specified company funded Retiree Reimbursement Account. Employees hired after December 31, 2009, will not be eligible for retiree medical benefits.

In 2012, the Company modified health care coverage for certain retirees. Effective January 1, 2013, post-65 coverage was replaced by a fixed-dollar subsidy for retirees and spouses to be used to purchase individual insurance through a healthcare exchange.

Changes in benefit obligation and plan assets and amounts recognized in the Comparative Balance Sheet at December 31 were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2022	2021	**2022**	2021
	(In thousands)			
Change in benefit obligation:				
Benefit obligation at beginning of year	**$ 199,426**	$ 212,723	**$ 26,909**	$ 32,948
Service cost	**—**	—	**458**	522
Interest cost	**5,081**	4,751	**688**	709
Plan participants' contributions	**—**	—	**142**	191
Actuarial gain	**(39,340)**	(6,105)	**(6,679)**	(5,938)
Benefits paid	**(12,857)**	(11,943)	**(1,640)**	(1,523)
Benefit obligation at end of year	**152,310**	199,426	**19,878**	26,909
Change in net plan assets:				
Fair value of plan assets at beginning of year	**178,442**	184,031	**50,869**	51,635
Actual return on plan assets	**(37,064)**	6,354	**(11,104)**	547
Employer contribution	**—**	—	**17**	19
Plan participants' contributions	**—**	—	**142**	191
Benefits paid	**(12,857)**	(11,943)	**(1,640)**	(1,523)
Fair value of net plan assets at end of year	**128,521**	178,442	**38,284**	50,869
Funded status – over (under)	**$ (23,789)**	$ (20,984)	**$ 18,406**	$ 23,960
Amounts recognized in the Comparative Balance Sheet at December 31:				
Noncurrent assets - other	**$ —**	—	**$ 18,406**	$ 23,960
Noncurrent liabilities - other	**23,789**	20,984	**—**	—
Net amount recognized	**$ (23,789)**	(20,984)	**$ 18,406**	$ 23,960
Amounts recognized in regulatory assets or liabilities:				
Actuarial (gain) loss	**$ 85,266**	$ 81,646	**$ (2,436)**	$ (9,869)
Prior service credit	**—**	—	**(2,634)**	(3,565)
Total	**$ 85,266**	$ 81,646	**$ (5,070)**	$ (13,434)

Employer contributions and benefits paid in the preceding table include only those amounts contributed directly to, or paid directly from, plan assets. Amounts recognized in regulatory assets or liabilities and are expected to be reflected in rates charged to customers over time. For more information on regulatory assets and liabilities, see Note 5.

In 2022 and 2021, the actuarial gain recognized in the benefit obligation was primarily the result of an increase in the discount rate. For more information on the discount rates, see the table below. Unrecognized pension actuarial gains and losses in excess of 10 percent of the greater of the projected benefit obligation or the market-related value of assets are amortized over the average life expectancy of plan participants for frozen plans. The market-related value of assets is determined using a five-year average of assets.

The pension plans all have accumulated benefit obligations in excess of plan assets. The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for these plans at December 31 were as follows:

	2022	2021
	(In thousands)	
Projected benefit obligation	**$ 152,310**	$ 199,426
Accumulated benefit obligation	**$ 152,310**	$ 199,426
Fair value of plan assets	**$ 128,521**	$ 178,442

