MDU RESOURCES GROUP INC
Form DEF 14A
March 12, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to § 240.14a-12

MDU Resources Group, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

David L. Goodin
President and
Chief Executive Officer

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Bismarck, ND 58503
Mailing Address:
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Bismarck, ND 58506-5650
(701) 530-1000
www.MDU.com

March 12, 2014

To Our Stockholders:

Please join us for the 2014 Annual Meeting of Stockholders. The meeting will be held on Tuesday, April 22, 2014, at 11:00 a.m., Central Daylight Saving Time, at 909 Airport Road, Bismarck, North Dakota.

The formal matters are described in the accompanying Notice of Annual Meeting of Stockholders and Proxy Statement. We also will have a brief report on current matters of interest. Lunch will be served following the meeting.

We were pleased with the stockholder response for the 2013 Annual Meeting at which 89.07 percent of the common stock was represented in person or by proxy. We hope for an even greater representation at the 2014 meeting.

You may vote your shares by telephone, by the Internet, or by returning the enclosed proxy card. Representation of your shares at the meeting is very important. We urge you to submit your proxy promptly.

Brokers may not vote your shares on two of the three matters to be presented if you have not given your broker specific instructions as to how to vote. Please be sure to give specific voting instructions to your broker so that your vote can be counted.

All stockholders who find it convenient to do so are cordially invited and urged to attend the meeting in person. Registered stockholders will receive a request for admission ticket(s) with their proxy card that can be completed and returned to us postage-free. Stockholders whose shares are held in the name of a bank or broker will not receive a request for admission ticket(s). They should, instead, (1) call (701) 530-1000 to request an admission ticket(s), (2) bring a statement from their bank or broker showing proof of stock ownership as of February 25, 2014, to the annual meeting, and (3) present their admission ticket(s) and photo identification, such as a driver s license. Directions to the meeting will be included with your admission ticket.

I hope you will find it possible to attend the meeting.

Sincerely yours,

David L. Goodin

Proxy Statement

MDU RESOURCES GROUP, INC.

1200 West Century Avenue

Mailing Address:
P.O. Box 5650
Bismarck, North Dakota 58506-5650
(701) 530-1000

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD APRIL 22, 2014

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on April 22, 2014

The 2014 Notice of Annual Meeting and Proxy Statement and 2013 Annual Report to Stockholders are available at www.mdu.com/proxystatement.

March 12, 2014

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of MDU Resources Group, Inc. will be held at 909 Airport Road, Bismarck, North Dakota, on Tuesday, April 22, 2014, at 11:00 a.m., Central Daylight Saving Time, for the following purposes:

(1) Election of eleven directors nominated by the board of directors for one-year terms;

(2) Ratification of the appointment of Deloitte & Touche LLP as the company s independent registered public accounting firm for 2014;

(3) Approval, on a non-binding advisory basis, of the compensation of the company s named executive officers; and

(4) Transaction of any other business that may properly come before the meeting or any adjournment(s) thereof.

The board of directors has set the close of business on February 25, 2014, as the record date for the determination of common stockholders who will be entitled to notice of, and to vote at, the meeting and any adjournment(s) thereof.

All stockholders who find it convenient to do so are cordially invited and urged to attend the meeting in person. Registered stockholders will receive a request for admission ticket(s) with their proxy card that can be completed and returned to us postage-free. Stockholders whose shares are held in the name of a bank or broker will not receive a request for admission ticket(s). They should, instead, (1) call (701) 530-1000 to request an admission ticket(s), (2) bring a statement from their bank or broker showing proof of stock ownership as of February 25, 2014, to the annual meeting, and (3) present their admission ticket(s) and photo identification, such as a driver s license. Directions to the meeting will be included with your admission ticket. We look forward to seeing you.

By order of the Board of Directors,

Paul K. Sandness
Secretary

Proxy Statement

MDU Resources Group, Inc. Proxy Statement

PROXY STATEMENT

The board of directors of MDU Resources Group, Inc. is furnishing this proxy statement beginning March 12, 2014, to solicit your proxy for use at our annual meeting of stockholders on April 22, 2014, and any adjournment(s) thereof. We are soliciting proxies principally by mail, but directors, officers, and employees of MDU Resources Group, Inc. or its subsidiaries may solicit proxies personally, by telephone, or by electronic media, without compensation other than their regular compensation. Okapi Partners LLC additionally will solicit proxies for approximately $7,500 plus out-of-pocket expenses. We will pay the cost of soliciting your proxy and reimburse brokers and others for forwarding proxy material to you.

The Securities and Exchange Commission s e-proxy rules allow companies to post their proxy materials on the Internet and provide only a Notice of Internet Availability of Proxy Materials to stockholders as an alternative to mailing full sets of proxy materials except upon request. For 2014, we have elected to use the Securities and Exchange Commission s full set delivery option, which means that while we are posting our proxy materials online, we are also mailing a full set of our proxy materials to our stockholders. We believe that mailing a full set of proxy materials will help ensure that a majority of outstanding shares of our common stock are present in person or represented by proxy at our meeting. We also hope to help maximize stockholder participation. Therefore, even if you previously consented to receiving your proxy materials electronically, you will receive a full set of proxy materials in the mail for this year s annual meeting. However, we will continue to evaluate the option of providing only a Notice of Internet Availability of Proxy Materials to some or all of our stockholders in the future.

VOTING INFORMATION

Who may vote? You may vote if you owned shares of our common stock at the close of business on February 25, 2014. You may vote each share that you owned on that date on each matter presented at the meeting and any adjournment(s) thereof. As of February 25, 2014, we had 189,789,192 shares of common stock outstanding entitled to one vote per share.

What am I voting on? You are voting on:

- election of eleven directors nominated by the board of directors for one-year terms
- ratification of the appointment of Deloitte & Touche LLP as the company s independent registered public accounting firm for 2014
- approval, on a non-binding advisory basis, of the compensation of the company s named executive officers and
- any other business that is properly brought before the meeting or any adjournment(s) thereof.

What vote is required to pass an item of business? A majority of our outstanding shares of common stock entitled to vote must be present in person or represented by proxy to hold the meeting.

If you hold shares through an account with a bank or broker, the bank or broker may vote your shares on some matters even if you do not provide voting instructions. Brokerage firms have the authority under the New York Stock Exchange rules to vote shares on certain matters when their customers do not provide voting instructions. However, on other matters, when the brokerage firm has not received voting instructions from its customers, the brokerage firm cannot vote the shares on that matter and a broker non-vote occurs. **This means that brokers may not vote your shares on items 1 and 3 if you have not given your broker specific instructions as to how to vote. Please be sure to give specific voting instructions to your broker so that your vote can be counted.**

Proxy Statement

Item 1 Election of Directors

A majority of votes cast is required to elect a director in an uncontested election. A majority of votes cast means the number of votes cast for a director s election must exceed the number of votes cast against the director s election. Abstentions and broker non-votes do not count as votes cast for or against the director s election. In a contested election, which is an election in which the number of nominees for director exceeds the number of directors to be elected, directors will be elected by a plurality of the votes cast. If a nominee becomes unavailable for any reason or if a vacancy should occur before the election, which we do not anticipate, the proxies will vote your shares in their discretion for another person nominated by the board.

Our policy on majority voting for directors contained in our corporate governance guidelines requires any proposed nominee for re-election as a director to tender to the board, prior to nomination, his or her irrevocable resignation from the board that will be effective, in an uncontested election of directors only, upon:

- receipt of a greater number of votes against than votes for election at our annual meeting of stockholders and
- acceptance of such resignation by the board of directors.

Following certification of the stockholder vote, the nominating and governance committee will promptly recommend to the board whether or not to accept the tendered resignation. The board will act on the nominating and governance committee s recommendation no later than 90 days following the date of the annual meeting.

Item 2 Ratification of the Appointment of Deloitte & Touche LLP as the Company s Independent Registered Public Accounting Firm for 2014

Approval of Item 2 requires the affirmative vote of a majority of our common stock present in person or represented by proxy at the meeting and entitled to vote on the proposal. Abstentions will count as votes against the proposal.

Item 3 Approval, on a Non-Binding Advisory Basis, of the Compensation of the Company s Named Executive Officers

Approval of Item 3 requires the affirmative vote of a majority of our common stock present in person or represented by proxy at the meeting and entitled to vote on the item. Abstentions will count as votes against the item. Broker non-votes are not counted as voting power present and, therefore, are not counted in the vote.

Unless you specify otherwise when you submit your proxy, the proxies will vote your shares of common stock for all directors nominated by the board of directors and for items 2 and 3.

How do I vote? There are three ways to vote by proxy:

- by calling the toll free telephone number on the enclosed proxy card
- by using the Internet as described on the enclosed proxy card or
- by returning the enclosed proxy card in the envelope provided.

You may be able to vote by telephone or the Internet if your shares are held in the name of a bank or broker. Follow their instructions.

You may also vote in person at the meeting. However, if you are the beneficial owner of the shares, you must obtain a legal proxy from the holder of record of the shares, usually your bank or broker, and present it at the meeting. A legal proxy identifies you, states the number of shares you own, and gives you the right to vote those shares. Without a legal proxy we cannot identify you as the beneficial owner of the shares or know how many shares you have to vote.

Can I revoke my proxy? Yes.

If you are a stockholder of record, you can revoke your proxy by:

- filing written revocation with the corporate secretary before the meeting
- filing a proxy bearing a later date with the corporate secretary before the meeting or
- revoking your proxy at the meeting and voting in person.

ITEM 1. ELECTION OF DIRECTORS

The board expresses its thanks to Thomas C. Knudson for his service on the board and the compensation committee. Mr. Knudson is not standing for re-election as a director after serving on the board since 2008.

All nominees for director are nominated to serve one-year terms until the annual meeting of stockholders in 2015 and until their respective successors are elected and qualified, or until their earlier resignation, removal from office, or death.

We have provided information below about our nominees, all of whom are incumbent directors, including their ages, years of service as directors, business experience, and service on other boards of directors, including any other directorships held during the past five years. We have also included information about each nominee s specific experience, qualifications, attributes, or skills that led the board to conclude that he or she should serve as a director of MDU Resources Group, Inc. at the time we file our proxy statement, in light of our business and structure. Unless we specifically note below, no corporation or organization referred to below is a subsidiary or other affiliate of MDU Resources Group, Inc.

Director Nominees

Thomas Everist
Age 64

Director Since 1995
Compensation Committee

Mr. Everist has served as president and chairman of The Everist Company, Sioux Falls, South Dakota, an aggregate, concrete, and asphalt production company, since April 15, 2002. He has been a managing member of South Maryland Creek Ranch, LLC, a land development company, since June 2006, and president of SMCR, Inc., an investment company, since June 2006. He was previously president and chairman of L.G. Everist, Inc., Sioux Falls, South Dakota, an aggregate production company, from 1987 to April 15, 2002. He held a number of positions in the aggregate and construction industries prior to assuming his current position with The Everist Company. He is a director of Showplace Wood Products, Sioux Falls, South Dakota, a custom cabinets manufacturer, and has been a director of Raven Industries, Inc., Sioux Falls, South Dakota, a general manufacturer of electronics, flow controls, and engineered films since 1996, and its chairman of the board since April 1, 2009. Mr. Everist has served as a director and chairman of the board of Everist Genomics, Inc., Ann Arbor, Michigan, which provides solutions for personalized medicines since 2002. He served as Everist Genomics chief executive officer from August 2012 to December 2012. He was a director of Angiologix Inc., Mountain View, California, a medical diagnostic device company, from July 2010 through October 2011 when it was acquired by Everist Genomics, Inc. He has been a director of Bell, Inc., Sioux Falls, South Dakota, a manufacturer of folding cartons and packages, since April 2011.

Mr. Everist attended Stanford University where he received a bachelor s degree in mechanical engineering and a master s degree in construction management. He is active in the Sioux Falls community and currently serves as a director on the Sanford Health Foundation, a non-profit charitable health services organization, and as a member of the Council of Advisors for Searching for Solutions Institute, a non-profit public foundation that provides leaders with resources to address critical social issues. From July 2001 to June 2006, he served on the South Dakota Investment Council, the state agency responsible for prudently investing state funds.

The board concluded that Mr. Everist should serve as a director of MDU Resources Group, Inc., in light of our business and structure, at the time we file our proxy statement for the following reasons. A significant portion of MDU Resources Group, Inc. s earnings is derived from its construction services and aggregate mining businesses. Mr. Everist has considerable business experience in this area, with more than 40 years in the aggregate and construction materials industry. He has also demonstrated success in his business and leadership skills, serving as president and chairman of his companies for over 26 years. We value other public company board service. Mr. Everist has experience serving as a director and now chairman of another public company, which enhances his contributions to our board. His leadership skills and experience with his own companies and on other boards enable him to be an effective board member and compensation committee chairman. Mr. Everist is our longest serving board member, providing 19 years of board experience as well as extensive knowledge of our business.

Proxy Statement

Karen B. Fagg
Age 60

Director Since 2005
Nominating and Governance Committee
Compensation Committee

Ms. Fagg served as vice president of DOWL LLC, d/b/a DOWL HKM, an engineering and design firm, from April 2008 until her retirement on December 31, 2011. Ms. Fagg was president from April 1, 1995 through June 2000, and chairman, chief executive officer, and majority owner from June 2000 through March 2008 of HKM Engineering, Inc., Billings, Montana, an engineering and physical science services firm. HKM Engineering, Inc. merged with DOWL LLC on April 1, 2008. Ms. Fagg was employed with MSE, Inc., Butte, Montana, an energy research and development company, from 1976 through 1988, and from 1993 to April 1995 she served as vice president of operations and corporate development director. From 1989 through 1992, Ms. Fagg served a four-year term as director of the Montana Department of Natural Resources and Conservation, Helena, Montana, the state agency charged with promoting stewardship of Montana s water, soil, energy, and rangeland resources; regulating oil and gas exploration and production; and administering several grant and loan programs.

Ms. Fagg has a bachelor s degree in mathematics from Carroll College in Helena, Montana. In 2013, she served on a three-person selection committee appointed by the Attorney General to identify trustees for the Montana Healthcare Foundation Board. She also became a board member of the Montana Justice Foundation, whose mission is to achieve equal access to justice for all Montanans through effective funding and leadership, and of the First Interstate BancSystem Foundation, which has a strong commitment to community. She has been a board member of the Billings Chamber of Commerce since July 2009 and its board chair since July 2013, as well as a member of the Billings Catholic School Board since December 2011. She served on the board for St. Vincent s Healthcare from October 2003 until October 2009, including a term as board chair, on the board of Deaconess Billings Clinic Health System from 1994 to 2002, as a member of the Board of Trustees of Carroll College from 2005 through 2010, and on the board of advisors of the Charles M. Bair Family Trust from 2008 to July 2011, including a term as board chair. From 2007 until December 31, 2011, she was a member of the Montana State University Engineering Advisory Council, whose responsibilities include evaluating the mission and goals of the College of Engineering and assisting in the development and implementation of the college s strategic plan. From 2002 through 2006, she served on the Montana Board of Investments, the state agency responsible for prudently investing state funds. From 2001 to 2005, she served on the board of Montana State University s Advanced Technology Park. From 1998 through 2006, she served on the ZooMontana Board and as vice chair from 2005 through 2006.

The board concluded that Ms. Fagg should serve as a director of MDU Resources Group, Inc., in light of our business and structure, at the time we file our proxy statement for the following reasons. Construction and engineering, energy, and the responsible development of natural resources are all important aspects of our business. Ms. Fagg has business experience in all these areas, including 17 years of construction and engineering experience at DOWL HKM and its predecessor, HKM Engineering, Inc., where she served as vice president, president, and chairman. Ms. Fagg also has 14 years of experience in energy research and development at MSE, Inc., where she served as vice president of operations and corporate development director, and four years focusing on stewardship of natural resources as director of the Montana Department of Natural Resources and Conservation. In addition to her industry experience, Ms. Fagg brings to our board over 20 years of business leadership and management experience, including over 8 years as president and chairman of her own company, as well as knowledge and experience acquired through her service on a number of Montana state and community boards.

