MDU RESOURCES GROUP INC
Form 10-Q
November 02, 2018

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2018-05-31 2018-05-31 0000067716 mdu:TaxCutsandJobsActMember mdu:ElectricRateProceedingMember mdu:WYPSCMember 2018-03-30 2018-03-30 0000067716 mdu:NaturalgasrateproceedingMember mdu:NDPSCMember 2017-09-06 2017-09-06 0000067716 mdu:TaxCutsandJobsActMember mdu:NaturalgasrateproceedingMember mdu:NDPSCMember 2018-02-14 2018-02-14 0000067716 mdu:ElectrictransmissionrateproceedingMember mdu:MISOMember 2018-09-04 2018-09-04 0000067716 mdu:ElectricRateProceedingMember mdu:MtpscMember 2018-09-28 2018-09-28 0000067716 mdu:NaturalgasrateproceedingMember mdu:NDPSCMember 2017-07-21 2017-07-21 0000067716 mdu:PipelineReplacementCostRecoveryMember mdu:WUTCMember us-gaap:SubsequentEventMember 2018-10-11 2018-10-11 0000067716 mdu:NaturalgasrateproceedingMember mdu:WUTCMember 2017-08-31 2017-08-31 0000067716 mdu:TaxCutsandJobsActMember mdu:ElectricRateProceedingMember mdu:NDPSCMember 2018-08-10 2018-08-10 0000067716 mdu:TaxCutsandJobsActMember mdu:ElectricRateProceedingMember mdu:NDPSCMember 2018-03-09 2018-03-09 0000067716 mdu:ElectricRateProceedingMember mdu:SDPUCMember us-gaap:SubsequentEventMember 2018-10-23 2018-10-23 0000067716 mdu:NaturalgasrateproceedingMember mdu:SDPUCMember us-gaap:SubsequentEventMember 2018-10-23 2018-10-23 0000067716 mdu:PipelineReplacementCostRecoveryMember mdu:WUTCMember 2018-06-01 2018-06-01 0000067716 mdu:TaxCutsandJobsActMember mdu:NaturalgasrateproceedingMember mdu:NDPSCMember 2018-03-01 2018-03-01 0000067716 mdu:TaxCutsandJobsActMember mdu:NaturalgasrateproceedingMember mdu:NDPSCMember 2018-09-26 2018-09-26 0000067716 mdu:EugeneORManufacturedGasPlantSiteMember 2018-09-30 0000067716 mdu:EugeneORManufacturedGasPlantSiteMember 2018-01-01 2018-09-30 0000067716 mdu:BremertonWAManufacturedGasPlantSiteMember 2018-09-30 0000067716 srt:MaximumMember mdu:BremertonWAManufacturedGasPlantSiteMember 2018-01-01 2018-09-30 0000067716 mdu:FuelContractMember 2018-09-30 0000067716 srt:MinimumMember mdu:BremertonWAManufacturedGasPlantSiteMember 2018-01-01 2018-09-30 0000067716 mdu:BremertonWAManufacturedGasPlantSiteMember 2018-01-01 2018-09-30 0000067716 us-gaap:FinancialGuaranteeMember 2018-09-30 0000067716 mdu:PortlandHarborSiteMember 2018-09-30 0000067716 srt:MaximumMember mdu:BellinghamWAManufacturedGasPlantSiteMember 2018-01-01 2018-09-30 0000067716 srt:MinimumMember mdu:BellinghamWAManufacturedGasPlantSiteMember 2018-01-01 2018-09-30 0000067716 mdu:PortlandHarborSiteMember 2017-01-06 0000067716 mdu:BellinghamWAManufacturedGasPlantSiteMember 2018-01-01 2018-09-30 0000067716 us-gaap:SubsequentEventMember 2018-10-18 iso4217:USD iso4217:USD xbrli:shares xbrli:shares xbrli:pure

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____________ to _____________
Commission file number 1-03480

MDU RESOURCES GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	41-0423660
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1200 West Century Avenue
P.O. Box 5650
Bismarck, North Dakota 58506-5650
(Address of principal executive offices)

(Zip Code)
(701) 530-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o.