The components of net periodic benefit cost (credit) are included in operating expenses on the Statement of Income. Prior service credit is amortized on a straight-line basis over the average remaining service period of active participants. These components related to the Company's pension and other postretirement benefit plans for the years ended December 31 were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2022	2021	**2022**	2021
	(In thousands)			
Components of net periodic benefit credit:				
Service cost	**$ —**	$ —	**$ 458**	$ 522
Interest cost	**5,081**	4,751	**688**	709
Expected return on assets	**(9,220)**	(9,358)	**(2,669)**	(2,526)
Amortization of prior service credit	**—**	—	**(931)**	(931)
Recognized net actuarial (gain) loss	**3,324**	3,879	**(340)**	—
Net periodic benefit credit, including amount capitalized	**(815)**	(728)	**(2,794)**	(2,226)
Less amount capitalized	**—**	—	**127**	130
Net periodic benefit credit	**(815)**	(728)	**(2,921)**	(2,356)
Other changes in plan assets and benefit obligations recognized in regulatory assets or liabilities:				
Net (gain) loss	**6,944**	(3,101)	**7,093**	(3,958)
Amortization of actuarial gain (loss)	**(3,324)**	(3,879)	**340**	—
Amortization of prior service credit	**—**	—	**931**	931
Total recognized in regulatory assets or liabilities	**3,620**	(6,980)	**8,364**	(3,027)
Total recognized in net periodic benefit credit and regulatory assets or liabilities	**$ 2,805**	$ (7,708)	**$ 5,443**	$ (5,383)

Weighted average assumptions used to determine benefit obligations at December 31 were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2022	2021	**2022**	2021
Discount rate	**5.05%**	2.63%	**5.07%**	2.65%
Expected return on plan assets	**6.50%**	6.00%	**6.00%**	5.50%

Weighted average assumptions used to determine net periodic benefit cost (credit) for the years ended December 31 were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2022	2021	**2022**	2021
Discount rate	**2.63%**	2.29%	**2.65%**	2.28%
Expected return on plan assets	**6.00%**	6.00%	**5.07%**	5.50%

The expected rate of return on pension plan assets is based on a targeted asset allocation range determined by the funded ratio of the plan. As of December 31, 2022, the expected rate of return on pension plan assets is based on the targeted asset allocation range of 40 percent to 50 percent equity securities and 50 percent to 60 percent fixed-income securities and the expected rate of return from these asset categories. The expected rate of return on other postretirement plan assets is based on the targeted asset allocation range of 10 percent to 20 percent equity securities and 80 percent to 90 percent fixed-income securities and the expected rate of return from these asset categories. The expected return on plan assets for other postretirement benefits reflects insurance-related investment costs.

Health care rate assumptions for the Company's other postretirement benefit plans as of December 31 were as follows:

	2022	2021
Health care trend rate assumed for next year	**7.5 %**	7.0 %
Health care cost trend rate - ultimate	**4.5 %**	4.5 %
Year in which ultimate trend rate achieved	**2033**	2031

The Company's other postretirement benefit plans include health care and life insurance benefits for certain retirees. The plans underlying these benefits may require contributions by the retiree depending on such retiree's age and years of service at retirement or the date of retirement. The Company contributes a flat dollar amount to the monthly premiums which is updated annually on January 1.

The Company does not expect to contribute to its defined benefit pension plan in 2023 due to an additional $12.4 million contributed to the plan in 2019 creating prefunding credits to be used in future years. The Company expects to contribute approximately $5,000 to its postretirement benefit plan in 2023.

The following benefit payments, which reflect future service, as appropriate, and expected Medicare Part D subsidies at December 31, 2022, are as follows:

Years	Pension Benefits	Other Postretirement Benefits	Expected Medicare Part D Subsidy
		(In thousands)	
2023	$ 12,621	$ 1,843	$ 47
2024	12,587	1,780	39
2025	12,507	1,734	34
2026	12,389	1,677	29
2027	12,216	1,595	22
2028– 2032	56,688	7,438	67

Outside investment managers manage the Company's pension and postretirement assets. The Company's investment policy with respect to pension and other postretirement assets is to make investments solely in the interest of the participants and beneficiaries of the plans and for the exclusive purpose of providing benefits accrued and defraying the reasonable expenses of administration. The Company strives to maintain investment diversification to assist in minimizing the risk of large losses. The Company's policy guidelines allow for investment of funds in cash equivalents, fixed-income securities and equity securities. The guidelines prohibit investment in commodities and futures contracts, equity private placement, employer securities, leveraged or derivative securities, options, direct real estate investments, precious metals, venture capital and limited partnerships. The guidelines also prohibit short selling and margin transactions. The Company's practice is to periodically review and rebalance asset categories based on its targeted asset allocation percentage policy.