David L. Goodin
Age 52

Director Since January 4, 2013
President and Chief Executive Officer

Mr. Goodin was elected president and chief executive officer and a director of the company effective January 4, 2013. Prior to that, he served as chief executive officer and president of Intermountain Gas

Company effective October 2008, chief executive officer of Cascade Natural Gas Corporation, Montana-Dakota Utilities Co., and Great Plains Natural Gas Co. effective June 2008, president of Montana-Dakota Utilities Co. and Great Plains Natural Gas Co. effective March 2008, and president of Cascade Natural Gas Corporation effective July 2007. He began his career with the company in 1983 at Montana-Dakota Utilities Co., where he served as a division electrical engineer effective May 1983, division electric superintendent effective February 1989, electric systems supervisor effective August 1993, electric systems manager effective April 1999, vice president-operations effective January 2000, and executive vice president-operations and acquisitions effective January 2007. He additionally serves as an executive officer and as chairman of the company s principal subsidiaries and of the managing committees of Montana-Dakota Utilities Co. and Great Plains Natural Gas Co.

Mr. Goodin has a bachelor of science degree in electrical and electronics engineering from North Dakota State University, a masters in business administration from the University of North Dakota, and has completed the Advanced Management Program at Harvard School of Business. Mr. Goodin is a registered professional engineer in North Dakota. He is a member of the U.S. Bancorp Western North Dakota Advisory Board. Mr. Goodin is involved in numerous civic organizations, including serving on the board of directors of Sanford Bismarck, the Missouri Valley YMCA, and as trustee for the Bismarck State College Foundation. He is a past board member of several industry associations, including the American Gas Association, the Edison Electric Institute, the North Central Electric Association, the Midwest ENERGY Association, and the North Dakota Lignite Council. Mr. Goodin received the University of Mary Entrepreneurship Award in 2009.

The board concluded that Mr. Goodin should serve as a director of MDU Resources Group, Inc., in light of our business and structure, at the time we file our proxy statement for the following reasons. As chief executive officer of MDU Resources Group, Inc., Mr. Goodin is one of only two officers of the company to sit on our board. With over 30 years of significant, hands-on experience at our company, Mr. Goodin s long history and deep knowledge and understanding of MDU Resources Group, Inc., its operating companies, and its lines of business bring continuity to the board. Mr. Goodin has demonstrated his leadership abilities and his commitment to our company through his long service to the company and more recently as chief executive officer and president of the four utility companies. He demonstrated strong leadership skills in integrating Cascade Natural Gas Corporation and Intermountain Gas Company while meeting and exceeding profitability goals. The board s unanimous election of Mr. Goodin to succeed Terry D. Hildestad as our president and chief executive officer in January 2013 was in recognition of the board s belief that he has the strategic vision, operational experience, passion, and values to lead the future growth of the company. The board believes these characteristics make him well-suited to serve on our board, particularly in this challenging economic environment.

Mark A. Hellerstein	Director Since 2013
Age 61	Audit Committee

Mr. Hellerstein was chief executive officer of St. Mary Land & Exploration Company (now SM Energy Company), an energy company engaged in the acquisition, exploration, development, and production of crude oil, natural gas, and natural gas liquids, from 1995 until February 2007; he was president from 1992 until June 1996 and executive vice president and chief financial officer from 1991 until 1992. He was first elected to the board of St. Mary in 1992 and served as chairman of the board from 2002 until May 2009. Prior to joining St. Mary, from 1980 to 1991 Mr. Hellerstein s career included positions as chief financial officer of CoCa Mines Inc., which mined and extracted minerals from lands previously held by the public through the Bureau of Land Management; American Golf Corporation, which manages golf courses in the United States; and, Worldwide Energy Corporation, an oil and gas acquisition, exploration, development, and production company with operations in the United States and Canada. Mr. Hellerstein served on the board of directors of Transocean Inc., a leading provider of offshore drilling services for oil and gas wells, from December 2006 to November 2007.

Mr. Hellerstein s leadership has been recognized with induction into the Rocky Mountain Oil and Gas Hall of Fame, and Ernst & Young named Mr. Hellerstein both Rocky Mountain and National Entrepreneur of the Year in 2005 and 2006, respectively. He graduated number one in his class with a bachelor s degree in accounting from the University of Colorado. Mr. Hellerstein is a certified public accountant (CPA), on inactive status. He received the Elijah Watts Sells Gold Medal award for achieving the highest score in the United States on the November 1974 CPA exam out of 38,000 participants. Mr. Hellerstein has served on the board for Community Resources, Inc. since September 2013, which is a non-profit organization that brings programs into the Denver Public Schools to enhance education. He served as a board director on the Denver Children s Advocacy Center (Center) from August 2006 until December 2011, including as chairman the last three years, and continues to participate in and fund the Center s Safe from the Start Program. The Center s mission is to provide a continuum of care for traumatized children and their families.

The board concluded that Mr. Hellerstein should serve as a director of MDU Resources Group, Inc., in light of our business and structure, at the time we file our proxy statement for the following reasons. MDU Resources Group, Inc. derives a significant portion of its earnings from oil and natural gas production, one of the company s growth centers. Mr. Hellerstein has extensive business experience, recognized excellence, and demonstrated success and leadership in this industry as a result of his 17 years of senior management experience and service as board chairman of St. Mary. His skills and experience enable him to contribute independent insight into the company s business and operations and the economic environment and long-term strategic issues the company faces. As a certified public accountant, on inactive status, with extensive financial experience as a result of his employment as chief financial officer with several companies, including public companies, Mr. Hellerstein contributes significant finance and accounting knowledge to our board and audit committee. His financial expertise assists the board in its oversight of the company s financial reporting and financial risk management functions. Mr. Hellerstein also brings to the board his knowledge of local, state, and regional issues involving the Rocky Mountain region where we have important operations.

Proxy Statement

A. Bart Holaday Age 71	Director Since 2008 Audit Committee Nominating and Governance Committee

Mr. Holaday headed the Private Markets Group of UBS Asset Management and its predecessor entities for 15 years prior to his retirement in 2001, during which time he managed more than $19 billion in investments. Prior to that he was vice president and principal of the InnoVen Venture Capital Group, a venture capital investment firm. He was founder and president of Tenax Oil and Gas Corporation, an onshore Gulf Coast exploration and production company, from 1980 through 1982. He has four years of senior management experience with Gulf Oil Corporation, a global energy and petrochemical company, and eight years of senior management experience with the federal government, including the Department of Defense, Department of the Interior, and the Federal Energy Administration. He is currently the president and owner of Dakota Renewable Energy Fund, LLC, which invests in small companies in North Dakota. He is a member of the investment advisory board of Commons Capital LLC, a venture capital firm; is a director of Hull Investments, LLC, a private entity that combines nonprofit activities and investments; is a member of the board of directors of Adams Street Partners, LLC, a private equity investment firm, Alerus Financial, a financial services company, Jamestown College, the United States Air Force Academy Endowment (former chairman), the Falcon Foundation (director and former vice president), which provides scholarships to Air Force Academy applicants, the Center for Innovation Foundation at the University of North Dakota (trustee and former chairman), and Discover Goodwill of southern and western Colorado, a non-profit organization providing job training, placement, and retention programs for people transitioning from welfare to work; and is chairman and chief executive officer of the Dakota Foundation, a nonprofit foundation that fosters social entrepreneurship. He is a past member of the board of directors of the University of North Dakota Foundation, National Venture Capital Association, Walden University, and the U.S. Securities and Exchange Commission advisory committee on the regulation of capital markets, and is a past member of the board of trustees for The Colorado Springs Child Nursery Centers Foundation, a non-profit organization that supports the operations of Early Connections Learning Centers, a non-profit child care organization in Colorado.

Mr. Holaday has a bachelor s degree in engineering sciences from the U.S. Air Force Academy. He was a Rhodes Scholar, earning a bachelor s degree and a master s degree in politics, philosophy, and economics from Oxford University. He also earned a law degree from George Washington Law School and is a Chartered Financial Analyst. In 2005, he was awarded an honorary Doctor of Letters from the University of North Dakota.

The board concluded that Mr. Holaday should serve as a director of MDU Resources Group, Inc., in light of our business and structure, at the time we file our proxy statement for the following reasons. MDU Resources Group, Inc. has significant operations in the natural gas and oil industry where Mr. Holaday has knowledge and experience. He founded and served as president of Tenax Oil and Gas Corporation. He has four years experience in senior management with Gulf Oil Corporation and 16 years of experience managing private equity investments, including investments in oil and gas, as the head of the Private Markets Group of UBS Asset Management and its predecessor organizations. This business experience demonstrates his leadership skills and success in the oil and gas industry. Mr. Holaday brings to the board his extensive finance and investment experience, as well as his business development skills acquired through his work at UBS Asset Management, Tenax Oil and Gas Corporation, Gulf Oil Corporation, and several private equity investment firms. This will enhance the knowledge of the board and provide useful insights and guidance to management in connection not only with our natural gas and oil business, but with all of our businesses.

Dennis W. Johnson Age 64	Director Since 2001 Audit Committee

Mr. Johnson is chairman, chief executive officer, and president of TMI Corporation, and chairman and chief executive officer of TMI Systems Design Corporation, TMI Transport Corporation, and TMI Storage

Systems Corporation, all of Dickinson, North Dakota, manufacturers of casework and architectural woodwork. He has been employed at TMI since 1974 serving as president or chief executive officer since 1982. Mr. Johnson is serving his fourteenth year as president of the Dickinson City Commission. He served as a director of the Federal Reserve Bank of Minneapolis from 1993 to 1998. He is a past member and chairman of the Theodore Roosevelt Medora Foundation.

Mr. Johnson has a bachelor of science degree in electrical and electronics engineering, as well as a master of science degree in industrial engineering from North Dakota State University. He has served on numerous industry, state, and community boards, including the North Dakota Workforce Development Council (chairperson), the Decorative Laminate Products Association, the North Dakota Technology Corporation, St. Joseph Hospital Life Care Foundation, St. John Evangelical Lutheran Church, Dickinson State University Foundation, the executive operations committee of the University of Mary Harold Schafer Leadership Center, the Dickinson United Way, and the business advisory council of the Steffes Corporation, a metal manufacturing and engineering firm. He also served on North Dakota Governor Sinner s Education Action Commission, the North Dakota Job Service Advisory Council, the North Dakota State University President s Advisory Council, North Dakota Governor Schafer s Transition Team, and chaired North Dakota Governor Hoeven s Transition Team. He has received numerous awards including the 1991 Regional Small Business Person of the Year Award and the Greater North Dakotan Award.

The board concluded that Mr. Johnson should serve as a director of MDU Resources Group, Inc., in light of our business and structure, at the time we file our proxy statement for the following reasons. Mr. Johnson has over 39 years of experience in business management, manufacturing, and finance, and has demonstrated his success in these areas, holding positions as chairman, president, and chief executive officer of TMI for 32 years, as well as through his prior service as a director of the Federal Reserve Bank of Minneapolis. His finance experience and leadership skills enable him to make valuable contributions to our audit committee, which he has chaired for ten years. As a result of his service on a number of state and local organizations in North Dakota, Mr. Johnson has significant knowledge of local, state, and regional issues involving North Dakota, a state where we have significant operations and assets.

William E. McCracken	Director Since 2013
Age 71	Nominating and Governance Committee

Mr. McCracken served as chief executive officer of CA, Inc., one of the world s largest information technology management software companies, from January 2010 until January 7, 2013, after which he served as executive adviser to the new chief executive officer until March 31, 2013, and after that as a consultant to the company until December 31, 2013. Mr. McCracken was a director of CA, Inc. from May 2005 until January 7, 2013, serving as non-executive chairman of the board from June 2007 to September 2009, interim executive chairman from September 2009 to January 2010, and executive chairman from January 2010 to May 2010. He is president of Executive Consulting Group, LLC, a general business consulting firm, since 2002. During his 36-year career with International Business Machines Corporation, a manufacturer of information processing products and a technology, software, and networking systems manufacturer and developer, Mr. McCracken held a number of executive positions, including general manager of IBM printing systems division from 1998 to 2001, general manager of marketing, sales, and distribution for IBM PC Company from 1994 to 1998, and president of IBM s EMEA and Asia Pacific PC Company from 1993 to 1994. From 1995 to 2001, he served on IBM s Chairman s Worldwide Management Council, a group of the top 30 executives at IBM. Mr. McCracken was a director of IKON Office Solutions, Inc., a provider of document management systems and services, from 2003 to 2008, where he served on its audit committee, compensation committee, and strategy committee at various points in time during his tenure as a director.

Mr. McCracken has a bachelor of science degree in physics and mathematics from Shippensburg University. He has served on the board of the National Association of Corporate Directors (NACD), a non-profit membership organization for corporate board members, since 2010, and was named by the NACD as one of the top 100 most influential people in the boardroom in 2009. He served on that organization s 2009 blue ribbon commission on risk governance and in 2012 co-chaired its blue ribbon commission on board diversity. He was elected vice-chair and has been a board member of the Millstein Center for Global Markets and Corporate Ownership at Columbia University since 2013 and is the New York chairman of the chairman s forum since 2011. He is board chairman of Lutheran Social Ministries of New Jersey, a charitable organization that provides adoption, assisted living, counseling, and immigration and refugee services, and also is a board member of PENCIL, a nonprofit organization that partners businesses with public schools.

The board concluded that Mr. McCracken should serve as a director of MDU Resources Group, Inc., in light of our business and structure, at the time we file our proxy statement for the following reasons. Mr. McCracken has extensive executive leadership experience and significant experience in information technology through his tenure at CA, Inc. and IBM. This experience coupled with his service as the chair or a member of the board of other public companies and the NACD will enable him to provide insight into the operations, challenges, and complex issues our company is facing in today s environment and to make significant contributions to the board s oversight of operational risk management functions and corporate governance.

Proxy Statement

Patricia L. Moss
Age 60

Director Since 2003
Compensation Committee
Nominating and Governance Committee

Ms. Moss served as the president and chief executive officer of Cascade Bancorp, a financial holding company in Bend, Oregon, from 1998 to January 3, 2012. She served as the chief executive officer of Cascade Bancorp s principal subsidiary, Bank of the Cascades, from 1993 to January 3, 2012, serving also as president from 1993 to 2003. From 1987 to 1998, Ms. Moss served as chief operating officer, chief financial officer, and corporate secretary of Cascade Bancorp. Ms. Moss has been a director of Cascade Bancorp since 1993 and a director of Bank of the Cascades since 1998 and was elected vice chairman of both boards effective January 3, 2012. Ms. Moss also serves as a director of the Oregon Investment Fund Advisory Council, a state-sponsored program to encourage the growth of small businesses within Oregon, co-chairs the Oregon Growth Board, a state agency created to improve access to capital and create private-public partnerships, and serves on the City of Bend s Juniper Ridge management advisory board.

Ms. Moss graduated magna cum laude with a bachelor of science degree in business administration from Linfield College in Oregon and did master s studies at Portland State University. She received commercial banking school certification at the ABA Commercial Banking School at the University of Oklahoma. She served as a director of the Oregon Business Council, whose mission is to mobilize business leaders to contribute to Oregon s quality of life and economic prosperity; the Cascades Campus Advisory Board of the Oregon State University; the North Pacific Group, Inc., a wholesale distributor of building materials, industrial and hardwood products, and other specialty products; the Aquila Tax Free Trust of Oregon, a mutual fund created especially for the benefit of Oregon residents; Clear Choice Health Plans Inc., a multi-state insurance company; and as a director and chair of the St. Charles Medical Center.

The board concluded that Ms. Moss should serve as a director of MDU Resources Group, Inc., in light of our business and structure, at the time we file our proxy statement for the following reasons. A significant portion of MDU Resources Group, Inc. s utility, construction services, and contracting operations are located in the Pacific Northwest. Ms. Moss has first-hand business experience and knowledge of the Pacific Northwest economy and local, state, and regional issues through her executive positions at Cascade Bancorp and Bank of the Cascades, where she gained over 30 years of experience. Ms. Moss provides to our board her experience in finance and banking, as well as her experience in business development through her work at Cascade Bancorp and on the Oregon Investment Advisory Council, the Oregon Business Council, and the Oregon Growth Board. This business experience demonstrates her leadership abilities and success in the finance and banking industry. Ms. Moss is also certified as a Senior Professional in Human Resources, which makes her well-suited for our compensation committee.