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ý No o.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o
	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of October 26, 2018: 196,018,324 shares.

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Definitions

The following abbreviations and acronyms used in this Form 10-Q are defined below:

Abbreviation or Acronym	
2017 Annual Report	Company's Annual Report on Form 10-K for the year ended December 31, 2017
AFUDC	Allowance for funds used during construction
ASC	FASB Accounting Standards Codification
ASU	FASB Accounting Standards Update
Brazilian Transmission Lines	Company's former investment in companies owning three electric transmission lines in Brazil
BSSE	345-kilovolt transmission line from Ellendale, North Dakota, to Big Stone City, South Dakota
Calumet	Calumet Specialty Products Partners, L.P.
Cascade	Cascade Natural Gas Corporation, an indirect wholly owned subsidiary of MDU Energy Capital
Centennial	Centennial Energy Holdings, Inc., a direct wholly owned subsidiary of the Company
Centennial Capital	Centennial Holdings Capital LLC, a direct wholly owned subsidiary of Centennial
Centennial Resources	Centennial Energy Resources LLC, a direct wholly owned subsidiary of Centennial
Company	MDU Resources Group, Inc.
Coyote Creek	Coyote Creek Mining Company, LLC, a subsidiary of The North American Coal Corporation
Coyote Station	427-MW coal-fired electric generating facility near Beulah, North Dakota (25 percent ownership)
Dakota Prairie Refinery	20,000-barrel-per-day diesel topping plant built by Dakota Prairie Refining in southwestern North Dakota
Dakota Prairie Refining	Dakota Prairie Refining, LLC, a limited liability company previously owned by WBI Energy and Calumet (previously included in the Company's refining segment)
dk	Decatherm
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EPA	United States Environmental Protection Agency
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Fidelity	Fidelity Exploration & Production Company, a direct wholly owned subsidiary of WBI Holdings (previously referred to as the Company's exploration and production segment)
GAAP	Accounting principles generally accepted in the United States of America
GHG	Greenhouse gas
Great Plains	Great Plains Natural Gas Co., a public utility division of the Company
Intermountain	Intermountain Gas Company, an indirect wholly owned subsidiary of MDU Energy Capital
Knife River	Knife River Corporation, a direct wholly owned subsidiary of Centennial
Knife River - Northwest	Knife River Corporation - Northwest, an indirect wholly owned subsidiary of Knife River
kWh	Kilowatt-hour
LWG	Lower Willamette Group
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MDU Construction Services	MDU Construction Services Group, Inc., a direct wholly owned subsidiary of Centennial
MDU Energy Capital	MDU Energy Capital, LLC, a direct wholly owned subsidiary of the Company
MISO	Midcontinent Independent System Operator, Inc.
MMcf	Million cubic feet
MMdk	Million dk
MNPUC	Minnesota Public Utilities Commission
Montana-Dakota	Montana-Dakota Utilities Co., a public utility division of the Company
MTPSC	Montana Public Service Commission
MW	Megawatt
NDPSC	North Dakota Public Service Commission
Non-GAAP	Not in accordance with GAAP

OPUC	Oregon Public Utility Commission
Oregon DEQ	Oregon State Department of Environmental Quality
Pronghorn	Natural gas processing plant located near Belfield, North Dakota (WBI Energy Midstream's 50 percent ownership interests were sold effective January 1, 2017)
PRP	Potentially Responsible Party
ROD	Record of Decision
SDPUC	South Dakota Public Utilities Commission
SEC	United States Securities and Exchange Commission
SSIP	System Safety and Integrity Program
TCJA	Tax Cuts and Jobs Act
Tesoro	Tesoro Refining & Marketing Company LLC
VIE	Variable interest entity
Washington DOE	Washington State Department of Ecology
WBI Energy	WBI Energy, Inc., a direct wholly owned subsidiary of WBI Holdings
WBI Energy Midstream	WBI Energy Midstream, LLC, an indirect wholly owned subsidiary of WBI Holdings
WBI Energy Transmission	WBI Energy Transmission, Inc., an indirect wholly owned subsidiary of WBI Holdings
WBI Holdings	WBI Holdings, Inc., a direct wholly owned subsidiary of Centennial
WUTC	Washington Utilities and Transportation Commission
WYPSC	Wyoming Public Service Commission