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

The carrying value of the pension plans' Level 2 cash equivalents approximates fair value and is determined using observable inputs in active markets or the net asset value of shares held at year end, which is determined using other observable inputs including pricing from outside sources.

The estimated fair value of the pension plans' Level 1 and Level 2 equity securities are based on the closing price reported on the active market on which the individual securities are traded or other known sources including pricing from outside sources. The estimated fair value of the pension plans' Level 1 and Level 2 collective and mutual funds are based on the net asset value of shares held at year end, based on either published market quotations on active markets or other known sources including pricing from outside sources. The estimated fair value of the pension plans' Level 2 corporate and municipal bonds is determined using other observable inputs, including benchmark yields, reported trades, broker/dealer quotes, bids, offers, future cash flows and other reference data. The estimated fair value of the pension plans' Level 1 U.S. Government securities are valued based on quoted prices on an active market. The estimated fair value of the pension plans' Level 2 U.S. Government securities are valued mainly using other observable inputs, including benchmark yields, reported trades, broker/dealer quotes, bids, offers, to be announced prices, future cash flows and other reference data. The estimated fair value of the pension plans' Level 2 pooled separate accounts are determined using observable inputs in active markets or the net asset value of shares held at year end, or other observable inputs. Some of these securities are valued using pricing from outside sources.

All investments measured at net asset value in the tables that follow are invested in commingled funds, separate accounts or common collective trusts which do not have publicly quoted prices. The fair value of the commingled funds, separate accounts and common collective trusts are determined based on the net asset value of the underlying investments. The fair value of the underlying investments held by the commingled funds, separate accounts and common collective trusts is generally based on quoted prices in active markets.

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

The fair value of the Company's pension plans' assets (excluding cash) by class were as follows:

	Fair Value Measurements at December 31, 2022, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2022
	(In thousands)			
Assets:				
Cash equivalents	$ —	$ 3,878	$ —	$ 3,878
Equity securities:				
U.S. companies	3,508	—	—	3,508
International companies	—	222	—	222
Collective and mutual funds (a)	57,477	15,842	—	73,319
Corporate bonds	—	38,626	—	38,626
Municipal bonds	—	2,803	—	2,803
U.S. Government securities	1,445	418	—	1,863
Pooled separate accounts (b)	—	1,662	—	1,662
Investments measured at net asset value (c)	—	—	—	2,640
Total assets measured at fair value	$ 62,430	$ 63,451	$ —	$ 128,521

(a) Collective and mutual funds invest approximately 29 percent in corporate bonds, 24 percent in common stock of large-cap U.S. companies, 16 percent in common stock of international companies, 7 percent in cash and cash equivalents, 7 percent in U.S. Government securities and 17 percent in other investments.

(b) Pooled separate accounts are invested 100 percent in cash and cash equivalents.

(c) In accordance with ASC-820 – Fair Value Measurements, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Comparative Balance Sheet.

	Fair Value Measurements at December 31, 2021, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2021
	(In thousands)			
Assets:				
Cash equivalents	$ —	$ 2,215	$ —	$ 2,215
Equity securities:				
U.S. companies	3,574	—	—	3,574
International companies	—	611	—	611
Collective and mutual funds (a)	79,809	19,766	—	99,575
Corporate bonds	—	59,783	—	59,783
Municipal bonds	—	3,585	—	3,585
U.S. Government securities	3,397	909	—	4,306
Pooled separate accounts (b)	—	1,709	—	1,709
Investments measured at net asset value (b)	—	—	—	3,084
Total assets measured at fair value	$ 86,780	$ 88,578	$ —	$ 178,442

(a) Collective and mutual funds invest approximately 37 percent in corporate bonds, 19 percent in common stock of international companies, 16 percent in common stock of large-cap U.S. companies, 9 percent in U.S. Government securities and 19 percent in other investments.
(b) Pooled separate accounts are invested 100 percent in cash and cash equivalents.
(c) In accordance with ASC-820 – *Fair Value Measurements*, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Comparative Balance Sheet.