Harry J. Pearce
Age 71

Director Since 1997
Chairman of the Board

Mr. Pearce was elected chairman of the board of the company on August 17, 2006. Prior to that, he served as lead director effective February 15, 2001, and was vice chairman of the board from November 16, 2000 until February 15, 2001. Mr. Pearce has been a director and serves on the excellence, finance, and compensation committees of Marriott International, Inc., a major hotel chain, since 1995. He was a director of Nortel Networks Corporation, a global telecommunications company, from January 11, 2005 to August 10, 2009, serving as chairman of the board from June 29, 2005. He retired on December 19, 2003, as chairman of Hughes Electronics Corporation, a General Motors Corporation subsidiary and provider of digital television entertainment, broadband satellite network, and global video and data broadcasting. He had served as chairman since June 1, 2001. Mr. Pearce was vice chairman and a director of General Motors Corporation, one of the world s largest automakers, from January 1, 1996 to May 31, 2001, and was general counsel from 1987 to 1994. He served on the President s Council on Sustainable Development and co-chaired the President s Commission on the United States Postal

Service. Prior to joining General Motors, he was a senior partner in the Pearce & Durick law firm in Bismarck, North Dakota. Mr. Pearce is a director of the United States Air Force Academy Endowment and a member of the Advisory Board of the University of Michigan Cancer Center. He is a Fellow of the American College of Trial Lawyers and a member of the International Society of Barristers. He also serves on the Board of Trustees of Northwestern University. He has served as a chairman or director on the boards of numerous nonprofit organizations, including as chairman of the Board of Visitors of the U.S. Air Force Academy, chairman of the National Defense University Foundation, and chairman of the Marrow Foundation. Mr. Pearce received a bachelor s degree in engineering sciences from the U.S. Air Force Academy and a juris doctor degree from Northwestern University s School of Law.

The board concluded that Mr. Pearce should serve as a director of MDU Resources Group, Inc., in light of our business and structure, at the time we file our proxy statement for the following reasons. MDU Resources Group, Inc. values public company leadership and the experience directors gain through such leadership. Mr. Pearce is recognized nationally, as well as in the State of North Dakota, as a business leader and for his business acumen. He has multinational business management experience and proven leadership skills through his position as vice chairman at General Motors Corporation, as well as through his extensive service on the boards of large public companies, including Marriott International, Inc., Hughes Electronics Corporation, where he was chairman, and Nortel Networks Corporation, where he also was chairman. He also brings to our board his long experience as a practicing attorney. In addition, Mr. Pearce is focused on corporate governance issues and is the founding chair of the Chairmen s Forum, an organization comprised of non-executive chairmen of publicly-traded companies. Participants in the Chairmen s Forum discuss ways to enhance the accountability of corporations to owners and promote a deeper understanding of independent board leadership and effective practices of board chairmanship. The board also believes that Mr. Pearce s values and commitment to excellence make him well-suited to serve as chairman of our board.

J. Kent Wells	Director Since January 4, 2013
Age 57	Vice Chairman of the Corporation President and Chief Executive Officer of Fidelity Exploration & Production Company

Mr. Wells was elected vice chairman of the corporation and a director effective January 4, 2013, and continues to serve as president and chief executive officer of Fidelity Exploration & Production Company, our natural gas and oil production business, the position for which he was hired effective May 2, 2011. Prior to that he was senior vice president of exploration and production for BP America, Inc. (BP) from June 2007 until October 2010, when he was named BP s group senior vice president for global deepwater response until March 31, 2011. He also served as general manager of Abu Dhabi Company for Onshore Oil Operations from February 2005 until June 2007; vice president, Gulf of Mexico shelf, for BP from 2002 to 2005; vice president, Rockies, for BP from 2000 to 2002; general manager of Crescendo Resources LP from 1997 to 2000; manager, Hugoton, for Amoco Production Company, Inc. (Amoco) from 1993 to 1996; manager, operations, for Amoco in 1993; resource manager for Amoco from 1988 to 1993; executive assistant for Amoco from 1987 to 1988; engineering supervisor for Amoco Canada Petroleum Company (Amoco Canada) from 1983 to 1987; and petroleum engineer for Amoco Canada from 1979 to 1983. Mr. Wells received a bachelor s degree in mechanical engineering from the Queen s University, Kingston, Ontario, Canada in 1979.

The board concluded that Mr. Wells should serve as director of MDU Resources Group, Inc. in light of our business and structure, at the time we file our proxy statement for the following reasons. A significant portion of our earnings is derived from natural gas and oil production. One of the company s strategic objectives is to achieve product diversity in the midstream segment of the oil and gas industry. Mr. Wells brings to our board significant experience and knowledge of the oil and gas business, including the midstream segment. He has more than 34 years of natural gas and oil experience, including several years in senior leadership positions at BP, the world s third largest integrated oil company, and a publicly traded company. He was senior vice president of exploration and production for BP s U.S. natural gas operations from 2007 until October 2010 with responsibility for BP s onshore natural gas business throughout the United States, encompassing both exploration and production, and midstream business. His strong track record in natural gas and oil production includes experience in shale formations similar to the company s current development focus. He has firsthand experience in the Rockies and Texas, where a large portion of Fidelity Exploration & Production Company s reserves are concentrated. Mr. Wells combination of expertise and experience, along with his success in leadership roles with a large publicly traded company, will complement the skills of the current board members.

John K. Wilson	Director Since 2003
Age 59	Audit Committee

Mr. Wilson was president of Durham Resources, LLC, a privately held financial management company, in Omaha, Nebraska, from 1994 to December 31, 2008. He previously was president of Great Plains Energy Corp., a public utility holding company and an affiliate of Durham Resources, LLC, from 1994 to July 1, 2000. He was vice president of Great Plains Natural Gas Co., an affiliate company of Durham Resources, LLC, until July 1, 2000. The company bought Great Plains Energy Corp. and Great Plains Natural Gas Co. on July 1, 2000. Mr. Wilson also served as president of the Durham Foundation and was a director of Bridges Investment Fund, a mutual fund, and the Greater Omaha Chamber of Commerce. He is presently a director of HDR, Inc., an international architecture and engineering firm, Tetrad Corporation, a privately held investment company, both based in Omaha, and serves on the advisory board of Duncan Aviation, an aircraft service provider, headquartered in Lincoln, Nebraska. He currently serves as executive director of the Robert B. Daugherty Foundation, Omaha, Nebraska, and formerly served on the advisory board of U.S. Bank NA Omaha.

Proxy Statement

Mr. Wilson is a certified public accountant, on inactive status. He received his bachelor s degree in business administration, cum laude, from the University of Nebraska Omaha. During his career, he was an audit manager at Peat, Marwick, Mitchell (now known as KPMG), controller for Great Plains Natural Gas Co., and chief financial officer and treasurer for all Durham Resources entities.

The board concluded that Mr. Wilson should serve as a director of MDU Resources Group, Inc., in light of our business and structure, at the time we file our proxy statement for the following reasons. Mr. Wilson has an extensive background in finance and accounting, as well as extensive experience with mergers and acquisitions, through his education and work experience at a major accounting firm and his later positions as controller and vice president of Great Plains Natural Gas Co., president of Great Plains Energy Corp., and president, chief financial officer, and treasurer for Durham Resources, LLC and all Durham Resources entities. The electric and natural gas utility business was our core business when our company was founded in 1924. That business now operates through four utilities: Montana-Dakota Utilities Co., Great Plains Natural Gas Co., Cascade Natural Gas Corporation, and Intermountain Gas Company. Mr. Wilson is our only non-employee director with direct experience in this area through his prior positions at Great Plains Natural Gas Co. and Great Plains Energy Corp. In addition, Mr. Wilson s extensive finance and accounting experience make him well-suited for our audit committee.

The board of directors recommends a vote for each nominee.

A majority of votes cast is required to elect a director in an uncontested election. A majority of votes cast means the number of votes cast for a director s election must exceed the number of votes cast against the director s election. Abstentions and broker non-votes do not count as votes cast for or against the director s election. In a contested election, which is an election in which the number of nominees for director exceeds the number of directors to be elected and which we do not anticipate, directors will be elected by a plurality of the votes cast.

Unless you specify otherwise when you submit your proxy, the proxies will vote your shares of common stock for all directors nominated by the board of directors. If a nominee becomes unavailable for any reason or if a vacancy should occur before the election, which we do not anticipate, the proxies will vote your shares in their discretion for another person nominated by the board.

Our policy on majority voting for directors contained in our corporate governance guidelines requires any proposed nominee for re-election as a director to tender to the board, prior to nomination, his or her irrevocable resignation from the board that will be effective, in an uncontested election of directors only, upon:

- receipt of a greater number of votes against than votes for election at our annual meeting of stockholders and
- acceptance of such resignation by the board of directors.

Following certification of the stockholder vote, the nominating and governance committee will promptly recommend to the board whether or not to accept the tendered resignation. The board will act on the nominating and governance committee s recommendation no later than 90 days following the date of the annual meeting.

Brokers may not vote your shares on the election of directors if you have not given your broker specific instructions as to how to vote. Please be sure to give specific voting instructions to your broker so that your vote can be counted.

ITEM 2. RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The audit committee at its February 2014 meeting appointed Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year 2014. The board of directors concurred with the audit committee s decision. Deloitte & Touche LLP has served as our independent registered public accounting firm since fiscal year 2002.

Although your ratification vote will not affect the appointment or retention of Deloitte & Touche LLP for 2014, the audit committee will consider your vote in determining its appointment of our independent registered public accounting firm for the next fiscal year.

The audit committee, in appointing our independent registered public accounting firm, reserves the right, in its sole discretion, to change an appointment at any time during a fiscal year if it determines that such a change would be in our best interests.

A representative of Deloitte & Touche LLP will be present at the annual meeting and will be available to respond to appropriate questions. We do not anticipate that the representative will make a prepared statement at the meeting; however, he or she will be free to do so if he or she chooses.

The board of directors recommends a vote for the ratification of Deloitte & Touche LLP as our independent registered public accounting firm for 2014.

Ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2014 requires the affirmative vote of a majority of our common stock present in person or represented by proxy at the meeting and entitled to vote on the proposal. Abstentions will count as votes against this proposal.

Accounting and Auditing Matters

Fees

The following table summarizes the aggregate fees that our independent registered public accounting firm, Deloitte & Touche LLP, billed or is expected to bill us for professional services rendered for 2013 and 2012:

	2013	2012*
Audit Fees (a) (e)	$ 2,760,620	$ 2,510,138
Audit-Related Fees (b)	33,800	63,110
Tax Fees (c) (e)	66,049	23,745
All Other Fees (d)	1,374,455	0
Total Fees (f)	$ 4,234,924	$ 2,596,993
Ratio of Tax and All Other Fees to Audit and Audit-Related Fees	51.55%	0.92%

* The 2012 amounts were adjusted from amounts shown in the 2013 proxy statement to reflect actual amounts.

(a) Audit fees for 2013 and 2012 consist of services rendered for the audit of our annual financial statements, reviews of quarterly financial statements, statutory and regulatory audits, compliance with loan covenants, reviews of financial statements for MDU Construction Services Group, Inc. and subsidiaries, agreed upon procedures associated with the annual submission of financial assurance to the North Dakota Department of Health, comfort letter work relating to the offering of common stock (2013 only), and work related to responding to a comment letter from the Securities and Exchange Commission (2013 only).

(b) Audit-related fees for 2013 and 2012 are associated with accounting research assistance, technical accounting consultation regarding variable interest entities, guarantees, and financing agreements (2013 only), workpaper review requested by the Idaho Public Utilities Commission (2012 only), and the compliance audit for the U.S. Department of Energy (2012 only).

(c) Tax fees for 2013 relate to consulting services for federal income tax pollution control associated with the Big Stone power plant. Tax fees for 2012 relate to the review of permanent tax benefits associated with Medicare Part D subsidies.

(d) All other fees for 2013 relate to assistance in an internal investigation. There were no fees in this category for 2012.

(e) Audit fees for 2013 include $30,000 associated with a financial statement audit, and tax fees for 2013 include $50,000 associated with tax services, in each case for Dakota Prairie Refining, LLC. These fees are paid by Dakota Prairie Refining, LLC, but are included in this table because Dakota Prairie Refining, LLC, is considered a variable interest entity with respect to MDU Resources and consolidated in its financial statements.

(f) Total fees reported above include out-of-pocket expenses related to the services provided of $385,216 for 2013 and $353,627 for 2012.

Pre-Approval Policy

The audit committee pre-approved all services Deloitte & Touche LLP performed in 2013 in accordance with the pre-approval policy and procedures the audit committee adopted at its August 12, 2003 meeting. This policy is designed to achieve the continued independence of Deloitte & Touche LLP and to assist in our compliance with Sections 201 and 202 of the Sarbanes-Oxley Act of 2002 and related rules of the Securities and Exchange Commission.

The policy defines the permitted services in each of the audit, audit-related, tax, and all other services categories, as well as prohibited services. The pre-approval policy requires management to submit annually for approval to the audit committee a service plan describing the scope of work and anticipated cost associated with each category of service. At each regular audit committee meeting, management reports on services performed by Deloitte & Touche LLP and the fees paid or accrued through the end of the quarter preceding the meeting. Management may submit requests for additional permitted services before the next scheduled audit committee meeting to the designated member of the audit committee, Dennis W. Johnson, for approval. The designated member updates the audit committee at the next regularly scheduled meeting regarding any services that he approved during the interim period. At each regular audit committee meeting, management may submit to the audit committee for approval a supplement to the service plan containing any request for additional permitted services.

In addition, prior to approving any request for audit-related, tax, or all other services of more than $50,000, Deloitte & Touche LLP will provide a statement setting forth the reasons why rendering of the proposed services does not compromise Deloitte & Touche LLP s independence. This description and statement by Deloitte & Touche LLP may be incorporated into the service plan or as an exhibit thereto or may be delivered in a separate written statement.

Proxy Statement

ITEM 3. APPROVAL, ON A NON-BINDING ADVISORY BASIS, OF THE COMPENSATION OF THE COMPANY S NAMED EXECUTIVE OFFICERS

In accordance with Section 14A of the Securities Exchange Act of 1934 and Rule 14a-21(a), we are asking our stockholders to approve, in a separate advisory vote, the compensation of our named executive officers as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K. As discussed in the Compensation Discussion and Analysis, our compensation committee and board of directors believe that our current executive compensation program directly links compensation of our named executive officers to our financial performance and aligns the interests of our named executive officers with those of our stockholders. Our compensation committee and board of directors also believe that our executive compensation program provides our named executive officers with a balanced compensation package that includes an appropriate base salary along with competitive annual and long-term incentive compensation targets. These incentive programs are designed to reward our named executive officers on both an annual and long-term basis if they attain specified goals.

Our overall compensation program and philosophy is built on a foundation of these guiding principles:

- we pay for performance, with over 50% of our 2013 total target direct compensation in the form of incentive compensation, except in the case of one officer promotion where his incentive compensation was 47% of his total target direct compensation
- we assess the relationship between our named executive officers pay and performance on key financial metrics revenue, profit, return on invested capital, and stockholder return in comparison to our performance graph peer group
- we review competitive compensation data for our named executive officers, to the extent available, and incorporate internal equity in the final determination of target compensation levels
- we determine annual performance incentives based on financial criteria that are important to stockholder value, including earnings, earnings per share and return on invested capital and
- we determine long-term performance incentives based on total stockholder return relative to our performance graph peer group.

We are asking our stockholders to indicate their approval of our named executive officer compensation as disclosed in this proxy statement, including the Compensation Discussion and Analysis, the executive compensation tables, and narrative discussion. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers for 2013. Accordingly, the following resolution is submitted for stockholder vote at the 2014 annual meeting:

RESOLVED, that the compensation paid to the company s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.

As this is an advisory vote, the results will not be binding on the company, the board of directors, or the compensation committee and will not require us to take any action. The final decision on the compensation of our named executive officers remains with our compensation committee and our board of directors, although our board and compensation committee will consider the outcome of this vote when making future compensation decisions. As the board of directors determined at its meeting in May 2011, we will provide our stockholders with the opportunity to vote on our named executive officer compensation at every annual meeting until the next required vote on the frequency of stockholder votes on named executive officer compensation. The next required vote on frequency will occur at the 2017 annual meeting of stockholders.

The board of directors recommends a vote for the approval, on a non-binding advisory basis, of the compensation of our named executive officers, as disclosed in this proxy statement.

Approval of the compensation of our named executive officers requires the affirmative vote of a majority of our common stock present in person or represented by proxy at the meeting and entitled to vote on the proposal. Abstentions will count as votes against this proposal. Broker non-votes are not counted as voting power present and, therefore, are not counted in the vote.

Proxy Statement

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The following Compensation Discussion and Analysis may contain statements regarding corporate performance targets and goals. These targets and goals are disclosed in the limited context of our compensation programs and should not be understood to be statements of management s expectations or estimates of results or other guidance. We specifically caution investors not to apply these statements to other contexts.