Forward-Looking Statements

This Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Exchange Act. Forward-looking statements are all statements other than statements of historical fact, including without limitation those statements that are identified by the words "anticipates," "estimates," "expects," "intends," "plans," "predicts" and similar expressions, and include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions (many of which are based, in turn, upon further assumptions) and other statements that are not statements of historical facts. From time to time, the Company may publish or otherwise make available forward-looking statements of this nature, including statements contained within Part I, Item 2 - MD&A - Business Segment Financial and Operating Data.

Forward-looking statements involve risks and uncertainties, which could cause actual results or outcomes to differ materially from those expressed. The Company's expectations, beliefs and projections are expressed in good faith and are believed by the Company to have a reasonable basis, including without limitation, management's examination of historical operating trends, data contained in the Company's records and other data available from third parties. Nonetheless, the Company's expectations, beliefs or projections may not be achieved or accomplished.

Any forward-looking statement contained in this document speaks only as of the date on which the statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances that occur after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of the factors, nor can it assess the effect of each factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. All forward-looking statements, whether written or oral and whether made by or on behalf of the Company, are expressly qualified by the risk factors and cautionary statements reported in Part II, Item 1A - Risk Factors in this Form 10-Q, Part I, Item 1A - Risk Factors in the 2017 Annual Report and subsequent filings with the SEC.

Introduction

The Company is a regulated energy delivery and construction materials and services business, which was incorporated under the laws of the state of Delaware in 1924. Its principal executive offices are at 1200 West Century Avenue, P.O. Box 5650, Bismarck, North Dakota 58506-5650, telephone (701) 530-1000.

Montana-Dakota, Great Plains, Cascade and Intermountain comprise the natural gas distribution segment. Montana-Dakota also comprises the electric segment.

The Company, through its wholly owned subsidiary, Centennial, owns WBI Holdings, Knife River, MDU Construction Services, Centennial Resources and Centennial Capital. WBI Holdings is the pipeline and midstream segment, Knife River is the construction materials and contracting segment, MDU Construction Services is the construction services segment, and Centennial Resources and Centennial Capital are both reflected in the Other category.

For more information on the Company's business segments, see Note 14.

Part I -- Financial Information
Item 1. Financial Statements
MDU Resources Group, Inc.
Consolidated Statements of Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands, except per share amounts)			
Operating revenues:				
Electric, natural gas distribution and regulated pipeline and midstream	$200,617	$206,936	$851,761	$866,035
Nonregulated pipeline and midstream, construction materials and contracting, construction services and other	1,080,170	1,065,612	2,469,917	2,412,077
Total operating revenues	1,280,787	1,272,548	3,321,678	3,278,112
Operating expenses:				
Operation and maintenance:				
Electric, natural gas distribution and regulated pipeline and midstream	82,920	80,204	252,961	237,881
Nonregulated pipeline and midstream, construction materials and contracting, construction services and other	913,671	893,762	2,166,570	2,116,575
Total operation and maintenance	996,591	973,966	2,419,531	2,354,456
Purchased natural gas sold	32,123	33,319	270,319	283,936
Depreciation, depletion and amortization	55,016	52,155	161,298	155,138
Taxes, other than income	38,647	38,882	128,257	127,273
Electric fuel and purchased power	18,406	18,906	58,901	57,544
Total operating expenses	1,140,783	1,117,228	3,038,306	2,978,347
Operating income	140,004	155,320	283,372	299,765
Other income	2,683	2,068	4,864	6,212
Interest expense	20,955	20,909	62,202	61,978
Income before income taxes	121,732	136,479	226,034	243,999
Income taxes	14,363	46,930	32,629	74,406
Income from continuing operations	107,369	89,549	193,405	169,593
Income (loss) from discontinued operations, net of tax (Note 10)	(118)	(2,198)	85	(3,702)
Net income	107,251	87,351	193,490	165,891
Loss on redemption of preferred stocks	—	—	—	600
Dividends declared on preferred stocks	—	—	—	171
Earnings on common stock	$107,251	$87,351	$193,490	$165,120
Earnings per common share - basic:				
Earnings before discontinued operations	$.55	$.46	$.99	$.86
Discontinued operations, net of tax	—	(.01)	—	(.01)
Earnings per common share - basic	$.55	$.45	$.99	$.85
Earnings per common share - diluted:				
Earnings before discontinued operations	$.55	$.46	$.99	$.86
Discontinued operations, net of tax	—	(.01)	—	(.02)
Earnings per common share - diluted	$.55	$.45	$.99	$.84
Dividends declared per common share	$.1975	$.1925	$.5925	$.5775
Weighted average common shares outstanding - basic	196,018	195,304	195,618	195,304
Weighted average common shares outstanding - diluted	196,265	195,783	196,104	195,922