The estimated fair values of the Company's other postretirement benefit plan's assets are determined using the market approach.

The estimated fair value of the other postretirement benefit plan's Level 2 cash equivalents is valued at the net asset value of shares held at year end, based on published market quotations on active markets, or using other known sources including pricing from outside sources. The estimated fair value of the other postretirement benefit plan's Level 1 and Level 2 equity securities is based on the closing price reported on the active market on which the individual securities are traded or other known sources including pricing from outside sources. The estimated fair value of the other postretirement benefit plan's Level 2 insurance contract is based on contractual cash surrender values that are determined primarily by investments in managed separate accounts of the insurer. These amounts approximate fair value. The managed separate accounts are valued based on other observable inputs or corroborated market data.

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

The fair value of the Company's other postretirement benefit plan's assets (excluding cash) by asset class were as follows:

	Fair Value Measurements at December 31, 2022, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2022
	(In thousands)			
Assets:				
Cash equivalents	$ —	$ 2,105	$ —	$ 2,105
Equity securities:				
U.S. companies	1,290	—	—	1,290
Collective and mutual funds(a)	2	2	—	4
Insurance contract (b)	—	34,885	—	34,885
Total assets measured at fair value	$ 1,292	$ 36,992	$ —	$ 38,284

(a) Collective and mutual funds invest approximately 29 percent in corporate bonds, 24 percent in common stock of large-cap U.S. companies, 16 percent in common stock of international companies, 7 percent in cash and cash equivalents, 7 percent in U.S. Government securities and 17 percent in other investments.

(b) The insurance contract invests approximately 69 percent in corporate bonds, 13 percent in U.S. Government securities, 14 percent in common stock of large-cap U.S. companies and 4 percent in common stock of small-cap U.S. companies.

	Fair Value Measurements at December 31, 2021, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2021
	(In thousands)			
Assets:				
Cash equivalents	$ —	$ 2,175	$ —	$ 2,175
Equity securities:				
U.S. companies	1,184	—	—	1,184
Collective and mutual funds (a)	2	45	—	47
Insurance contract (b)	—	47,461	—	47,461
Investments measured at net asset value (c)	$ —	$ —	$ —	$ 2
Total assets measured at fair value	$ 1,186	$ 49,681	$ —	$ 50,869

(a) Collective and mutual funds invest approximately 37 percent in corporate bonds, 19 percent in common stock of international companies, 16 percent in common stock of large-cap U.S. companies, 9 percent in U.S. Government securities and 19 percent in other investments.
(b) The insurance contract invests approximately 58 percent in corporate bonds, 13 percent in common stock of large-cap U.S. companies, 13 percent in U.S. Government securities, 5 percent in common stock of small-cap U.S. companies and 11 percent in other investments.
(c) In accordance with ASC-820 – *Fair Value Measurements*, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the Comparative Balance Sheet.

Nonqualified benefit plans
In addition to the qualified defined benefit pension plans reflected in the table at the beginning of this note, the Company also has an unfunded, nonqualified defined benefit plan for executive officers and certain key management employees. The plan provides for defined benefit payments following the employee's retirement or, upon death, to their beneficiaries for up to a 15-year period. In February 2016, the Company froze the unfunded, nonqualified defined benefit plans to new participants and eliminated benefit increases. Vesting for participants not fully vested was retained.

