

MDU RESOURCES GROUP, INC.
RECONCILIATION OF NET INCOME PER BOOKS WITH TAXABLE
INCOME PER FEDERAL INCOME TAX RETURN
FOR THE 2010 - 2013 TAX YEAR

M-1 Line No.		2013	2012	2011	2010
1	Net Income per Books	\$278,932,594	(\$754,434)	\$213,026,346	\$240,659,282
2	Federal Income Tax	10,136,871	8,180,824	5,875,597	13,607,662
3	Excess of Capital Losses Over Capital Gains	0	0	0	0
4	Income Subject to Tax not Recorded on Books This Year:				
	Other				
	Dividends Received from Subsidiary Companies	\$110,087,000	\$107,958,000	\$101,774,000	\$104,141,000
	G/L on Intercompany Trans. Under Reg Sec 1.1502-13	31	180,067	360,104	360,116
	Jt Venture & Partnership Ordinary Income	24,548	27,443	(2)	(6,571)
	Contributions in Aid of Construction	2,165,940	1,934,807	3,579,876	1,418,339
	Reserved Revenue	(4,173,450)	3,724,636	640,000	0
	Book Gain(Loss) on Disposition of Property	0	(210,236)	(233,151)	72,018
	Ordinary Gain(Loss) on Retirement of Assets - Tax	445,813	(5,046,895)	(723,510)	(129,958)
	Capital Gain(Loss) on Retirement of Assets - Tax	0	0	261,537	(45,638)
	Federal Non-highway Use Tax Credit	27,381	24,126	24,689	20,133
	Total	\$108,577,263	\$108,591,948	\$105,683,543	\$105,829,439
5	Expenses Recorded on Books This Year not Deducted on This Return:				
	Depreciation	\$42,372,566	\$39,566,451	\$38,160,615	\$34,196,531
	Meals & Entertainment	156,971	134,736	139,266	124,689
	Other				
	Charitable Contributions Limitation	0	312,523	348,803	0
	Capitalized Overheads	(535,958)	(206,947)	171,078	65,915
	Bad Debt Expense per Books	1,538,964	910,016	1,130,581	891,220
	Capitalized Property Taxes	2,783,459	2,069,444	1,031,358	2,216,430
	State Income Tax Accrual per Books	(971,227)	(12,287)	722,304	640,845
	Amortization per Books	3,024,608	1,347,042	1,862,919	3,594,953
	Amortization of Loss on Bond Retirements	719,511	719,511	719,510	719,511
	Book Depreciation Charged to Expense	846,541	739,142	719,386	864,911
	Capitalized Tax Depreciation	1,195,681	1,360,786	1,834,245	1,630,750
	Lobbying Expense	97,305	61,760	72,449	71,255
	Penalties	10,463	236	0	151
	Deferred Compensation - Net Deferral	(13,662)	544,879	550,699	387,699
	Customer Advances	4,957,490	5,328,566	1,307,285	1,208,659
	Management Incentive Compensation	(470,728)	(103,872)	(165,467)	137,651
	Preferred Stock Expense - Amortization	19,691	20,400	25,500	30,600
	Prepaid Demand Charges	(90,922)	109,392	(136,885)	87,409
	Sundry Reserves	(213,855)	442,923	(50,560)	949
	Contingency Reserve	0	0	(5,246,199)	250,000
	Regulatory Assets Awaiting Recovery	90,780	140,585		
	Abandoned Power Plant Cost Recovery	1,260,894	3,993,967	4,323,465	1,722,488
	Retired Power Plant	(56,210)	2,298,895		
	Reusable Property to Expense	0	0	739	133
	Restricted Stock Bonus Plan	5,709,898	6,035,190	6,268,549	2,938,259
	Total Other	\$19,902,723	\$26,112,151	\$15,489,759	\$17,459,788
6	Total of Lines 1 Through 5	\$460,078,988	\$181,831,676	\$378,375,126	\$411,877,391

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7	Income Recorded on Books This Year not Included on This Return:				
	Other				
	Equity in Earnings of Subsidiary Companies	\$235,653,797	(\$36,681,650)	\$177,700,849	\$203,307,628
	Supplemental Income Security Plan	10,010,488	4,170,459	(286,744)	6,777,240
	WAPA Fiber Demand Revenue	49,315	49,315	61,644	0
	Allowance for Funds Used During Construction	3,071,018	3,097,868	2,056,639	4,268,299
	Total Other	<u>\$248,784,618</u>	<u>(\$29,364,008)</u>	<u>\$179,532,388</u>	<u>\$214,353,167</u>
8	Deductions on This Return not Charged Against Book Income This Year:				
	Depreciation	\$106,296,919	\$91,689,485	\$110,622,280	\$150,654,300
	Other				
	Charitable Contributions Carryover	79,186	0	0	0
	Bad Debt Expense per Return	1,370,576	872,374	1,123,985	893,996
	Amortization per Return	2,770	3,126	3,126	3,126
	Fuel & Purchased Power Deferral	(229,298)	(897,267)	935,387	1,009,699
	Unrecovered Purchased Gas Cost	5,096,283	358,795	280,268	1,360,092
	MT PSC/MCC Tax Deferral	302,576	0		
	MT Net Neg Salv Amort - Federal	(168,451)	0		
	KESOP Incentive Compensation	0	58,699	956,102	721,133
	State Income Tax Accrual per Return	(2,517,484)	(513,982)	(3,679,754)	(4,246,472)
	Pension Expense per Return	9,950,065	8,575,663	23,699,008	3,128,268
	Deferred Compensation for Directors	(712,517)	264,668	268,428	620,014
	401(k) Dividend Deduction	2,473,123	4,368,896	3,473,595	3,515,904
	Accrued Vacation Pay	(491,052)	106,762	(128,080)	38,669
	Accrued Bonus Pay	(7,934,478)	(2,042,346)	(605,393)	0
	Capitalized Interest Expense - Net	(5,118,526)	1,195,091	671,222	971,808
	Medicare Part D Subsidy	250,670	417,748	523,269	277,709
	Margin Sharing Adjustment	0	(2,359,643)	(1,724,798)	51,567
	Rate Case Expense	335,029	(315,366)	(105,731)	246,549
	Research and Development	3,884,704	4,349,640	3,381,433	2,908,436
	Casualty Losses-Storm Damages	0	0	0	1,138,111
	Electric T&D Repairs Study	5,537,489	4,420,913	13,259,442	0
	Steam Production & Gas Distribution Repairs Study	21,520,318	0	0	0
	Expenses for the Retirement of Assets	18,890	18,063	3,761,724	236,782
	Property Insurance Adjustment	654,944	(495,689)	367,923	550,116
	Restricted Stock Bonus Plan - Dividends	2,356,465	3,053,035	3,424,411	2,468,496
	Total Other	<u>\$36,661,282</u>	<u>\$21,439,180</u>	<u>\$49,885,567</u>	<u>\$15,894,003</u>
9	Add Lines 7 and 8	<u>391,742,819</u>	<u>83,764,657</u>	<u>340,040,235</u>	<u>380,901,470</u>
10	Income (Form 1120, Page 1, Line 28) - Line 6 less Line 9	\$68,336,169	\$98,067,019	\$38,334,891	\$30,975,921
	Less: Special Deductions	<u>110,267,172</u>	<u>108,138,092</u>	<u>101,954,166</u>	<u>104,343,625</u>
	Taxable Income (Form 1120, Page 1, Line 30)	<u>(\$41,931,003)</u>	<u>(\$10,071,073)</u>	<u>(\$63,619,275)</u>	<u>(\$73,367,704)</u>