Executive Summary

Named Executive Officers
Our named executive officers for 2013 were:

David L. Goodin, who became president and chief executive officer of MDU Resources Group, Inc. on January 4, 2013; Mr. Goodin was not a named executive officer last year

Terry D. Hildestad, our former president and chief executive officer, who retired on January 3, 2013

Doran N. Schwartz, our vice president and chief financial officer

J. Kent Wells, our vice chairman and the president and chief executive officer of our exploration and production business segment, Fidelity Exploration & Production Company, a direct wholly-owned subsidiary of WBI Holdings, Inc.

Jeffrey S. Thiede, who became president and chief executive officer of our construction services business segment, MDU Construction Services Group, Inc., effective April 30, 2013; Mr. Thiede was not a named executive officer last year and

Paul K. Sandness, our general counsel and secretary; Mr. Sandness was not a named executive officer last year.

Since Mr. Hildestad retired at the beginning of the year and received no increase in base salary or incentive compensation for 2013, we do not discuss Mr. Hildestad further in the Compensation Discussion and Analysis.

The chief executive officer of the construction services and construction materials and contracting business segments retired in April 2013. His responsibilities were divided between Jeffrey S. Thiede, who was promoted from president to president and chief executive officer of the construction services segment, and David C. Barney, who was promoted from president to president and chief executive officer of the construction materials and contracting segment and is not a named executive officer.

Key Financial Results for 2013
Consolidated GAAP earnings in 2013 were $278.2 million, or $1.47 cents per share, compared to a loss of $1.4 million, or 1 cent per share, in 2012.
Our total stockholder return for 2013 was 47.5%, as compared to 2.1% for 2012. Our average annual total stockholder return for the five-year period ended December 31, 2013 was 10.5%, compared to (2.3)% for the five-year period ended December 31, 2012.

In 2013 the company generated a 7.2% return on invested capital compared to a 6.7% weighted average cost of capital.

Total Realized Pay Compared to Total Compensation from the Summary Compensation Table
The compensation committee believes considering total realized pay, the actual remuneration received by the named executive, is equally as important as considering total compensation as presented in the Summary Compensation Table. Total realized pay reflects the compensation actually earned, which can differ substantially from total compensation as presented in the Summary Compensation Table.
Total compensation as presented in the Summary Compensation Table contains estimated values of grants of performance shares based on multiple assumptions that may or may not come to fruition. In addition, the Summary Compensation Table may show an increase in change in pension value and above-market earnings on nonqualified deferred compensation, depending on the valuation assumptions and discount rates used to calculate present value of pension benefits. The company excludes change in

pension value and above-market earnings on nonqualified deferred compensation from total realized pay because:

increase in change in pension value can have a large impact on total compensation as reported in the Summary Compensation Table

for some of our named executive officers for 2013, the change in pension value was negative due to the use of a higher discount rate to calculate present value; however, unlike when the value is positive, the negative value does not reduce total compensation as reported in the Summary Compensation Table and

Proxy Statement

- the change in pension value is the difference in the present value of our qualified defined benefit retirement plan and our Supplemental Income Security Plan benefits, and the Supplemental Income Security Plan benefits partially depend on continued future employment in the case of Messrs. Goodin and Schwartz.

We define total realized pay as the sum of:

- base salary
- annual incentive award paid with respect to the year
- the value realized upon the vesting of long-term incentive awards of performance shares during the year and
- all other compensation as reported in the Summary Compensation Table.

The following table compares total realized pay for our named executives in 2013 to the total compensation as presented in the Summary Compensation Table. This table is not intended to be a substitute for the Summary Compensation Table.

Named Executive Officer	Base Salary ($)	Annual Incentive Awards Paid ($)	Value Realized upon Vesting of Performance Shares ($) (1)	All Other Compensation ($)	Total Realized Pay ($)	Total Compensation from the Summary Compensation Table ($)
David L. Goodin	625,000	1,610,625	0	37,517	2,273,142	4,047,413
Doran N. Schwartz	345,000	296,355	0	34,881	676,236	1,047,274
J. Kent Wells	570,000	1,425,000	N/A	20,556	2,015,556	3,524,975
Jeffrey S. Thiede	367,068	825,000	N/A	66,282	1,258,350	1,258,350
Paul K. Sandness	344,000	354,595	0	39,131	737,726	1,124,864

(1) Performance shares and dividend equivalents granted for the 2010-2012 performance period did not vest and were forfeited because performance was below threshold.

With respect to our chief executive officer, the following table demonstrates our pay for performance approach by comparing:

- total realized pay, which is the sum of base salary, annual incentive awards paid, all other compensation, and the value realized upon the
  - vesting of restricted stock during 2010
  - vesting of performance shares during 2009 and 2010 (none vested during 2011, 2012, or 2013)
- total compensation as reported in the Summary Compensation Table and
- one-year total stockholder returns for 2009 through 2013.

For years 2009 through 2012, the compensation information is for Mr. Hildestad, our chief executive officer for those years, and for 2013, the compensation information is for Mr. Goodin. This table is not intended to be a substitute for the Summary Compensation Table.

5 Year CEO Compensation and Total Stockholder Return

The compensation committee believes its approach to structuring the chief executive officers compensation is effective; as displayed in the above chart, the yearly changes in total compensation from the Summary Compensation Table and total realized pay align very closely with the yearly changes in total stockholder return.

Process for Determination of 2013 Compensation

Objectives of our Compensation Program
We structure our compensation program to help retain and reward the executive officers who we believe are critical to our long-term success. We have a written executive compensation policy for our Section 16 officers, including all our named executive officers. Our policy s stated objectives are to:

- recruit, motivate, reward, and retain high performing executive talent required to create superior long-term total stockholder return in comparison to our peer group
- reward executives for short-term performance, as well as the growth in enterprise value over the long-term
- provide a competitive package relative to industry-specific and general industry comparisons and internal equity, as appropriate
- ensure effective utilization and development of talent by working in concert with other management processes for example, performance appraisal, succession planning, and management development and
- help ensure that compensation programs do not encourage or reward excessive or imprudent risk taking.

Role of Compensation Consultants
For 2013, we continued our approach of referencing market data to establish competitive pay levels for base salary, total annual cash, which is base salary plus target annual incentive, and total direct compensation, which is the sum of total annual cash plus the expected value of target long-term incentives.
Our executive compensation policy provides for an assessment of the competitive pay levels for base salary and incentive compensation for each Section 16 officer position to be conducted at least every two years by an independent consulting firm. For 2013 compensation, the compensation committee retained Towers Watson, a nationally recognized consulting firm, to perform this assessment and to assist the compensation committee in establishing competitive compensation targets for our Section 16 officers.

Proxy Statement

In an engagement letter dated March 23, 2012, the compensation committee asked Towers Watson to prepare separate executive compensation reviews for the Section 16 officers and for the chief executive officer. In its review for the Section 16 officers, Towers Watson was asked to:

- match the Section 16 officer positions to survey data to generate 2013 market estimates for base salaries and short-term and long-term incentives
- address general trends in executive compensation
- compare base salaries and target short-term and long-term incentives, by position, to market estimates and recommend salary grade changes as appropriate
- construct a recommended 2013 salary grade structure and
- verify the competitiveness of target short-term and long-term incentives associated with salary grades and recommend modifications as appropriate.

In the chief executive officer review, Towers Watson was asked to use survey data and data from the company s performance graph peer group to:

- develop competitive estimates for base salary and target short-term and long-term incentives
- recommend changes in base salary and target incentives based on the competitive data and
- address general trends in chief executive officer compensation.

The compensation surveys and databases used by Towers Watson were:

Survey*	Number of Companies Participating (#)	Median Number of Employees (#)	Number of Publicly-Traded Companies (#)	Median Revenue (000s) ($)
Towers Watson 2011 CDB General Industry Executive Database	411	18,300	345	5,823,000
Towers Watson 2011 CDB Energy Services Executive Database	108	2,800	75	2,490,000
Mercer 2011 Total Compensation Survey for the Energy Sector	290	Not Reported	233	928,000
Towers Watson 2011 CSR Report on Top Management Compensation	1,574	4,800	630	1,513,000

* The information in the table is based solely upon information provided by the publishers of the surveys and is not deemed filed or a part of this Compensation Discussion and Analysis for certification purposes. For a list of companies that participated in the compensation surveys and databases, see Exhibit A.

In billions of dollars, our revenues for 2011, 2012, and 2013 were approximately $4.0, $4.1, and $4.5, respectively. Towers Watson aged the data from the date of the surveys by 3% on an annualized basis to estimate 2013 competitive targets.

After its February 2013 meeting, the compensation committee authorized the company to engage Towers Watson to provide competitive practice information with respect to the treatment by other exploration and production companies of ceiling test impairments for annual incentive purposes. Towers Watson analyzed the following fifteen companies with an earnings-based measure impacted by impairment charges:

Anadarko Petroleum Corporation	Eagle Rock Energy Partners, L.P.	PVR Partners L.P.
Apache Corporation	Encana Corporation	Quicksilver Resources Inc.
Atmos Energy Corporation	Goodrich Petroleum Corporation	SM Energy Company

Black Hills Corporation	Niska Gas Storage Partners LLC	Ultra Petroleum Corp.
Chesapeake Energy Corporation	PDC Energy, Inc.	WPX Energy, Inc.

Role of Management

The chief executive officers during 2012 and 2013 played an important role in recommending 2013 compensation to the committee for the other named executive officers. Mr. Hildestad recommended 2013 compensation for Messrs. Schwartz, Wells, and Sandness after assessing their performance during 2012. Mr. Hildestad did not make any recommendations with respect to Mr. Goodin s compensation for 2013. In connection with Mr. Thiede s promotion, Mr. Goodin recommended his compensation for the remainder of 2013. The chief executive officers considered the relative value of the named executive officers positions and their salary grade classifications. They reviewed the competitive assessment prepared by Towers Watson to formulate 2013 compensation recommendations for the compensation committee. The chief executive officers attended compensation committee meetings, but were not present during discussions regarding their own compensation.

Our performance assessment program rates performance of our executive officers, except for our chief executive officer, in the following areas, which help determine actual salaries within the range of salaries associated with the executive s salary grade:

- leadership
- leading with integrity
- achievement focus
- risk management
- mentoring
- financial responsibility
- safety

An executive s overall performance in our performance assessment program is rated on a scale of one to five, with five as the highest rating denoting distinguished performance. An overall performance above 3.75 is considered commendable performance.

Timing of Compensation Decisions for 2013

The compensation committee, in conjunction with the board of directors, determined all compensation for each named executive officer for 2013. The compensation committee made recommendations to the board of directors regarding compensation of all Section 16 officers, and the board of directors then approved the recommendations.

The compensation committee reviewed the competitive assessment and established 2013 salary grades at its August 2012 and November 2012 meetings. At the November 2012 meeting, it established individual base salaries, target annual incentive award levels, and target long-term incentive award levels for 2013, except for Mr. Thiede, whose base salary and target annual incentive award were approved at the May 2013 meeting. At the February and March 2013 meetings, the compensation committee and the board of directors determined 2013 annual and long-term incentive awards, along with payments based on performance for the 2012 annual incentive awards and no payments for the 2010-2012 performance share awards. The February and March meetings occurred after the release of earnings for the prior year.

Stockholder Advisory Vote (Say on Pay)

Our stockholders had their third advisory vote on our named executive officers compensation at the 2013 Annual Meeting of Stockholders. Approximately 96% of the shares present in person or represented by proxy and entitled to vote on the matter approved the named executive officers compensation. The 96% approval is slightly higher than the results of our say on pay vote at the 2012 Annual Meeting, which was 92%. The compensation committee and the board of directors considered the results of the votes at their November 2012, May 2013, and November 2013 meetings and did not change our executive compensation program as a result of the votes.

Salary Grades for 2013

The compensation committee determines the named executive officers base salaries and target annual and long-term incentives by reference to salary grades. Each salary grade has a minimum, midpoint, and maximum annual salary level with the midpoint targeted at approximately the 50th percentile of the competitive assessment data for positions in the salary grade. The compensation committee may adjust the salary grades away from the 50th percentile in order to balance the external market data with internal equity. The salary grades also have target annual and long-term incentive levels, which are expressed as a percentage of the individual s actual base salary. We generally place named executive officers into a salary grade based on historical classification of their positions; however, the compensation committee reviews each classification and may place a position into a different salary grade if it determines that the targeted competitive compensation for the position changes significantly or the executive s responsibilities and/or performance warrants a different salary grade. Individual executives may be paid below, equal to, or above the salary grade midpoint.

The salary grades give the compensation committee flexibility to assign different salaries to individual executives within a salary grade to reflect one or more of the following:

- executive s performance on financial goals and on non-financial goals, including the results of the performance assessment program
- executive s experience, tenure, and future potential
- position s relative value compared to other positions within the company

relationship of the salary to the competitive salary market value

internal equity with other executives and

economic environment of the corporation or executive s business segment.

Proxy Statement

The committee increased the base salary midpoints for 2013 in salary grades A through I by a total of 2.8%, since the midpoints had not been increased in three years and the competitive assessment indicated that target total annual compensation and total direct compensation were below the market median at the 50th percentile. The midpoint of salary grade I, which is Messrs. Schwartz s and Sandness salary grade, was increased by 3.1% from $325,000 to $335,000.

The committee established a new salary grade L for 2013 for our president and chief executive officer position, which was formerly in salary grade K. Based on the competitive assessment, the committee established the midpoint of salary grade L at $763,000.

The committee assigned the vice chairman and president and chief executive officer of Fidelity Exploration & Production Company to salary grade K in recognition of the greater responsibility that Mr. Wells would assume as vice chairman. The midpoint of salary grade K was established at $500,000 to accommodate the higher market compensation data associated with his responsibilities.

In connection with his promotion, Mr. Thiede was moved from salary grade H to salary grade J, with a midpoint of $390,000, which has been the midpoint for that salary grade for a number of years.

The committee did not change the target incentive compensation guidelines for the salary grades, except that Mr. Sandness target annual and long-term incentives were increased to 60% and 85% of base salary, respectively, to place his target total annual compensation and total direct compensation closer to the market median.

Our named executive officers salary grade classifications for 2013 are listed below, along with the base salary ranges associated with each classification:

			2013 Salary Grade Base Salary (000s)		
Position	Grade	Name	Minimum ($)	Midpoint ($)	Maximum ($)
President and CEO	L	David L. Goodin	610	763	916
Vice President and CFO	I	Doran N. Schwartz	268	335	402
Vice Chairman and President and CEO, Fidelity Exploration & Production Company	K	J. Kent Wells	400	500	600
President and CEO, Construction Services Group	J	Jeffrey S. Thiede	312	390	468
General Counsel and Secretary	I	Paul K. Sandness	268	335	402

Allocation of Total Target Compensation for 2013

Incentive compensation, which consists of annual cash incentive awards and three-year performance share awards under our Long-Term Performance-Based Incentive Plan, comprises a significant portion of our named executive officers total target compensation because:

- our named executive officers are in positions to drive, and therefore bear high levels of responsibility for, our corporate performance
- incentive compensation is more variable than base salary and dependent upon our performance
- variable compensation helps ensure focus on the goals that are aligned with our overall strategy and
- the interests of our named executive officers will be aligned with those of our stockholders by making a significant portion of their target compensation contingent upon results that are beneficial to stockholders.

The following table shows the allocation of total target compensation for 2013 among the individual components of base salary, annual incentive, and long-term incentive:

Name	% of Total Target Compensation Allocated to Base Salary (%)	% of Total Target Compensation Allocated to Incentives Annual (%)	Long-Term (%)	Annual + Long-Term (%)
David L. Goodin	25.0	37.5	37.5	75.0
Doran N. Schwartz	44.4	22.2	33.4	55.6
J. Kent Wells	23.5	29.4	47.1	76.5
Jeffrey S. Thiede (1)	52.6	47.4		47.4
Paul K. Sandness	40.8	24.5	34.7	59.2

(1) Mr. Thiede s percentages were calculated using a base salary that was prorated for 2013 as follows: one-third at an annualized rate of $330,000 and two-thirds at an annualized rate of $385,000. Mr. Thiede was not a participant in the Long-Term Performance-Based Incentive Plan in 2013.

In order to reward long-term growth, the compensation committee generally allocates a higher percentage of total target compensation to the long-term incentive than to the short-term incentive for our higher level executives, since they are in a better position to influence our long-term performance. As discussed later, Mr. Goodin s long-term incentive percentage was kept at a lower level to balance his higher Supplemental Income Security Plan benefit. Additionally, the long-term incentive, if earned, is paid in company common stock. These awards, combined with our stock retention requirements and stock ownership policy, discussed later, promote ownership of our stock by the named executive officers. The compensation committee believes that, as stockholders, the named executive officers will be motivated to consistently deliver financial results that build wealth for all stockholders over the long-term.