The accompanying notes are an integral part of these consolidated financial statements.

MDU Resources Group, Inc.
Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Net income	$107,251	$87,351	$193,490	$165,891
Other comprehensive income:				
Reclassification adjustment for loss on derivative instruments included in net income, net of tax of $55 and $56 for the three months ended and $164 and $168 for the nine months ended in 2018 and 2017, respectively	92	92	279	275
Postretirement liability adjustment:				
Amortization of postretirement liability losses included in net periodic benefit cost (credit), net of tax of $142 and $203 for the three months ended and $442 and $609 for the nine months ended in 2018 and 2017, respectively	442	333	1,309	1,002
Reclassification of postretirement liability adjustment from regulatory asset, net of tax of $0 and $0 for the three months ended and $0 and $(725) for the nine months ended in 2018 and 2017, respectively	—	—	—	(917)
Postretirement liability adjustment	442	333	1,309	85
Foreign currency translation adjustment:				
Foreign currency translation adjustment recognized during the period, net of tax of $0 and $9 for the three months ended and $(14) and $5 for the nine months ended in 2018 and 2017, respectively	—	15	(61)	9
Reclassification adjustment for foreign currency translation adjustment included in net income, net of tax of $0 and $0 for the three months ended and $75 and $0 for the nine months ended in 2018 and 2017, respectively	—	—	249	—
Foreign currency translation adjustment	—	15	188	9
Net unrealized gain (loss) on available-for-sale investments:				
Net unrealized loss on available-for-sale investments arising during the period, net of tax of $(13) and $(10) for the three months ended and $(52) and $(38) for the nine months ended in 2018 and 2017, respectively	(51)	(19)	(199)	(70)
Reclassification adjustment for loss on available-for-sale investments included in net income, net of tax of $9 and $14 for the three months ended and $26 and $50 for the nine months ended in 2018 and 2017, respectively	33	27	97	93
Net unrealized gain (loss) on available-for-sale investments	(18)	8	(102)	23
Other comprehensive income	516	448	1,674	392
Comprehensive income attributable to common stockholders	$107,767	$87,799	$195,164	$166,283

The accompanying notes are an integral part of these consolidated financial statements.

