

FLOTATION COST ADJUSTMENT

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	
Company	Ticker	Date [i]	Shares Issued ('000)	Offering Price	Underwriting Discount [ii]	Offering Expense (\$'000)	Net Proceeds Per Share	Total Flotation Costs (\$'000)	Gross Equity Issue Before Costs (\$'000)	Net Proceeds (\$'000)	Flotation Cost Percentage
MDU Resources Group	MDU	2/4/2004	2,300	23.32	0.793	350	22.37	2,174	53,636	51,462	4.05%
MDU Resources Group	MDU	11/19/2002	2,400	24.00	0.720	193	23.20	1,921	57,600	55,680	3.33%
Total								\$ 4,094.40	\$ 111,236.00	\$ 107,141.60	3.681%

Notes:

[i] Offering Completion Date

[ii] Underwriting discount is calculated as the market price minus the offering price when not explicitly given in the prospectus.

The flotation cost adjustment is derived by dividing the dividend yield by 1 - F (where F = flotation costs expressed in percentage terms), or by 0.9632, and adding that result to the constant growth rate to determine the cost of equity. Using the formulas shown previously in my testimony, the Constant Growth DCF calculation is modified as follows to accommodate an adjustment for flotation costs:

$$k = \frac{D \times (1 + 0.5g)}{P \times (1 - F)} + g$$

	[11]	[12]	[13]	[14]	[15]	[16]	[17]	[18]	[19]	[20]	[21]	
Company	Ticker	Annualized Dividend	Stock Price	Dividend Yield	Expected Dividend Yield	Adjusted for Flotation Costs	Value Line Earnings Growth	Yahoo! Finance Earnings Growth	Zacks Earnings Growth	Average Earnings Growth	Cost of Equity: Mean Growth Rate	Cost of Equity Adjusted for Flotation Costs
ALLETE, Inc.	ALE	\$2.71	\$60.13	4.51%	4.67%	4.85%	6.00%	8.10%	8.10%	7.40%	12.07%	12.25%
Alliant Energy Corporation	LNT	\$1.81	\$52.46	3.45%	3.56%	3.70%	6.50%	6.20%	6.50%	6.40%	9.96%	10.10%
Ameren Corporation	AEE	\$2.52	\$81.94	3.08%	3.17%	3.29%	6.50%	5.90%	6.40%	6.27%	9.44%	9.56%
American Electric Power Company, Inc.	AEP	\$3.32	\$84.05	3.95%	4.06%	4.22%	6.00%	5.20%	5.60%	5.60%	9.66%	9.82%
Duke Energy Corporation	DUK	\$4.02	\$90.50	4.44%	4.57%	4.74%	5.00%	5.74%	6.10%	5.61%	10.18%	10.35%
Entergy Corporation	ETR	\$4.28	\$99.37	4.31%	4.40%	4.57%	0.50%	6.60%	5.70%	4.27%	8.67%	8.83%
Energy, Inc.	EVRG	\$2.45	\$58.53	4.19%	4.29%	4.46%	7.50%	2.67%	5.20%	5.12%	9.42%	9.58%
IDACORP, Inc.	IDA	\$3.16	\$104.37	3.03%	3.09%	3.21%	4.50%	3.70%	3.70%	3.97%	7.05%	7.17%
NextEra Energy, Inc.	NEE	\$1.87	\$74.01	2.53%	2.64%	2.74%	9.50%	8.80%	8.40%	8.90%	11.54%	11.64%
NorthWestern Corporation	NWE	\$2.56	\$57.30	4.47%	4.58%	4.75%	3.50%	4.50%	6.80%	4.93%	9.51%	9.69%
Pinnacle West Capital Corporation	PNW	\$3.46	\$79.86	4.33%	4.44%	4.61%	2.50%	6.10%	6.30%	4.97%	9.41%	9.58%
Portland General Electric Company	POR	\$1.90	\$48.10	3.95%	4.06%	4.22%	5.00%	5.90%	5.90%	5.60%	9.66%	9.82%
Xcel Energy Inc.	XEL	\$2.08	\$63.37	3.28%	3.38%	3.51%	6.00%	6.10%	6.30%	6.13%	9.52%	9.65%
Mean											9.70%	9.85%
Median											9.52%	9.69%
Flotation Cost Adjustment (Mean) [22]												0.15%
Flotation Cost Adjustment (Median) [23]												0.17%

Notes:

[1] - [5] Source: MDU Resources Group - Prospectus dated February 4, 2004 and Prospectus dated November 19, 2002.

[6] Equals [9]/[2]

[7] Equals [5] + ([4] x [2])

[8] Equals [2] x [3]

[9] Equals [8] - [7]

[10] Equals [7] / [8]

[11] Bloomberg Professional

[12] Bloomberg Professional, equals 30-day average as of June 30, 2023

[13] Equals [11] / [12]

[14] Equals [13] x (1 + 0.5 x [19])

[15] Equals [14] / (1 - Flotation Cost)

[16] Value Line

[17] Yahoo! Finance

[18] Zacks Investment Research

[19] Equals Average of [16], [17], [18]

[20] Equals [14] + [19]

[21] Equals [15] + [19]

[22] Equals [21] (Mean) - [20] (Mean)

[23] Equals [21] (Median) - [20] (Median)