PEER Analysis: Comparison of Pay for Performance Ratios

Each year we compare our named executive officers pay for performance ratios to the pay for performance ratios of the named executive officers in the performance graph peer group. This analysis compares the relationship between our compensation levels and our average annual total stockholder return to the peer group over a five-year period. All data used in the analysis, including the valuation of long-term incentives and calculation of stockholder return, were compiled by Equilar, Inc., an independent service provider, which is based on each company s annual filings for its data collection.

This analysis consisted of dividing what we paid our named executive officers for the years 2008 through 2012 by our average annual total stockholder return for the same five-year period to yield our pay ratio. Our pay ratio was then compared to the pay ratio of the companies in the performance graph peer group, which was calculated by dividing total direct compensation for all the proxy group executives by the sum of each company s average annual total stockholder return for the same five-year period.

For the five-year period of 2008 through 2012, our average annual stockholder return was (2.3)%. Therefore, our pay ratio was not a meaningful statistic, and a comparison to the pay ratio of the companies in the performance graph peer group could not be made. The compensation committee believes that the analysis continues to serve a useful purpose in its annual review of compensation despite the effect of the negative stockholder return for the 2008 through 2012 period.

2013 Compensation for Our Named Executive Officers

Base Salaries, Total Annual Compensation, and Total Direct Compensation

David L. Goodin

In connection with Mr. Goodin s promotion to president and chief executive officer of the company effective January 4, 2013, the compensation committee moved Mr. Goodin from salary grade J to salary grade L, with a midpoint of $763,000, and recommended a base salary increase for Mr. Goodin from $385,000 to $625,000. The committee noted that the $625,000 was below the median salary of $650,000 for the chief executive officers from the performance graph peer companies and below the median salary of $930,000 for the chief executive officers from the salary survey data, both as noted in the competitive assessment. The committee believed it was appropriate for Mr. Goodin s 2013 base salary to be less than market and less than the 2013 midpoint due to his newness in the position. The committee also established Mr. Goodin s target total annual cash compensation of $1,562,500, which was above the median total cash compensation of $1,335,000 paid to chief executive officers from the performance graph peer companies and below the median total cash compensation of $1,920,000 paid to chief executive officers from the salary survey data, both as noted in the competitive assessment. From a total direct compensation perspective, the committee established a target of $2,500,000, which was below the competitive reference points of $2,970,000 for the performance graph peer group and $4,685,000 for the salary survey companies.

Doran N. Schwartz

For 2013, the compensation committee awarded Mr. Schwartz, our vice president and chief financial officer, a 15.0% increase, raising his salary from $300,000 to $345,000, or to 103% of the midpoint of salary grade I. Combined with his target annual and long-term incentive, this would result in target total annual compensation of 64% and total direct compensation of 57% of the 2013 competitive salary survey data at the 50th percentile. The compensation committee s rationale for the increase was in recognition of his:

- renewal and expansion of the company s credit facility continued growth in the treasury area

cultivation of excellent relationships with the investment community and

relatively low salary compared to the chief financial officers of performance graph peer companies.

Proxy Statement

J. Kent Wells
For 2013, the compensation committee awarded Mr. Wells, our vice chairman and president and chief executive officer of Fidelity Exploration & Production Company, a 3.6% increase, raising his salary from $550,000 to $570,000, or 114% of the midpoint of salary grade K. Combined with his target annual and long-term incentives, this would result in target total annual compensation of 118% and total direct compensation of 95% of the 2013 competitive salary survey data at the 50th percentile. The compensation committee s rationale for the increase was in recognition of:

- a 25% increase in production from 2011 to 2012
- a shift in the production mix from 80% natural gas and 20% oil and liquids in 2011 to 60% natural gas and 40% oil and liquids in 2012 and
- outstanding leadership at Fidelity Exploration & Production Company.

Jeffrey S. Thiede
Mr. Thiede was promoted to president and chief executive officer of MDU Construction Services Group, Inc. effective April 30, 2013. In connection with his promotion, the compensation committee moved Mr. Thiede from salary grade H to salary grade J with a midpoint of $390,000 and increased Mr. Thiede s base salary from $330,000 to $385,000. Combined with his target annual incentive, his prorated target total annual compensation was $696,667. The committee s rationale for the increase was recognizing Mr. Thiede s assumption of the additional duties and responsibilities as chief executive officer, as well as recognizing the success he achieved as president of MDU Construction Services Group, Inc. since January 2012.

Paul K. Sandness
For 2013, the compensation committee awarded Mr. Sandness, our general counsel and secretary, a 3% increase, raising his salary from $334,000 to $344,000, or to 103% of the midpoint of salary grade I. Combined with his increased target annual and long-term incentives, this would result in target total annual compensation of 89% and total direct compensation of 86% of the 2013 competitive salary survey data at the 50th percentile. The compensation committee s rationale for the increase was in recognition of Mr. Sandness successful management of company litigation and his leadership in the corporate governance area.

Annual Incentives

What the Performance Measures Are and Why We Chose Them
The compensation committee develops and reviews financial and other corporate performance measures to help ensure that compensation to the executives reflects the success of their respective business segment and/or the corporation, as well as the value provided to our stockholders.
The compensation committee believes earnings per share and return on invested capital are very good measurements in assessing a business segment s performance and the company s performance from a financial perspective, because:

- earnings per share is a generally accepted accounting principle measurement and is a key driver of stockholder return over the long-term and
- return on invested capital measures how efficiently and effectively management deploys capital, where sustained returns on invested capital in excess of a business segment s cost of capital create value for our stockholders.

For the first time in 2013, the compensation committee selected earnings as the performance measure for two business segments. For the construction services segment, key earnings levels were selected in order to balance conservative financial planning as well as earnings volatility, instead of tying performance to allocated earnings per share and budgeted return on invested capital.

To provide the compensation committee with a competitive practice reference point in terms of how other exploration and production companies treat ceiling test impairments for annual incentive purposes, we engaged Towers Watson to prepare the analysis discussed in the Role of Compensation Consultants section above. The committee considered Towers Watson s report and selected earnings, as adjusted, for the exploration and production segment to motivate the chief executive officer to increase and maintain production at a high level and develop the appropriate mix of production and replacement reserves, without regard to the effect on earnings of non-cash impairments and hedge accounting, the pricing components over which he had no control.

For the named executive officers working at MDU Resources Group, Inc., who were Messrs. Goodin, Schwartz, and Sandness, the compensation committee continued to base annual incentives on the achievement of performance goals at the business segments: (i) the construction materials and contracting and construction services segments, taken together, (ii) the pipeline and energy services segment, (iii) the exploration and production segment, and (iv) the electric and natural gas distribution segments. The compensation committee s rationale for this approach was to provide greater alignment between the MDU Resources Group, Inc. executives and business segment performance.

As established by the compensation committee in March 2013, the annual performance measures and goal weightings for the business segment leaders were:

		Business Segment Goal Weighting			Company Goal Weighting
Position	Business Segment	Budgeted Allocated EPS (%)	Budgeted ROIC (%)	Budgeted Earnings (%)	EPS (%) (1)
Chief Executive Officer	Construction Materials & Contracting	18.75	18.75		25.0
	Construction Services			37.5(2)	
President and Chief Executive Officer	Pipeline and Energy Services	37.5	37.5		25.0
President and Chief Executive Officer	Electric and Natural Gas Distribution	37.5	37.5		25.0
President and Chief Executive Officer	Exploration and Production			75.0(3)	25.0

(1) Earnings per share for purposes of the annual incentive calculation reflect the adjustments referred to in footnote 3.
(2) Earnings were defined as GAAP earnings.
(3) Earnings were defined as GAAP earnings reported for the exploration and production segment, adjusted to exclude the (i) effect on earnings of any noncash write-downs of oil and natural gas properties due to ceiling test impairment charges and any associated earnings benefit resulting from lower depletion, depreciation and amortization expenses and (ii) the effect on earnings of any noncash gains and losses that result from (x) ineffectiveness in hedge accounting, (y) derivatives that no longer qualify for hedge accounting treatment, or (z) the discontinuation of hedge accounting treatment.

After the chief executive officer of our two construction segments retired in late April 2013 and Messrs. Thiede and Barney were promoted, the compensation committee left Mr. Thiede s annual incentive performance measure unchanged from what it had been earlier in the year, namely the construction services business segment s GAAP earnings. This determination had no effect on the calculation of the annual incentive awards for the executive officers at MDU Resources Group, Inc., as discussed above, which were to be calculated as if the former chief executive officer of the construction business segments had remained employed through the end of 2013.

Except for our construction services business segment, we establish our incentive plan performance targets in connection with our annual financial planning process, where we assess the economic environment, competitive outlook, industry trends, and company specific conditions to set projections of results. The compensation committee evaluates the projected results and uses this evaluation to establish the incentive plan performance targets based upon recommendation of the chief executive officer. Allocated earnings per share for a business segment is calculated by dividing that business segment s earnings by the business segment s portion of the total company weighted average shares outstanding. Return on invested capital for a business segment is calculated by dividing the business segment s earnings, without regard to after tax interest expense and preferred stock dividends, by the business segment s average capitalization for the calendar year. If the compensation committee utilizes a return on invested capital target for a business segment, it considers the business segment s weighted average cost of capital. The weighted average cost of capital is a composite cost of the individual sources of funds including equity and debt used to finance a company s assets. It is calculated by averaging the cost of debt plus the cost of equity by the proportion each represents in our, or the business segment s, capital structure.

In the case of our construction services business segment, we utilized key earnings levels to structure the annual incentive. The specific earnings levels and their associated incentive payment amounts are addressed in Construction Services Segment Earnings Goal section below.

Our Named Executive Officers   Target Annual Incentive Compensation

The compensation committee established the named executive officers target annual incentive as a percentage of each officer s actual 2013 base salary.

Messrs. Goodin s, Schwartz s, and Sandness 2013 target annual incentives were 150%, 50%, and 60% of base salary, respectively, based on the following:

In connection with his promotion, Mr. Goodin s target annual incentive was set at 150% of base salary, or $937,500, which was above the 107% and 103% of base salary paid to chief executive officer positions based on salary survey data and performance graph peer group data, respectively, from the competitive assessment. The committee s rationale for assigning an above-market target annual incentive percentage was to offset a below-market target long-term incentive and to ensure, from an internal equity standpoint, that Mr. Goodin s target incentive was above the target incentives of his direct reports.

Proxy Statement

For Mr. Schwartz, the target annual incentive of 50% of base salary was below the 71% and 58% of base salary paid to chief financial officers based on salary survey data and performance graph peer group data, respectively, from the competitive assessment. Since prior years had shown little difference between Mr. Schwartz s target incentive and the targets from the competitive assessments, the committee decided to forego changing his target.

For Mr. Sandness, the target annual incentive was increased from 50% to 60% of base salary to be approximately equal to the 59% of base salary paid to top legal executives based on salary survey data from the competitive assessment.

Mr. Wells 2013 target incentive was unchanged at 125% of base salary, which was above the 57% of base salary paid to comparable positions in the survey data and below the average of 234% of base salary paid at exploration and production companies (Berry Petroleum Company, EQT Corporation, and Whiting Petroleum Corporation) in our performance graph peer group from the competitive assessment. The compensation committee determined, as it had last year, that the target incentive of 125% of base salary was appropriate given the significant investment in the exploration and production segment and the desire to incentivize and motivate Mr. Wells to generate earnings that can greatly impact overall company earnings.

Mr. Thiede s 2013 target incentive was 90% of base salary, which remained unchanged from the target incentive he had before his promotion, but was to be calculated based on his prorated base salary. His position was not included in the competitive assessment prepared by Towers Watson. The committee believed maintaining the 2013 target incentive of 90% of base salary was appropriate because it would compensate Mr. Thiede for not having received any long-term performance share grants.

MDU Resources Group, Inc. EPS Goal

The MDU Resources Group, Inc. earnings per share component represented 25% of the award opportunity for all business segment leaders except for Mr. Thiede. Payout could range from no payment if the results were below 85% of the $1.27 target to a 200% payout if the results were $1.46 or higher. The committee set the target at $1.27, which was above the 2012 target of $1.19 and above the adjusted 2012 results of $1.15, which eliminated the effect of $246.8 million after-tax noncash charges relating to the write-down of oil and natural gas properties in 2012, discontinued operations, and the net benefit related to natural gas gathering operations litigation. The 2013 target was established based on adjusted earnings at the exploration and production segment as described in footnote 3 to the table under What the Performance Measures Are and Why We Chose Them above. The higher 2013 earnings per share target level was based primarily on anticipated higher earnings at all business segments.

Earnings per share for 2013 were, on a GAAP basis, $1.47 and, on an adjusted basis, $1.49. The payment on this component was 200% of target.

Exploration and Production Segment Earnings Goal

For the exploration and production segment, 75% of the 2013 award opportunity was based on earnings adjusted as described in footnote 3 to the table under What the Performance Measures Are and Why We Chose Them above. Payout could range from no payment if 2013 earnings were below the 90% level to a 200% payout if the segment s 2013 earnings were at or above the 105% level.

The committee set the exploration and production segment s 2013 earnings target level at $84 million, which was above the 2012 target level of $78.4 million and 20.7% above 2012 adjusted results, which excluded the noncash ceiling test impairments. The higher 2013 earnings target level was approved by the board in the 2013 business plan and also based on an anticipated increase in production and continued shifting of production to more oil and natural gas liquids and less natural gas.

The segment s 2013 earnings were $98.4 million equating to a 200% payment on the segment earning s component, which coupled with MDU Resources Group, Inc. s earnings per share being 200% of target, resulted in a 2013 annual incentive payment for Mr. Wells of $1,425,000 or 200% of target.

Electric and Natural Gas Distribution Segments EPS and ROIC Goals

For the electric and natural gas distribution segments, 75% of the 2013 award opportunity was based on allocated earnings per share and budgeted return on invested capital, equally weighted. Payout could range from no payment if the allocated earnings per share and return on invested capital results were below the 85% level to a 200% payout if:

the 2013 allocated earnings per share for the segment were at or above the 115% level and the 2013 return on invested capital was at or above the 115% level.

Proxy Statement

The committee set the 2013 target for allocated earnings per share higher than the 2012 target and higher than 2012 actual results to reflect anticipated growth in the western North Dakota region of the service territory. The committee set the 2013 return on invested capital target lower than the 2012 target level and higher than the 2012 actual results to reflect higher invested capital associated with its growth projects.

For 2013, the electric and natural gas distribution segments earnings per share and return on invested capital were 108.3% and 103.4% of their respective targets, equating to 155.5% and 122.6%, respectively, of the target amount attributable to those components, which coupled with MDU Resources Group, Inc. s earnings per share being 200% of target, led to overall results for these segments of 154.3% of the 2013 target annual incentive award.

Pipeline and Energy Services Segment EPS, ROIC, and Safety Goals
For the pipeline and energy services segment, 75% of the 2013 award opportunity was based on allocated earnings per share and budgeted return on invested capital, equally weighted. Payout could range from no payment if the results were below the 85% level to a 200% payout if:

- the 2013 allocated earnings per share for the segment were at or above the 115% level and
- the 2013 return on invested capital was at or above the 115% level.

The pipeline and energy services segment also had five individual goals relating to safety results with each goal that was not met reducing the annual incentive award by 1%. The five individual goals were:

- each established local safety committee will conduct eight meetings per year
- each established local safety committee must conduct four site assessments per year
- report vehicle accidents and personal injuries by the end of the next business day, which will be achieved only if 85% or more of the reports are submitted by the end of the next business day
- achieve the targeted vehicle accident incident rate of 1.85 or less and
- achieve the targeted personal injury incident rate of 2.3 or less.

The committee set the pipeline and energy services segment s 2013 allocated earnings per share target higher than the 2012 target, reflecting increased earnings associated with a full year s results of our natural gas processing facility. The 2013 allocated earnings per share target was set below the 2012 actual results due to the positive 2012 earnings impact of a benefit related to natural gas gathering operations litigation. The committee set the 2013 return on invested capital target below the 2012 target level and below the 2012 actual results, reflecting increased invested capital in our diesel refinery and reflecting the positive 2012 earnings impact of a benefit related to natural gas gathering operations litigation.

Results at the pipeline and energy services segment (before adjustment for the five safety goals) were 44.0% and 57.4%, respectively, of the 2013 allocated earnings per share and return on invested capital measures, resulting in no payment on either component. These results, coupled with MDU Resources Group, Inc. s earnings per share being 200% of target and all five safety goals being met, led to overall results for these segments of 50% of the 2013 target annual incentive.