The projected benefit obligation and accumulated benefit obligation for these plans at December 31 were as follows:

	2022	2021
	(In thousands)	
Projected benefit obligation	**$ 13,305**	$ 16,157
Accumulated benefit obligation	**$ 13,305**	$ 16,157

The components of net periodic benefit cost are included in other income and deductions on the Statement of Income. These components related to the Company's nonqualified defined benefit plans for the years ended December 31 were as follows:

	2022	2021
	(In thousands)	
Components of net periodic benefit cost:		
Service cost	**$ —**	$ —
Interest cost	**408**	321
Recognized net actuarial loss	**27**	175
Net periodic benefit cost	**$ 435**	$ 496

Weighted average assumptions used at December 31 were as follows:

	2022	2021
Benefit obligation discount rate	**4.97 %**	2.38 %
Benefit obligation rate of compensation increase	**N/A**	N/A
Net periodic benefit cost discount rate	**2.38 %**	1.95 %
Net periodic benefit cost rate of compensation increase	**N/A**	N/A

The amount of future benefit payments for the unfunded, nonqualified defined benefit plans at December 31, 2022, are expected to aggregate as follows:

	2023	2024	2025	2026	2027	2028-2032
			(In thousands)			
Nonqualified benefits	$ 1,417	$ 1,462	$ 1,392	$ 1,369	$ 1,249	$ 4,897

In 2012, the Company established a nonqualified defined contribution plan for certain key management employees. In 2020, the plan was frozen to new participants and no new Company contributions will be made to the plan after December 31, 2020. Vesting for participants not fully vested was retained. A new nonqualified defined contribution plan was adopted in 2020, effective January 1, 2021, to replace the plan originally established in 2012 with similar provisions. Expenses incurred under this plan for 2022 and 2021 were $300,000 and $359,000, respectively.

The amount of investments that the Company anticipates using to satisfy obligations under these plans at December 31 was as follows:

	2022	2021
	(In thousands)	
Investments		
Insurance contracts*	**$ 24,460**	$ 28,257
Life insurance**	**12,323**	11,903
Other	**1,241**	1,868
Total investments	**$ 38,024**	$ 42,028

* For more information on the insurance contracts, see Note 7.
** Investments of life insurance are carried on plan participants (payable upon the employee's death).

Defined contribution plans

The Company sponsors various defined contribution plans for eligible employees, and the costs incurred under these plans were $8.7 million in 2022 and $8.6 million in 2021.

Note 14 - Jointly Owned Facilities

The financial statements include the Company's ownership interests in three coal-fired electric generating facilities (Big Stone Station, Coyote Station and Wygen III) and one major transmission line (BSSE). Each owner of the jointly owned facilities is responsible for financing its investment. The Company's share of the jointly owned facilities operating expenses was reflected in the appropriate categories of operating expenses (electric fuel and purchased power, operation and maintenance, and taxes, other than income) in the Statement of Income.

At December 31, the Company's share of the cost of utility plant in service, construction work in progress and related accumulated depreciation for the jointly owned facilities was as follows:

	Ownership Percentage	2022	2021
		(In thousands)	
Big Stone Station:	22.7 %		
Utility plant in service		$ **157,699**	$ 157,259
Construction work in progress		**231**	571
Less accumulated depreciation		**48,590**	47,293
		$ **109,340**	$ 110,537
BSSE:	50.0 %		
Utility plant in service		$ **107,260**	$ 107,424
Construction work in progress		**—**	—
Less accumulated depreciation		**6,182**	4,506
		$ **101,078**	$ 102,918
Coyote Station:	25.0 %		
Utility plant in service		$ **158,274**	$ 157,764
Construction work in progress		**1,807**	784
Less accumulated depreciation		**111,203**	109,202
		$ **48,878**	$ 49,346
Wygen III:	25.0 %		
Utility plant in service		$ **66,238**	$ 66,357
Construction work in progress		**273**	108
Less accumulated depreciation		**12,477**	11,383
		$ **54,034**	$ 55,082