MDU Resources Group, Inc.
Consolidated Balance Sheets
(Unaudited)

(In thousands, except shares and per share amounts)	September 30, 2018	September 30, 2017	December 31, 2017
Assets			
Current assets:			
Cash and cash equivalents	$ 67,077	$ 37,356	$ 34,599
Receivables, net	787,344	739,402	727,030
Inventories	270,293	232,555	226,583
Prepayments and other current assets	88,760	89,625	81,304
Current assets held for sale	571	304	479
Total current assets	1,214,045	1,099,242	1,069,995
Investments	143,303	133,895	137,613
Property, plant and equipment	7,102,960	6,658,891	6,770,829
Less accumulated depreciation, depletion and amortization	2,796,649	2,667,762	2,691,641
Net property, plant and equipment	4,306,311	3,991,129	4,079,188
Deferred charges and other assets:			
Goodwill	640,203	631,791	631,791
Other intangible assets, net	4,318	4,209	3,837
Other	408,178	419,846	407,850
Noncurrent assets held for sale	1,835	64,333	4,392
Total deferred charges and other assets	1,054,534	1,120,179	1,047,870
Total assets	$ 6,718,193	$ 6,344,445	$ 6,334,666
Liabilities and Stockholders' Equity			
Current liabilities:			
Long-term debt due within one year	$ 3,915	$ 148,499	$ 148,499
Accounts payable	339,713	304,101	312,327
Taxes payable	50,461	108,946	42,537
Dividends payable	38,714	37,596	38,573
Accrued compensation	62,836	67,097	72,919
Other accrued liabilities	221,620	184,580	186,010
Current liabilities held for sale	7,959	5,749	11,993
Total current liabilities	725,218	856,568	812,858
Long-term debt	1,911,555	1,592,053	1,566,354
Deferred credits and other liabilities:			
Deferred income taxes	405,761	652,413	347,271
Other	1,154,366	889,494	1,179,140
Total deferred credits and other liabilities	1,560,127	1,541,907	1,526,411
Commitments and contingencies			
Stockholders' equity:			
Common stock			
Authorized - 500,000,000 shares, $1.00 par value Shares issued - 196,557,245 at September 30, 2018 and 195,843,297 at September 30, 2017 and December 31, 2017	196,557	195,843	195,843
Other paid-in capital	1,247,151	1,232,766	1,233,412
Retained earnings	1,124,830	964,275	1,040,748
Accumulated other comprehensive loss	(43,619)	(35,341)	(37,334)
Treasury stock at cost - 538,921 shares	(3,626)	(3,626)	(3,626)
Total stockholders' equity	2,521,293	2,353,917	2,429,043

Total liabilities and stockholders' equity	$ 6,718,193	$ 6,344,445	$ 6,334,666

The accompanying notes are an integral part of these consolidated financial statements.

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MDU Resources Group, Inc.
Consolidated Statements of Equity
(Unaudited)

Nine Months Ended September 30, 2018

	Common Stock		Other Paid-in Capital	Retained Earnings	Accumu-lated Other Compre-hensive Loss	Treasury Stock		
	Shares	Amount				Shares	Amount	Total
	(In thousands, except shares)							
Balance at December 31, 2017	195,843,297	$ 195,843	$ 1,233,412	$ 1,040,748	$ (37,334)	(538,921)	$ (3,626)	$ 2,429,043
Cumulative effect of adoption of ASU 2014-09	—	—	—	(970)	—	—	—	(970)
Adjusted balance at January 1, 2018	195,843,297	195,843	1,233,412	1,039,778	(37,334)	(538,921)	(3,626)	2,428,073
Net income	—	—	—	193,490	—	—	—	193,490
Other comprehensive income	—	—	—	—	1,674	—	—	1,674
Reclassification of certain prior period tax effects from accumulated other comprehensive loss	—	—	—	7,959	(7,959)	—	—	—
Dividends declared on common stock	—	—	—	(115,998)	—	—	—	(115,998)
Stock-based compensation	—	—	3,810	(399)	—	—	—	3,411
Repurchase of common stock	—	—	—	—	—	(182,424)	(5,020)	(5,020)
Issuance of common stock upon vesting of stock-based compensation, net of shares used for tax withholdings	—	—	(7,350)	—	—	182,424	5,020	(2,330)
Issuance of common stock	713,948	714	17,279	—	—	—	—	17,993
Balance at September 30, 2018	**196,557,245**	**$ 196,557**	**$ 1,247,151**	**$ 1,124,830**	**$ (43,619)**	**(538,921)**	**$ (3,626)**	**$ 2,521,293**