Construction Services Segment Earnings Goal
Mr. Thiede s 2013 incentive award opportunity was established by Mr. Goodin and the former chief executive officer of the construction services segment and was left unchanged by the compensation committee when he was promoted. His award opportunity was based solely on the construction services business segment s 2013 earnings, where the payout could range from no payment if the results were below $14.5 million to 250% of the target amount if the results were at or above $35.8 million.
For the construction services segment, key earnings levels were selected to balance conservative financial planning as well as earnings volatility, instead of tying performance to allocated earnings per share and budgeted return on invested capital. The committee set the business segment s 2013 earnings target at the level required to deliver a return on invested capital that was approximately equal to the business segment s weighted average cost of capital. The committee set the earnings required to generate a maximum payment at the level necessary to generate a return on invested capital of approximately 550 basis points

above the business segment s weighted average cost of capital.

The construction services segment s 2013 earnings were $52.2 million.

Mr. Thiede s 2013 annual incentive payment was $825,000 or 250% of target.

Proxy Statement

Construction Services and Construction Materials and Contracting Segments Performance Goals

For purposes of determining the annual incentive awards of the MDU Resources Group, Inc. executives, including Messrs. Goodin, Schwartz, and Sandness, these segments were combined, with the targets and weightings structured as follows:

Construction Materials & Contracting s 2013 ROIC results as a % of 2013 target (weighted 18.75%)	Corresponding payment of annual incentive target based on ROIC	Construction Materials & Contracting s 2013 EPS results as a % of 2013 target (weighted 18.75%)	Corresponding payment of annual incentive target based on EPS	Construction Services 2013 earnings(1) results as a % of 2013 target (weighted 37.5%)	Corresponding payment of annual incentive target based on earnings
Less than 85%	0%	Less than 85%	0%	Less than $14.5M	0%
100%	100%	100%	100%	100%	100%
191%	200%	115%	200%	$35.8M or greater	250%

(1) Earnings is defined as GAAP earnings reported for the construction services segment.

Targets and corresponding payments that fall in between stated levels are set out in more detail in the Narrative Discussion Relating to the Summary Compensation Table and Grants of Plan-Based Awards Table.

For the construction materials and contracting business segment, the committee set the 2013 allocated earnings per share higher than the 2012 target and higher than 2012 actual result to reflect increased construction activity in western North Dakota, improvement in the Texas operations, and increased asphalt demand. The committee set the 2013 return on invested capital target higher than the 2012 target level and higher than the 2012 actual result due to higher anticipated earnings and continued restraint in the growth of the business segment s invested capital.

The construction services segment s 2013 earnings were $52.2 million, which was greater than 171% of the earnings target and equated to 250% of the annual incentive target. The construction materials and contracting segment s 2013 earnings per share and return on invested capital were 148.1% and 141.9% of their respective 2013 targets, equating to 173.3% of the target incentive amount attributable to those components.

Coupled with MDU Resources Group, Inc. s earnings per share being 200% of target, overall results for 2013 were 208.8% of the 2013 target annual incentive award.

The following two tables show the 2012 and 2013 incentive plan performance targets and results by business segment.

	2012 Incentive Plan Performance Targets			2012 Incentive Plan Results		
Name	EPS Business Segment ($)	ROIC (%)	EPS MDU Resources ($)	EPS Business Segment ($)	ROIC (%)	EPS MDU Resources ($)
Pipeline and Energy Services	0.99	5.8	1.19	1.78	8.3	(.01)
Exploration and Production	2.10	6.9	1.19	(4.81)	(13.9)	(.01)
Construction Services	3.61	7.4	1.19	8.18	15.2	(.01)
Construction Materials and Contracting	0.31	3.5	1.19	0.49	4.1	(.01)
Electric and Natural Gas Distribution	1.16	6.2	1.19	1.08	5.8	(.01)

2013 Incentive Plan Performance Targets	2013 Incentive Plan Results

Name	EPS Business Segment ($)	ROIC (%)	Business Segment Earnings ($)	EPS MDU Resources ($)	EPS Business Segment ($) / (% of Target)	ROIC (%) / (% of Target)	Business Segment Earnings ($) / (% of Target)	EPS MDU Resources ($) / (% of Target)
Pipeline and Energy Services	1.16	5.4		1.27	0.51 / 0	3.1 / 0		1.49 / 200
Exploration and Production			84.0	1.27			98.4 / 200	1.49 / 200
Construction Services			20.9				52.2 / 250	
Construction Materials and Contracting	0.52	4.3		1.27	0.77 / 200	6.1 / 146.5		1.49 / 200
Electric and Natural Gas Distribution	1.20	5.9		1.27	1.30 / 155.5	6.1 / 122.6		1.49 / 200

Proxy Statement

The table below lists each named executive officer s 2013 base salary, target annual incentive percentage, and the annual incentive earned.

Name	2013 Base Salary (000s) ($)	2013 Target Annual Incentive (%)	2013 Annual Incentive Earned (% of Target)	2013 Annual Incentive Earned (000s) ($)
David L. Goodin	625.0	150.0	171.8	1,610.6
Doran N. Schwartz	345.0	50.0	171.8	296.4
J. Kent Wells	570.0	125.0	200.0	1,425.0
Jeffrey S. Thiede *	366.7	90.0	250.0	825.0
Paul K. Sandness	344.0	60.0	171.8	354.6

* Mr. Thiede s 2013 Annual Incentive Earned was established using a base salary that was prorated for 2013 as follows: one-third at an annualized rate of $330,000 and two-thirds at an annualized rate of $385,000.

Messrs. Goodin s, Schwartz s, and Sandness 2013 annual incentives were paid at 171.8% of target based on the following:

	Column A Percentage of Annual Incentive Target Achieved	Column B Percentage of Average Invested Capital	Column A x Column B
Construction Services Segment and Construction Materials and Contracting Segment	208.8%	28.5%	59.5%
Exploration and Production Segment	200.0%	26.6%	53.2%
Pipeline and Energy Services Segment	50.0%	9.8%	4.9%
Electric and Natural Gas Distribution Segments	154.3%	35.1%	54.2%
Total (Payout Percentage)			171.8%

Deferral of Annual Incentive Compensation

We provide executives the opportunity to defer receipt of earned annual incentives. If an executive chooses to defer his or her annual incentive, we will credit the deferral with interest at a rate determined by the compensation committee. For 2013, the committee chose to use the average of (i) the number that results from adding the daily Moody s U.S. Long-Term Corporate Bond Yield Average for A rated companies as of the last day of each month for the 12-month period ending October 31 and dividing by 12 and (ii) the number that results from adding the daily Moody s U.S. Long-Term Corporate Bond Yield Average for BBB rated companies as of the last day of each month for the 12-month period ending October 31 and dividing by 12. This resulted in an interest rate of 4.58%. The compensation committee s reasons for using this approach recognized:

incentive deferrals are a low-cost source of capital for the company and

incentive deferrals are unsecured obligations and, therefore, carry a higher risk to the executives.

2013 Long-Term Incentives

Performance Share Awards

We use the Long-Term Performance-Based Incentive Plan, which has been approved by our stockholders, for long-term incentive compensation, with performance shares as the primary form of long-term incentive compensation. We have not granted stock options since 2001, and in 2011 we amended the plan to no longer permit the grant of stock options or stock appreciation rights; no stock options, stock appreciation rights, or restricted shares are outstanding.

The compensation committee has used relative stockholder return in comparison to the performance graph peer group as the performance measure for a number of years, including the 2013 performance share awards. The performance graph peer group consisted of the following companies when the committee granted performance shares in March 2013:

Alliant Energy Corporation
Atmos Energy
Berry Petroleum Company
Black Hills Corporation
Comstock Resources, Inc.
EMCOR Group, Inc.
EQT Corporation
Granite Construction Incorporated
Martin Marietta Materials, Inc.
National Fuel Gas Company
Northwest Natural Gas Company
Pike Electric Corporation
Quanta Services, Inc.
Questar Corporation
SCANA Corporation
Southwest Gas Corporation
Sterling Construction Company
SM Energy Company
Swift Energy Company
Texas Industries
Vectren Corporation
Vulcan Materials Company
Whiting Petroleum Corporation

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Since the March 2013 grant, Berry Petroleum Company has been removed from the performance graph peer group because it was acquired.

The performance measure is our total stockholder return over a three-year measurement period as compared to the total stockholder returns of the companies in our performance graph peer group over the same three-year period. The compensation committee selected the relative stockholder return performance measure because it believes executive pay under a long-term, capital accumulation program such as this should mirror our long-term performance in stockholder return as compared to other public companies in our industries. Payments are made in company stock; dividend equivalents are paid in cash. No dividend equivalents are paid on unvested performance shares.

Total stockholder return is the percentage change in the value of an investment in the common stock of a company, from the closing price on the last trading day in the calendar year preceding the beginning of the performance period, through the last trading day in the final year of the performance period. It is assumed that dividends are reinvested in additional shares of common stock at the frequency paid.

As with the target annual incentive, we determined the target long-term incentive for a given position in part from the competitive assessment and in part by the compensation committee s judgment on the impact each position has on our total stockholder return. The committee kept the chief executive officer s target long-term incentive below a level indicated from the competitive assessment. Mr. Goodin s target was 150% of base salary, below the salary survey median of 309% of base salary and below the performance graph peer group median of 247% of base salary for chief executive officers. The compensation committee has historically set the president and chief executive officer s target long-term incentive compensation below the level indicated by the competitive assessment to offset his benefit under the Supplemental Income Security Plan, our nonqualified defined benefit plan, which prior assessments have shown to be higher than competitive levels.

Messrs. Schwartz s and Wells target long-term incentives were unchanged from 2012. Mr. Schwartz s target long-term incentive of 75% of base salary was below the salary survey median of 119% of base salary and below the performance graph peer group median of 143% of base salary for chief financial officers. Mr. Wells target long-term incentive was 200% of base salary, which was above the salary survey median of 113% and below the performance graph peer group median of 444% of base salary paid to comparable positions based on survey data and proxy data, respectively, from the competitive assessment. We believe that Mr. Wells long-term incentive target enhances retention since he cannot participate in any of our defined benefit retirement plans.

Mr. Thiede received no long-term incentive awards in 2013.

Mr. Sandness target long-term incentive was increased from 75% to 85% of base salary and was slightly below the salary survey median of 92% of base salary.

On March 4, 2013, the board of directors, upon recommendation of the compensation committee, made performance share grants to the named executive officers, except Mr. Thiede. The compensation committee determined the target number of performance shares granted to each named executive officer by multiplying the named executive officer s 2013 base salary by his target long-term incentive and then dividing this product by the average of the closing prices of our stock from January 1, 2013 through January 22, 2013, as shown in the following table:

Name	2013 Base Salary to Determine Target ($)	2013 Target Long-Term Incentive at Time of Grant (%)	2013 Target Long-Term Incentive at Time of Grant ($)	Average Closing Price of Our Stock From January 1 Through January 22 ($)	Resulting Number of Performance Shares Granted on March 4 (#)
David L. Goodin	625,000	150	937,500	21.91	42,788
Doran N. Schwartz	345,000	75	258,750	21.91	11,809
J. Kent Wells	570,000	200	1,140,000	21.91	52,031
Jeffrey S. Thiede					
Paul K. Sandness	344,000	85	292,400	21.91	13,345

Assuming our three-year (2013 to 2015) total stockholder return is positive, from 0% to 200% of the target grant will be paid out in February 2016 depending on our total stockholder return compared to the total three-year stockholder returns of companies in our performance graph peer group. The payout percentage will be a function of our rank against our performance graph peer group.

During 2012, the compensation committee reviewed its long-term incentive award program and the use of performance shares as the only long-term award and relative total stockholder return as the sole performance measure. After considering alternative approaches, the committee determined to continue using performance shares as the only long-term award in order to keep long-term incentives based solely on performance. However, the committee modified the program due to:

- the added difficulty of comparing the company s diversified operations to a peer group comprised primarily of single industry firms and
- a number of the performance graph peer group companies also grant awards based solely on time vesting.

The committee determined, in order to be competitive and keep executives incentivized, to lower the threshold performance level from the 40th percentile to the 25th percentile and increase the threshold payout percentage from 10% to 20%. In addition, the performance level for maximum payout was lowered from the 90th percentile to the 75th percentile, as follows:

Long-Term Incentive Payout Percentages

The Company s Percentile Rank	Payout Percentage of March 4, 2013 Grant
75th or higher	200%
50th	100%
25th	20%
Less than 25th	0%

Payouts for percentile ranks falling between the intervals will be interpolated. We also will pay dividend equivalents in cash on the number of shares actually earned for the performance period. The dividend equivalents will be paid in 2016 at the same time as the performance share awards are paid.

As had been established for awards granted beginning in 2011, if our total stockholder return is negative, the shares and dividend equivalents otherwise earned, if any, will be reduced in accordance with the following table:

Total Stockholder Return	Reduction in Award
0% through -5%	50%
-5.01% through -10%	60%
-10.01% through -15%	70%
-15.01% through -20%	80%
-20.01% through -25%	90%
-25.01% or below	100%

The named executive officers must retain 50% of the net after-tax shares that are earned pursuant to this long-term incentive award until the earlier of (i) the end of the two-year period commencing on the date any shares earned under the award are issued and (ii) the executive s termination of employment.

No Payment in February 2013 for 2010 Grants under the Long-Term Performance-Based Incentive Plan

We granted performance shares to our named executive officers under the Long-Term Performance-Based Incentive Plan on March 5, 2010 for the 2010 through 2012 performance period. Our total stockholder return for the 2010 through 2012 performance period was (1.22)%, which corresponded to a percentile rank of 13% against our performance graph peer group and resulted in no shares or dividend equivalents being paid to the named executive officers.

Clawback

In November 2005, we implemented a guideline for repayment of incentives due to accounting restatements, commonly referred to as a clawback policy, whereby the compensation committee may seek repayment of annual and long-term incentives paid to executives if accounting restatements occur within three years after the payment of incentives under the annual and long-term plans. Under our clawback policy, the compensation committee may require executives to forfeit awards and may rescind vesting, or the acceleration of vesting, of an award.

Proxy Statement

Post-Termination Compensation and Benefits

Pension Plans
Effective in 2006, we no longer offer defined benefit pension plans to new non-bargaining unit employees. The defined benefit plans available to employees hired before 2006 were amended to cease benefit accruals as of December 31, 2009. The frozen benefit provided through our qualified defined benefit pension plans is determined by years of service and base salary. Effective 2010, for those employees who were participants in defined benefit pension plans and for executives and other non-bargaining unit employees hired after 2006, the company offers increased company contributions to our 401(k) plan. For non-bargaining unit employees hired after 2006, the retirement contribution is 5% of plan eligible compensation. For participants hired prior to 2006, retirement contributions are based on the participant s age as of December 31, 2009. The retirement contribution is 11.5% for Mr. Goodin and Mr. Sandness, 10.5% for Mr. Schwartz, and 5% for Mr. Wells and Mr. Thiede.

Supplemental Income Security Plan
Benefits Offered
We offer certain key managers and executives, including all of our named executive officers, except Mr. Wells and Mr. Thiede, benefits under our nonqualified retirement plan, which we refer to as the Supplemental Income Security Plan or SISP. The SISP has a ten-year vesting schedule and was amended to add an additional vesting requirement for benefit level increases occurring on or after January 1, 2010. The SISP provides participants with additional retirement income and death benefits.

We believe the SISP is effective in retaining the talent necessary to drive long-term stockholder value. In addition, we believe that the ten-year vesting provision of the SISP, augmented by an additional three years of vesting for benefit level increases occurring on or after January 1, 2010, helps promote retention of key executive officers.

Benefit Levels
The chief executive officer recommends benefit level increases to the compensation committee for participants except himself. The chief executive officer considers, among other things, the participant s salary in relation to the salary ranges that correspond with the SISP benefit levels, the participant s performance, the performance of the applicable business segment or the company, and the cost associated with the benefit level increase.

The chief executive recommended, and the compensation committee approved, a 2013 SISP benefit level increase for Mr. Schwartz. The benefit level increase corresponded to one level below which Mr. Schwartz s 2013 salary would otherwise qualify. The recommendation was to recognize Mr. Schwartz s performance relating to the successful renewal of the company s credit facility.