Note 15 - Regulatory Matters

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

Coal-fired plant retirements

In February 2019, the Company announced the retirement of three aging coal-fired electric generating units, resulting from the Company's analysis showing that the plants were no longer expected to be cost competitive for customers. The Company ceased operations of Lewis & Clark Station in Sidney, Montana, in March 2021 and decommissioning was completed in October 2022. In February 2022, the Company ceased operations of Unit 1 and 2 at Heskett Station near Mandan, North Dakota, and decommissioning commenced in July 2022. In addition, in May 2022 Montana-Dakota began construction of Heskett Unit 4, an 88-MW simple-cycle natural gas-fired combustion turbine peaking unit at the existing Heskett Station near Mandan, North Dakota, with an expected in service date in the summer of 2023. Heskett Unit 4 was included in the Company's integrated resource plan submitted to the NDPSC in July 2019. On August 28, 2019, the Company filed for an advanced determination of prudence with the NDPSC for Heskett Unit 4. This request was approved by the NDPSC on August 5, 2020. The Company filed, and the commissions approved, requests with the NDPSC, MTPSC and SDPUC for the usage of deferred accounting for the costs related to the retirement of Unit 1 at Lewis & Clark Station and Units 1 and 2 at Heskett Station. The NDPSC has approved amortization of these costs through the generation resource recovery rider and the SDPUC has approved amortization of these costs through the infrastructure rider.

MNPUC

Great Plains defers the difference between the actual cost of gas spent to serve customers and that recovered from customers on a monthly basis. Annually, Great Plains prepares a true-up pursuant to the purchased gas adjustment tariff. On August 30, 2021, the MNPUC issued an order to allow Great Plains recovery of an out-of-cycle cost of gas adjustment of $8.8 million over a period of 27 months. The order was effective September 1, 2021, and is subject to a prudence review by the MNPUC. The requested increase was for the February 2021 extreme cold weather, primarily in the central United States, and market conditions surrounding the natural gas commodity market. On October 19, 2022, the MNPUC issued a final order disallowing $845,000 of the gas costs. These costs, which were deferred in natural gas costs recoverable through rate adjustments, were then recorded to expense as they were no longer recoverable from customers. On November 8, 2022, Great Plains filed a request for reconsideration, which was denied by the MNPUC on January 6, 2023.

MTPSC

On November 4, 2022, Montana-Dakota filed an application with the MTPSC for an electric general rate increase of approximately $10.5 million annually or 15.2 percent above current rates, which was revised on March 15, 2023, to $11.5 million annually or 17.0 percent above current rates to reflect the loss of a large industrial customer. The requested increase is primarily to recover investments made since the last rate case, including the Heskett 4 gas turbine increases in operation and maintenance expenses, and increases in property taxes. On January 24, 2023, the MTPSC approved Montana-Dakota's request for an interim increase of approximately $1.7 million or 2.7 percent above current rates, subject to refund, effective February 1, 2023. The MTPSC has 9 months to render a final decision on the rate case. The matter is pending before the MTPSC with a hearing scheduled for June 20, 2023.

NDPSC

On May 16, 2022, Montana-Dakota filed an application with the NDPSC for an electric general rate increase of approximately $25.4 million annually or 12.3 percent above current rates. The requested increase is primarily to recover investments in production, transmission and distribution facilities and the associated depreciation, operation and maintenance expenses and taxes associated with the increased investment. On July 14, 2022, the NDPSC approved an interim rate increase of approximately $10.9 million annually or 5.3 percent above current rates, subject to refund, for service rendered on and after July 15, 2022. The lower interim rate increase is largely due to excluding the recovery of Heskett Unit 4, which is expected to be in service in the summer of 2023. The matter is pending before the NDPSC with a hearing scheduled for May 1, 2023.