The committee also approved a 2013 SISP benefit level increase for Mr. Goodin. The benefit level increase corresponded to one level below which Mr. Goodin s 2013 salary would otherwise qualify. The benefit level increase recognized Mr. Goodin s promotion to the president and chief executive officer position. The following table reflects our named executive officers SISP levels as of December 31, 2013:

	December 31, 2013 Annual SISP Benefits	
Name	Survivor ($)	Retirement ($)
David L. Goodin	552,960	276,480
Doran N. Schwartz	233,184	116,592
J. Kent Wells	N/A	N/A
Jeffrey S. Thiede	N/A	N/A
Paul K. Sandness	328,080	164,040

Nonqualified Defined Contribution Plan
The company adopted the Nonqualified Defined Contribution Plan, or NQDCP, effective January 1, 2012, to provide deferred compensation for a select group of management or highly compensated employees who do not participate in the SISP. The compensation committee, upon recommendation from the chief executive officer, determines which employees will participate in the NQDCP for any year. The compensation committee determines the amount of employer contributions under the plan, which are credited to plan accounts and not funded. After satisfying a four-year vesting requirement for each contribution, the contributions

and investment earnings will be distributed to the executive in a lump sum upon separation from service with the company or in annual installments commencing upon the later of (i) separation from service and (ii) age 65. The four-year vesting requirement is waived if the participant dies while employed by the company.

The committee, upon recommendation of the chief executive officer, selected Mr. Thiede as a participant for 2013 with an employer contribution of $33,000 or 10% of his base salary as of January 1, 2013. The contribution was awarded to recognize his promotion to president of the construction services segment and achievement of an annualized return on invested capital that was 4.7 percentage points higher than the weighted average cost of capital for the construction services segment. We believe that Mr. Thiede s participation in this plan and the four-year vesting requirement enhances retention since he cannot participate in any of our defined benefit retirement plans.

Impact of Tax and Accounting Treatment

The compensation committee may consider the impact of tax and/or accounting treatment in determining compensation. Section 162(m) of the Internal Revenue Code places a limit of $1 million on the amount of compensation paid to certain officers that we may deduct as a business expense in any tax year unless, among other things, the compensation qualifies as performance-based compensation, as that term is used in Section 162(m). Generally, long-term incentive compensation and annual incentive awards for our chief executive officer and those executive officers whose overall compensation is likely to exceed $1 million are structured to be deductible for purposes of Section 162(m) of the Internal Revenue Code, but we may pay compensation to an executive officer that is not deductible. All annual or long-term incentive compensation paid to our named executive officers in 2013 satisfied the requirements for deductibility.

Section 409A of the Internal Revenue Code imposes additional income taxes on executive officers for certain types of deferred compensation if the deferral does not comply with Section 409A. We have amended our compensation plans and arrangements affected by Section 409A with the objective of not triggering any additional income taxes under Section 409A.

Section 4999 of the Internal Revenue Code imposes an excise tax on payments to executives and others of amounts that are considered to be related to a change of control if they exceed levels specified in Section 280G of the Internal Revenue Code. To the extent a change in control triggers liability for an excise tax, payment of the excise tax will be made by the individual. The company will not pay the excise tax. We do not consider the potential impact of Section 4999 or 280G when designing our compensation programs.

The compensation committee also considers the accounting and cash flow implications of various forms of executive compensation. In our financial statements, we record salaries and annual incentive compensation as expenses in the amount paid, or to be paid, to the named executive officers. For our equity awards, accounting rules also require that we record an expense in our financial statements. We calculate the accounting expense of equity awards to employees in accordance with Financial Accounting Standards Board generally accepted accounting principles for stock-based compensation.

Stock Ownership Requirements

We instituted stock ownership guidelines on May 5, 1993, which we revised in November 2010 to provide that executives who participate in our Long-Term Performance-Based Incentive Plan are required within five years to own our common stock equal to a multiple of their base salaries. Stock owned through our 401(k) plan or by a spouse is considered in ownership calculations. Unvested performance shares and other unvested equity awards are not considered in ownership calculations. The level of stock ownership compared to the requirements is determined based on the closing sale price of the stock on the last trading day of the year and base salary at December 31 of each year. Each February, the compensation committee receives a report on the status of stock holdings by executives. The committee may, in its sole discretion, grant an extension of time to meet the ownership requirements or take such other action as it deems appropriate to enable the executive to achieve compliance with the policy. The table shows the named executive officers holdings as of December 31, 2013:

Name	Assigned Guideline Multiple of Base Salary	Actual Holdings as a Multiple of Base Salary	Number of Years at Guideline Multiple (#)
David L. Goodin	4X	2.13	1.00(1)
Doran N. Schwartz	3X	2.54	3.87(2)
J. Kent Wells	3X	1.49	2.67(3)
Jeffrey S. Thiede	3X	0.15	(4)
Paul K. Sandness	3X	4.80	9.75

(1) Participant must meet ownership requirement by January 1, 2018.
(2) Participant must meet ownership requirement by January 1, 2015.
(3) Participant must meet ownership requirement by May 1, 2016.
(4) Participant must meet ownership requirement by January 1, 2019.

Proxy Statement

The compensation committee may consider the policy and the executive s stock ownership in determining compensation. The committee, however, did not do so with respect to 2013 compensation.

Policy Regarding Hedging Stock Ownership

Our executive compensation policy prohibits Section 16 officers from hedging their ownership of company common stock. Executives may not enter into transactions that allow the executive to benefit from devaluation of our stock or otherwise own stock technically but without the full benefits and risks of such ownership. See the Security Ownership section of the proxy statement for our policy on margin accounts and pledging of our stock.

Compensation Committee Report

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis required by Regulation S-K, Item 402(b), with management. Based on the review and discussions referred to in the preceding sentence, the compensation committee recommended to the board of directors that the Compensation Discussion and Analysis be included in our proxy statement on Schedule 14A.

Thomas Everist, Chairman
Karen B. Fagg
Thomas C. Knudson
Patricia L. Moss

Proxy Statement

Summary Compensation Table for 2013

Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)	Stock Awards ($) (e)(1)	Option Awards ($) (f)	Non-Equity Incentive Plan Compensation ($) (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (h)(2)	All Other Compensation ($) (i)	Total ($) (j)
David L. Goodin	2013	625,000		1,241,280		1,610,625	532,991	37,517(3)	4,047,413
President and CEO	2012								
	2011								
Terry D. Hildestad	2013	74,481(4)					17,928	13,565(3)	105,974
President and CEO	2012	750,000		897,277		518,250	355,027	38,224	2,558,778
	2011	750,000		1,084,318		954,750	739,760	37,499	3,566,327
Doran N. Schwartz	2013	345,000		342,579		296,355	28,459	34,881(3)	1,047,274
Vice President and CFO	2012	300,000		179,445		103,650	100,935	34,224	718,254
	2011	273,000		197,341		173,765	147,789	33,549	825,444
J. Kent Wells	2013	570,000		1,509,419		1,425,000		20,556(3)	3,524,975
Vice Chairman of the	2012	550,000		877,331				96,470	1,523,801
Corporation and President and CEO of Fidelity Exploration & Production Company	2011	367,671	916,685(5)	925,000(6)		1,007,306(7)		84,580(8)	3,301,242
Jeffrey S. Thiede	2013	367,068				825,000		66,282(3)	1,258,350
President and CEO of	2012								
MDU Construction Services Group, Inc.	2011								
Paul K. Sandness	2013	344,000		387,138		354,595		39,131(3)	1,124,864
General Counsel and	2012								
Secretary	2011								

(1) Amounts in this column represent the aggregate grant date fair value of the performance share awards calculated in accordance with Financial Accounting Standards Board generally accepted accounting principles for stock-based compensation in FASB Accounting Standards Codification Topic 718. This column was prepared assuming none of the awards will be forfeited. The amounts were calculated using a Monte Carlo simulation, as described in Note 13 of our audited financial statements in our Annual Report on Form 10-K for the year ended December 31, 2013.

(2) Amounts shown represent the change in the actuarial present value for years ended December 31, 2011, 2012, and 2013 for the named executive officers accumulated benefits under the pension plan, excess SISP, and SISP, collectively referred to as the accumulated pension change, plus above-market earnings on deferred annual incentives, if any. The amounts shown are based on accumulated pension change and above-market earnings as of December 31, 2011, 2012, and 2013, as follows:

Name	Accumulated Pension Change 12/31/2011 ($)	12/31/2012 ($)	12/31/2013 ($)	Above-Market Earnings 12/31/2011 ($)	12/31/2012 ($)	12/31/2013 ($)

David L. Goodin			532,986			5
Terry D. Hildestad	728,587	331,845	(582,178)	11,173	23,182	17,928
Doran N. Schwartz	147,789	100,935	28,459			
J. Kent Wells						
Jeffrey S. Thiede						
Paul K. Sandness			(170,904)			

Proxy Statement

(3)

	401(k) ($)(a)	Life Insurance Premium ($)	Matching Charitable Contribution ($)	Automobile Allowance ($)	Additional LTD Premium ($)	Nonqualified Defined Contribution Plan ($)	Total ($)
David L. Goodin	36,975	242	300				37,517
Terry D. Hildestad	11,752	13	1,800				13,565
Doran N. Schwartz	34,425	156	300				34,881
J. Kent Wells	20,400	156					20,556
Jeffrey S. Thiede	20,400	156		12,000	726	33,000	66,282
Paul K. Sandness	36,975	156	2,000				39,131

(a) Represents company contributions to 401(k) plan, which include matching contributions and contributions made in lieu of pension plan accruals after pension plans were frozen at December 31, 2009.

(4) Mr. Hildestad s reported salary includes $65,827 of vacation payout.

(5) Includes a cash recruitment payment of $550,000 and guaranteed target annual incentive payment of $366,685.

(6) Represents the aggregate grant date fair value of the portion of Mr. Wells additional 2011 annual incentive award that was paid in shares of our common stock calculated in accordance with Financial Accounting Standards Board generally accepted accounting principles for stock-based compensation in FASB Accounting Standards Codification Topic 718.

(7) Includes $82,296, the value of Mr. Wells annual incentive earned above the guaranteed target amount and the $925,010 cash portion of Mr. Wells additional 2011 annual incentive.

(8) The 2011 amount for Mr. Wells all other compensation has been reduced to reflect the removal of $4,925, an excess 401(k) company match, that exceeded the limit when contributions from his prior company and current company were aggregated.

Grants of Plan-Based Awards in 2013

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards						
Name (a)	Grant Date (b)	Threshold ($) (c)	Target ($) (d)	Maximum ($) (e)	Threshold (#) (f)	Target (#) (g)	Maximum (#) (h)	All Other Stock Awards: Number of Shares of Stock or Units (#) (i)	All Other Option Awards: Number of Securities Underlying Options (#) (j)	Exercise or Base Price of Option Awards ($/Sh) (k)	Grant Date Fair Value of Stock and Option Awards ($) (l)
David L. Goodin	3/4/2013(1)	290,625	937,500	1,940,625							
	3/4/2013(2)				8,558	42,788	85,576				1,241,280
Terry D. Hildestad											
Doran N. Schwartz	3/4/2013(3)	53,475	172,500	357,075							
	3/4/2013(2)				2,362	11,809	23,618				342,579
J. Kent Wells	3/4/2013(1)	178,125	712,500	1,425,000							
	3/4/2013(2)				10,406	52,031	104,062				1,509,419
Jeffrey S. Thiede	2/7/2013(3)	231,000	330,000	825,000							
Paul K. Sandness	3/4/2013(3)	63,984	206,400	427,248							
	3/4/2013(2)				2,669	13,345	26,690				387,138

(1) Annual incentive for 2013 granted pursuant to the MDU Resources Group, Inc. Long-Term Performance-Based Incentive Plan.

(2) Performance shares for the 2013-2015 performance period granted pursuant to the MDU Resources Group, Inc. Long-Term Performance-Based Incentive Plan.

(3) Annual incentive for 2013 granted pursuant to the MDU Resources Group, Inc. Executive Incentive Compensation Plan.

Narrative Discussion Relating to the Summary Compensation Table and Grants of Plan-Based Awards Table

Incentive Awards

Annual Incentive

On March 4, 2013, the compensation committee recommended the 2013 annual incentive award opportunities for our named executive officers, except for Mr. Thiede, and the board approved these opportunities at its meeting on March 4, 2013. Mr. Thiede s 2013 annual incentive award opportunity was established on February 7, 2013 by Mr. Goodin and the former chief executive officer of the construction services segment and was left unchanged by the compensation committee when he was promoted. These award opportunities are reflected in the Grants of Plan-Based Awards table at grant on March 4, 2013, (February 7, 2013 for Mr. Thiede) in columns (c), (d), and (e) and in the Summary Compensation Table as earned with respect to 2013 in column (g).

Executive officers may receive a payment of annual cash incentive awards based upon achievement of annual performance measures with a threshold, target, and maximum level. A target incentive award is established based on a percent of the executive s base salary. Based upon achievement of goals, actual payment may range from 0% to 207% of the target for Messrs. Goodin, Schwartz, and Sandness, from 0% to 200% of the target for Mr. Wells, and from 0% to 250% of the target for Mr. Thiede.

In order to be eligible to receive a payment of an annual incentive award under the Long-Term Performance-Based Incentive Plan, Messrs. Goodin and Wells must have remained employed by the company through December 31, 2013, unless the compensation committee determines otherwise. The committee has full discretion to determine the extent to which goals have been achieved, the payment level, whether any final payment will be made, and whether to adjust awards downward based upon individual performance. Unless otherwise determined and established in writing by the compensation committee within 90 days of the beginning of the performance period, the performance goals may not be adjusted if the adjustment would increase the annual incentive award payment. The compensation committee may use negative discretion and adjust any annual incentive award payment downward, using any subjective or objective measures as it shall determine. The application of any reduction, and the methodology used in determining any such reduction, is in the sole discretion of the compensation committee.

With respect to annual incentive awards granted pursuant to the MDU Resources Group, Inc. Executive Incentive Compensation Plan, which includes Messrs. Schwartz, Thiede, and Sandness, participants who retire during the year at age 65 pursuant to their employer s bylaws remain eligible to receive an award. Subject to the compensation committee s discretion, executives who terminate employment for other reasons are not eligible for an award. The compensation committee has full discretion to determine the extent to which goals have been achieved, the payment level, and whether any final payment will be made. Once performance goals are approved by the committee for executive incentive compensation plan awards, the committee generally does not modify the goals. However, if major unforeseen changes in economic and environmental conditions or other significant factors beyond the control of management substantially affected management s ability to achieve the specified performance goals, the committee, in consultation with the chief executive officer, may modify the performance goals. Such goal modifications will only be considered in years of unusually adverse or favorable external conditions.

Annual incentive award payments for Messrs. Goodin, Schwartz, and Sandness were determined based on achievement of performance goals at the following business segments (i) construction services and construction materials and contracting, (ii) exploration and production, (iii) pipeline and energy services, and (iv) electric and natural gas distribution and were calculated as follows:

	Column A Percentage of Annual Incentive Target Achieved	Column B Percentage of Average Invested Capital	Column A x Column B
Construction Services Segment and Construction Materials and Contracting Segment	208.8%	28.5%	59.5%
Exploration and Production Segment	200.0%	26.6%	53.2%
Pipeline and Energy Services Segment	50.0%	9.8%	4.9%
Electric and Natural Gas Distribution Segments	154.3%	35.1%	54.2%
Total (Payout Percentage)			171.8%

The award opportunity available to Mr. Wells was:

Exploration and Production s 2013 earnings* results as a % of 2013 target (weighted 75.0%)	Corresponding payment of annual incentive target based on earnings	MDU Resources Group, Inc. s consolidated 2013 earnings per share results as a % of target (weighted 25%)	Corresponding payment of annual incentive target based on consolidated earnings per share result
Less than 90%	0%	Less than 85%	0%
90%	25%	85%	25%
100%	100%	90%	50%
101%	120%	95%	75%
102%	140%	100%	100%

103%	160%	103%	120%
104%	180%	106%	140%
105%	200%	109%	160%
		112%	180%
		115%	200%

* Earnings is defined as GAAP earnings reported for the exploration and production segment, adjusted to exclude the (i) effect on earnings of any noncash write-downs of oil and natural gas properties due to ceiling test impairment charges and any associated earnings benefit resulting from lower depletion, depreciation, and amortization expenses and (ii) the effect on earnings of any noncash gains and losses that result from (x) ineffectiveness in hedge accounting, (y) derivatives that no longer qualify for hedge accounting treatment, or (z) the discontinuation of hedge accounting treatment.

Proxy Statement

The award opportunity available to Mr. Thiede was:

Construction Services 2013 earnings* results as a % of 2013 target (weighted 100%)	Corresponding payment of annual incentive target based on earnings
Less than 70%	0%
70%	70%
100%	100%
116%	130%
130%	160%
144%	190%
157%	220%
171%	250%

* Earnings is defined as GAAP earnings reported for the construction services segment.

For discussion of the specific incentive plan performance targets and results, please see the Compensation Discussion and Analysis.

Long-Term Incentive

On March 4, 2013, the compensation committee recommended long-term incentive grants to the named executive officers, except for Mr. Thiede, in the form of performance shares, and the board approved these grants at its meeting on March 4, 2013. These grants are reflected in columns (f), (g), (h), and (l) of the Grants of Plan-Based Awards table and in column (e) of the Summary Compensation Table.

If the company s 2013-2015 total stockholder return is positive, from 0% to 200% of the target grant will be paid out in February 2016, depending on our 2013-2015 total stockholder return compared to the total three-year stockholder returns of companies in our performance graph peer group. The payout percentage is determined as follows:

The Company s Percentile Rank	Payout Percentage of March 4, 2013 Grant
75th or higher	200%
50th	100%
25th	20%
Less than 25th	0%

Payouts for percentile ranks falling between the intervals will be interpolated. We also will pay dividend equivalents in cash on the number of shares actually earned for the performance period. The dividend equivalents will be paid in 2016 at the same time as the performance share awards are paid.

If the common stock of a company in the peer group ceases to be traded at any time during the 2013-2015 performance period, the company will be deleted from the peer group. Percentile rank will be calculated without regard to the return of the deleted company. If MDU Resources Group, Inc. or a company in the peer group spins off a segment of its business, the shares of the spun-off entity will be treated as a cash dividend that is reinvested in MDU Resources Group, Inc. or the company in the peer group.

If the company s 2013-2015 total stockholder return is negative, the number of shares otherwise earned, if any, for the performance period will be reduced in accordance with the following table:

Total Stockholder Return	Reduction in Award
0% through -5%	50%
-5.01% through -10%	60%
-10.01% through -15%	70%
-15.01% through -20%	80%
-20.01% through -25%	90%
-25.01% or below	100%

Proxy Statement

Salary and Bonus in Proportion to Total Compensation
The following table shows the proportion of salary and bonus to total compensation:

Name	Salary ($)	Bonus ($)	Total Compensation ($)	Salary and Bonus as a % of Total Compensation
David L. Goodin	625,000		4,047,413	15.4%
Terry D. Hildestad	74,481		105,974	70.3%
Doran N. Schwartz	345,000		1,047,274	32.9%
J. Kent Wells	570,000		3,524,975	16.2%
Jeffrey S. Thiede	367,068		1,258,350	29.2%
Paul K. Sandness	344,000		1,124,864	30.6%

Outstanding Equity Awards at Fiscal Year-End 2013

	Option Awards					Stock Awards			
Name (a)	Number of Securities Underlying Unexercised Options Exercisable (#) (b)	Number of Securities Underlying Unexercised Options Unexercisable (#) (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (d)	Option Exercise Price ($) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested ($) (h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (j)(1)
David L. Goodin								148,124(2)	4,525,188
Terry D. Hildestad								146,206(2)	4,466,593
Doran N. Schwartz								64,252(2)	1,962,899
J. Kent Wells								206,196(2)	6,299,288
Jeffrey S. Thiede									
Paul K. Sandness								74,104(2)	2,263,877

(1) Value based on the number of performance shares reflected in column (i) multiplied by $30.55, the year-end closing price for 2013.

(2) Below is a breakdown by year of the plan awards:

Named Executive Officer	Award	Shares	End of Performance Period
David L. Goodin	2011	30,376	12/31/13
	2012	32,172	12/31/14
	2013	85,576	12/31/15
Terry D. Hildestad	2011	108,486	12/31/13
	2012	37,720	12/31/14
	2013		12/31/15
Doran N. Schwartz	2011	19,744	12/31/13
	2012	20,890	12/31/14
	2013	23,618	12/31/15
J. Kent Wells	2011		12/31/13

	2012	102,134	12/31/14
	2013	104,062	12/31/15
Jeffrey S. Thiede	2011		12/31/13
	2012		12/31/14
	2013		12/31/15
Paul K. Sandness	2011	24,156	12/31/13
	2012	23,258	12/31/14
	2013	26,690	12/31/15

Shares for the 2011 award are shown at the maximum level (200%) based on results for the 2011-2013 performance cycle above target.

Shares for the 2012 award are shown at the maximum level (200%) based on results for the first two years of the 2012-2014 performance cycle above target.

Shares for the 2013 award are shown at the maximum level (200%) based on results for the first year of the 2013-2015 performance cycle above target.

Proxy Statement

Pension Benefits for 2013

Name (a)	Plan Name (b)	Number of Years Credited Service (#) (c)	Present Value of Accumulated Benefit ($) (d)	Payments During Last Fiscal Year ($) (e)
David L. Goodin	MDU Pension Plan	26	839,516	
	SISP I(1)(3)	10	365,414	
	SISP II(2)(3)	10	570,332	
	SISP II 2012 Upgrade(4)	1	57,247	
	SISP II 2013 Upgrade(4)	0	782,190	
	SISP Excess(5)	26	30,865	
Terry D. Hildestad	MDU Pension Plan	35	1,438,289	95,896
	SISP I(1)(3)	10	2,061,898	
	SISP II(2)(3)	10	3,404,499	
	SISP Excess(5)	35	192,720	182,410
Doran N. Schwartz	MDU Pension Plan	4	77,776	
	SISP II(2)(3)	6	400,999	
	SISP II 2013 Upgrade(4)	0	132,714	
J. Kent Wells(6)				
Jeffrey S. Thiede(6)				
Paul K. Sandness	MDU Pension Plan	29	1,383,460	
	SISP I(1)(3)	10	389,048	
	SISP II(2)(3)	10	1,088,256	
	SISP Excess(5)	29	153,245	

(1) Grandfathered under Section 409A.

(2) Not grandfathered under Section 409A.

(3) Years of credited service only affects vesting under SISP I and SISP II. The number of years of credited service in the table reflects the years of vesting service completed in SISP I and SISP II as of December 31, 2013, rather than total years of service with the company. Ten years of vesting service is required to obtain the full benefit under these plans. The present value of accumulated benefits was calculated by assuming the named executive officer would have ten years of vesting service on the assumed benefit commencement date; therefore, no reduction was made to reflect actual vesting levels.

(4) Benefit level increases granted under SISP II on or after January 1, 2010 require an additional three years of vesting service for the increase. Mr. Goodin received a benefit increase effective January 1, 2012 and Messrs. Goodin and Schwartz received benefit level increases effective January 1, 2013; the present value of their accumulated benefits was calculated assuming that the additional vesting requirements would be met.

(5) The number of years of credited service under the SISP excess reflects the years of credited benefit service in the MDU pension plan as of December 31, 2009, when the MDU pension plan was frozen, rather than the years of participation in the SISP excess. We reflect years of credited benefit service in the MDU pension plan because the SISP excess provides a benefit that is based on benefits that would have been payable under the MDU pension plan absent Internal Revenue Code limitations.

(6) Messrs. Wells and Thiede are not eligible to participate in the MDU pension plan and do not participate in the SISP.

The amounts shown for the pension plan and SISP excess represent the actuarial present values of the executives accumulated benefits accrued as of December 31, 2013, calculated using a 4.32% and 4.48% discount rate for the SISP excess and MDU pension plan, respectively, the 2014 IRS Static Mortality Table for post-retirement mortality, and no recognition of future salary increases or pre-retirement mortality. The assumed retirement age for these benefits was age 60 for Messrs. Goodin, Schwartz, and Sandness. This is the earliest age at which the executives could begin receiving unreduced benefits. Mr. Hildestad s benefits reflect his actual retirement date of January 3, 2013. The amounts shown for the SISP I and SISP II were determined using a 4.32% discount rate and assume benefits commenced at age 65.

Pension Plan

Messrs. Goodin, Hildestad, Schwartz, and Sandness participate in the MDU Resources Group, Inc. Pension Plan for Non-Bargaining Unit Employees, which we refer to as the MDU pension plan. Pension benefits under the MDU pension plan are based on the participant s average annual salary over the 60 consecutive month period in which the participant received the highest annual salary during the participant s final 10 years of service. For this purpose, only a participant s salary is considered; incentives and other forms of compensation are not included. Benefits are determined by multiplying (1) the participant s years of credited service by (2) the sum of (a) the average annual salary up to the social security integration level times 1.1% and (b) the average annual salary over the social security integration level times 1.45%. The maximum years of service recognized when determining benefits under the pension plan is 35. Pension plan benefits are not reduced for social security benefits.

The MDU pension plan was amended to cease benefit accruals as of December 31, 2009, meaning the normal retirement benefit will not change. The years of credited service in the table reflect the named executive officers years of credited service as of December 31, 2009.

To receive unreduced retirement benefits under the MDU pension plan, participants must either remain employed until age 60 or elect to defer commencement of benefits until age 60. Mr. Hildestad was eligible for unreduced retirement benefits under the MDU pension plan. Participants whose employment terminates between the ages of 55 and 60, with 5 years of service under the MDU pension plan, are eligible for early retirement benefits. Early retirement benefits are determined by reducing the normal retirement benefit by 0.25% per month for each month before age 60. If a participant s employment terminates before age 55, the same reduction applies for each month the termination occurs before age 62, with the reduction capped at 21%.

Benefits for single participants under the MDU pension plan are paid as straight life annuities, and benefits for married participants are paid as actuarially reduced annuities with a survivor benefit for spouses, unless participants choose otherwise. Participants hired before January 1, 2004, who terminate employment before age 55, may elect to receive their benefits in a lump sum. Mr. Goodin would have been eligible for a lump sum if he had retired on December 31, 2013.

The Internal Revenue Code limits the amounts paid under the MDU pension plan and the amount of compensation recognized when determining benefits. In 2009 when the MDU pension plan was frozen, the maximum annual benefit payable under the pension plan was $195,000 and the maximum amount of compensation recognized when determining benefits was $245,000.

Supplemental Income Security Plan

We also offer select key managers and executives benefits under our defined benefit nonqualified retirement plan, which we refer to as the Supplemental Income Security Plan or SISP. Messrs. Goodin, Hildestad, Schwartz, and Sandness participate in the SISP. Benefits under the SISP consist of:

- a supplemental retirement benefit intended to augment the retirement income provided under the pension plans we refer to this benefit as the regular SISP benefit
- an excess retirement benefit relating to Internal Revenue Code limitations on retirement benefits provided under the pension plans we refer to this benefit as the SISP excess benefit, and
- death benefits we refer to these benefits as the SISP death benefit.

SISP benefits are forfeited if the participant s employment is terminated for cause.

Regular SISP Benefits and Death Benefits

Regular SISP benefits and death benefits are determined by reference to one of two schedules attached to the SISP the original schedule or the amended schedule. Our compensation committee, after receiving recommendations from our chief executive officer, determines the level at which participants are placed in the schedules. A participant s placement is generally, but not always, determined by reference to the participant s annual base salary. Benefit levels in the amended schedule, which became effective on January 1, 2010, are 20% lower than the benefit levels in the original schedule. The amended schedule applies to new participants and participants who receive a benefit level increase on or after January 1, 2010. Two of the named executive officers, Messrs. Goodin and Schwartz, received a benefit level increase effective January 1, 2013, which requires three years of vesting.

Participants can elect to receive (1) the regular SISP benefit only, (2) the SISP death benefit only, or (3) a combination of both. Regardless of the participant s election, if the participant dies before the regular SISP benefit would commence, only the SISP death benefit is provided. If the participant elects to receive both a regular SISP benefit and a SISP death benefit, each of the benefits is reduced proportionately.

The regular SISP benefits reflected in the table above are based on the assumption that the participant elects to receive only the regular SISP benefit. The present values of the SISP death benefits that would be provided if the named executive officers had died on December 31, 2013, prior to the commencement of regular SISP benefits, are reflected in the table that appears in the section entitled Potential Payments upon Termination or Change of Control.

Regular SISP benefits that were vested as of December 31, 2004, and were grandfathered under Section 409A of the Internal Revenue Code remain subject to SISP provisions then in effect, which we refer to as SISP I benefits. Regular SISP benefits that are subject to Section 409A of the Internal Revenue Code, which we refer to as SISP II benefits, are governed by amended provisions intended to comply with Section 409A. Participants generally have more discretion with respect to the distributions of their SISP I benefits.

The time and manner in which the regular SISP benefits are paid depend on a variety of factors, including the time and form of benefit elected by the participant and whether the benefits are SISP I or SISP II benefits. Unless the participant elects otherwise, the SISP I benefits are paid over 180 months, with benefits commencing when the participant attains age 65 or, if later, when the participant retires.

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The SISP II benefits commence when the participant attains age 65 or, if later, when the participant retires, subject to a six-month delay if the participant is subject to the provisions of Section 409A of the Internal Revenue Code that require delayed commencement of these types of retirement benefits. The SISP II benefits are paid over 180 months or, if commencement of payments is delayed for six months, 173 months. If the commencement of benefits is delayed for six months, the first payment includes the payments that would have been paid during the six-month period plus interest equal to one-half of the annual prime interest rate on the participant s last date of employment. If the participant dies after the regular SISP benefits have begun but before receipt of all of the regular SISP benefits, the remaining payments are made to the participant s designated beneficiary.

Rather than receiving their regular SISP I benefits in equal monthly installments over 15 years commencing at age 65, participants can elect a different form and time of commencement of their SISP I benefits. Participants can elect to defer commencement of the regular SISP I benefits. If this is elected, the participant retains the right to receive a monthly SISP death benefit if death occurs prior to the commencement of the regular SISP I benefit.

Participants also can elect to receive their SISP I benefits in one of three actuarially equivalent forms a life annuity, 100% joint and survivor annuity, or a joint and two-thirds joint and survivor annuity, provided that the cost of providing these actuarial equivalent forms of benefits does not exceed the cost of providing the normal form of benefit. Neither the election to receive an actuarially equivalent benefit nor the administrator s right to pay the regular SISP benefit in the form of an actuarially equivalent lump sum are available with respect to SISP II benefits.

To promote retention, the regular SISP benefits are subject to the following 10-year vesting schedule:

- 0% vesting for less than 3 years of participation
- 20% vesting for 3 years of participation
- 40% vesting for 4 years of participation and
- an additional 10% vesting for each additional year of participation up to 100% vesting for 10 years of participation.

There is an additional vesting requirement on benefit level increases for the regular SISP benefit granted on or after January 1, 2010. The requirement applies only to the increased benefit level. The increased benefit vests after the later of three additional years of participation in the SISP or the end of the regular vesting schedule described above. The additional three-year vesting requirement for benefit level increases is pro-rated for participants who are officers, attain age 65, and, pursuant to the company s bylaws, are required to retire prior to the end of the additional vesting period as follows:

- 33% of the increase vests for participants required to retire at least one year but less than two years after the increase is granted and
- 66% of the increase vests for participants required to retire at least two years but less than three years after the increase is granted.

The benefit level increases of participants who attain age 65 and are required to retire pursuant to the company s bylaws will be further reduced to the extent the participants are not fully vested in their regular SISP benefit under the 10-year vesting schedule described above. The additional vesting period associated with a benefit level increase may be waived by the compensation committee.

SISP death benefits become fully vested if the participant dies while actively employed. Otherwise, the SISP death benefits are subject to the same vesting schedules as the regular SISP benefits.

The SISP also provides that if a participant becomes totally disabled, the participant will continue to receive credit for up to two additional years under the SISP as long as the participant is totally disabled during such time. Since the named executive officers other than Mr. Goodin, in his upgrade, and Mr. Schwartz are fully vested in their SISP benefits, this would not result in any incremental benefit for the named executive officers other than Messrs. Goodin and Schwartz. The present value of these two additional years of service for Messrs. Goodin and Schwartz is reflected in the table in Potential Payments upon Termination or Change of Control below.

SISP Excess Benefits

SISP excess benefits are equal to the difference between (1) the monthly retirement benefits that would have been payable to the participant under the pension plans absent the limitations under the Internal Revenue Code and (2) the actual benefits payable to the participant under the pension plans. Participants are only eligible for the SISP excess benefits if (1) the participant is fully vested under the pension plan, (2) the participant s employment terminates prior to age 65, and (3) benefits under the pension plan are reduced due to limitations under the Internal Revenue Code on plan compensation. Effective January 1, 2005, participants who were not then vested in the SISP excess benefits were also required to remain actively employed by the company until age 60. In 2009, the plan was amended to