Montana-Dakota has a renewable resource cost adjustment rate tariff that allows for annual adjustments for recent projected capital costs and related expenses for projects determined to be recoverable under the tariff. On November 1, 2022, Montana-Dakota filed an annual update to its renewable resource cost adjustment requesting to recover a revenue requirement of approximately $17.9 million annually, which was revised to $17.0 million annually on January 31, 2023. The update reflects a decrease of approximately $1.0 million from the revenues currently included in rates. On February 22, 2023, this matter was approved by the NDPSC with rates effective March 1, 2023.

FERC
On September 1, 2022, Montana-Dakota filed an update to its transmission formula rate under the MISO tariff for its multi-value project and network upgrade charges for $15.4 million, which was effective January 1, 2023.

Note 16 - Commitments and Contingencies
The Company is party to claims and lawsuits arising out of its business which may include, but are not limited to, matters involving property damage, personal injury, and environmental, contractual, statutory and regulatory obligations. The Company accrues a liability for those contingencies when the incurrence of a loss is probable and the amount can be reasonably estimated. If a range of amounts can be reasonably estimated and no amount within the range is a better estimate than any other amount, then the minimum of the range is accrued. The Company does not accrue liabilities when the likelihood that the liability has been incurred is probable but the amount cannot be reasonably estimated or when the liability is believed to be only reasonably possible or remote. For contingencies where an unfavorable outcome is probable or reasonably possible and which are material, the Company discloses the nature of the contingency and, in some circumstances, an estimate of the possible loss. Accruals are based on the best information available, but in certain situations management is unable to estimate an amount or range of a reasonably possible loss including, but not limited to when: (1) the damages are unsubstantiated or indeterminate, (2) the proceedings are in the early stages, (3) numerous parties are involved, or (4) the matter involves novel or unsettled legal theories.

At December 31, 2022 and 2021, the Company accrued liabilities which have not been discounted, of $1.3 million and $2.8 million, respectively. At December 31, 2022 and 2021, the Company also recorded corresponding insurance receivables of zero and $905,000, respectively, and regulatory assets of $725,000 and $655,000, respectively, related to the accrued liabilities. The accruals are for contingencies resulting from litigation and environmental matters. This includes amounts that have been accrued for matters discussed in Environmental matters within this note. The Company will continue to monitor each matter and adjust accruals as might be warranted based on new information and further developments. Management believes that the outcomes with respect to probable and reasonably possible losses in excess of the amounts accrued, net of insurance recoveries, while uncertain, either cannot be estimated or will not have a material effect upon the Company's financial position, results of operations or cash flows. Unless otherwise required by GAAP, legal costs are expensed as they are incurred.

Environmental matters
Manufactured Gas Plant Sites A claim has been made against Montana-Dakota for cleanup of environmental contamination at a manufactured gas plant site operated by Montana-Dakota and its predecessors. Any accruals related to this claim are reflected in regulatory assets. For more information, see Note 5.

Demand has been made of Montana-Dakota to participate in investigation and remediation of environmental contamination at a site in Missoula, Montana. The site operated as a former manufactured gas plant from approximately 1907 to 1938 when it was converted to a butane-air plant that operated until 1956. Montana-Dakota or its predecessors owned or controlled the site for a period of the time it operated as a manufactured gas plant and Montana-Dakota operated the butane-air plant from 1940 to 1951, at which time it sold the plant. There are no documented wastes or by-products resulting from the mixing or distribution of butane-air gas. Preliminary assessment of a portion of the site provided a recommended remedial alternative for that portion of approximately $560,000. However, the recommended remediation would not address any potential contamination to adjacent parcels that may be impacted from historic operations of the manufactured gas plant. An environmental assessment was started in 2020, which is estimated to cost approximately $1.8 million. The environmental assessment report is expected to be submitted to the MTDEQ in 2024. Montana-Dakota and another party agreed to voluntarily investigate and remediate the site and that Montana-Dakota will pay two-thirds of the costs for further investigation and remediation of the site. Montana-Dakota has accrued costs of $725,000 for the remediation and investigation costs, and has incurred costs of $922,000 as of December 31, 2022. Montana-Dakota received notice from a prior insurance carrier that it will participate in payment of defense costs incurred in relation to the claim. On December 9, 2021, Montana-Dakota filed an application with the MTPSC for deferred accounting treatment for costs associated with the investigation and remediation of the site. The MTPSC approved the application for deferred accounting treatment as requested on July 26, 2022.

The Company has received notices from and entered into agreements with certain of its insurance carriers that they will participate in the defense for certain contamination claims subject to full and complete reservations of rights and defenses to insurance coverage. To the extent these claims are not covered by insurance, the Company intends to seek recovery of remediation costs through its natural gas rates charged to customers.

Operating leases
The Company leases certain equipment, facilities and land under operating lease agreements.

The future operating lease undiscounted cash flows as of December 31, 2022, were:

	2023	2024	2025	2026	2027	Thereafter
			(In thousands)			
Operating lease	$1,704	$1,624	$1,605	$1,579	$1,441	$22,156

Total lease costs were $2.2 million and $2.3 million for the years ended December 31, 2022 and 2021, respectively.

Purchase commitments
The Company has entered into various commitments, largely consisting of contracts for natural gas and coal supply, purchased power, and natural gas transportation and storage. Certain of these contracts are subject to variability in volume and price. The commitment terms vary in length, up to 15 years. The commitments under these contracts as of December 31, 2022, were:

	2023	2024	2025	2026	2027	Thereafter
			(In thousands)			
Purchase commitments	$277,992	$110,132	$66,817	$33,589	$16,876	$78,635

These commitments were not reflected in the Company's financial statements. Amounts purchased under various commitments for the years ended December 31, 2022 and 2021, were $462.5 million and $324.8 million, respectively.

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

The coal supply agreement transfers all operating and economic risk to the Coyote Station owners, as the agreement is structured so that the price of the coal will cover all costs of operations, as well as future reclamation costs. The Coyote Station owners are also providing a guarantee of the value of the assets of Coyote Creek as they would be required to buy the assets at book value should they terminate the contract prior to the end of the contract term and are providing a guarantee of the value of the equity of Coyote Creek in that they are required to buy the entity at the end of the contract term at equity value. The authority to direct the activities of the entity is shared by the four unrelated owners of the Coyote Station, with no primary beneficiary existing.

At December 31, 2022, the Company's exposure to loss as a result of the agreement, based on the Company's ownership percentage, was $29.5 million.

Note 17 – Related-Party Transactions

The Company provides and receives certain services to/from associated companies. The amount charged for services provided to the Company was $83.5 million and $78.6 million for the years ended December 31, 2022 and 2021, respectively, largely transportation, storage and gathering services provided by subsidiaries of WBI Holdings related to the Company's natural gas distribution operations. Certain support services are also provided to the Company, which includes costs for payroll, pension and other postretirement benefits. The Company records its allocated share of the MDU Resources pension and other postretirement benefit plans, which are included in miscellaneous deferred debits and other deferred credits. The amount charged for services received from the Company was $37.9 million and $36.0 million for the years ended December 31, 2022 and 2021, respectively.

The following details the amounts included in the Comparative Balance Sheet related to associated companies at December 31:

	2022	2021
	(In thousands)	
Accounts receivable from associated companies	**$ 4,936**	$ 4,717
Accounts payable to associated companies	**8,590**	7,725
Dividend declared	**11,600**	11,300
Miscellaneous deferred debits	**10,241**	12,014
Other deferred credits	**—**	10,596

MDU Resources has several stock-based compensation plans in which the Company participates. Total stock-based compensation expense (after tax) was $2.3 million and $3.0 million in 2022 and 2021, respectively.
As of December 31, 2022, total remaining unrecognized compensation expense related to stock-based compensation was approximately $3.2 million (before income taxes) which will be amortized over a weighted average period of 1.6 years.