Nine Months Ended September 30, 2017

	Preferred Stock		Common Stock		Other Paid-in Capital	Retained Earnings	Accumu-lated Other Compre-hensive Loss	Treasury Stock		
	Shares	Amount	Shares	Amount				Shares	Amount	Total
	(In thousands, except shares)									
Balance at December 31, 2016	150,000	$ 15,000	195,843,297	$ 195,843	$ 1,232,478	$ 912,282	$ (35,733)	(538,921)	$ (3,626)	$ 2,316,244
Net income	—	—	—	—	—	165,891	—	—	—	165,891
Other comprehensive income	—	—	—	—	—	—	392	—	—	392
Dividends declared on preferred stocks	—	—	—	—	—	(171)	—	—	—	(171)
Dividends declared on common stock	—	—	—	—	—	(112,788)	—	—	—	(112,788)
Stock-based compensation	—	—	—	—	2,729	(339)	—	—	—	2,390
Repurchase of common stock	—	—	—	—	—	—	—	(64,384)	(1,684)	(1,684)
	—	—	—	—	(2,441)	—	—	64,384	1,684	(757)

Issuance of common stock upon vesting of stock-based compensation, net of shares used for tax withholdings										
Redemption of preferred stock	(150,000)	(15,000)	—	—	—	(600)	—	—	—	(15,600)
Balance at September 30, 2017	**—**	**$—**	**195,843,297**	**$195,843**	**$1,232,766**	**$964,275**	**$(35,341)**	**(538,921)**	**$(3,626)**	**$2,353,917**

MDU Resources Group, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30, 2018	2017
	(In thousands)	
Operating activities:		
Net income	$193,490	$165,891
Income (loss) from discontinued operations, net of tax	85	(3,702)
Income from continuing operations	193,405	169,593
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	161,298	155,138
Deferred income taxes	42,428	(16,777)
Changes in current assets and liabilities, net of acquisitions:		
Receivables	(55,749)	(121,128)
Inventories	(38,785)	2,047
Other current assets	(3,452)	(40,655)
Accounts payable	16,155	30,097
Other current liabilities	31,971	66,647
Other noncurrent changes	(27,170)	(15,081)
Net cash provided by continuing operations	320,101	229,881
Net cash provided by (used in) discontinued operations	(2,720)	42,020
Net cash provided by operating activities	317,381	271,901
Investing activities:		
Capital expenditures	(345,599)	(222,084)
Acquisitions, net of cash acquired	(27,858)	—
Net proceeds from sale or disposition of property and other	12,451	121,162
Investments	(1,560)	(260)
Net cash used in continuing operations	(362,566)	(101,182)
Net cash provided by discontinued operations	1,236	2,234
Net cash used in investing activities	(361,330)	(98,948)
Financing activities:		
Issuance of long-term debt	356,952	133,437
Repayment of long-term debt	(157,315)	(183,968)
Dividends paid	(115,859)	(113,131)
Redemption of preferred stock	—	(15,600)
Repurchase of common stock	(5,020)	(1,684)
Tax withholding on stock-based compensation	(2,330)	(757)
Net cash provided by (used in) continuing operations	76,428	(181,703)
Net cash provided by discontinued operations	—	—
Net cash provided by (used in) financing activities	76,428	(181,703)
Effect of exchange rate changes on cash and cash equivalents	(1)	(1)
Increase (decrease) in cash and cash equivalents	32,478	(8,751)
Cash and cash equivalents -- beginning of year	34,599	46,107
Cash and cash equivalents -- end of period	$67,077	$37,356

The accompanying notes are an integral part of these consolidated financial statements.

MDU Resources Group, Inc.
Notes to Consolidated
Financial Statements
September 30, 2018 and 2017
(Unaudited)

Note 1 - Basis of presentation

The accompanying consolidated interim financial statements were prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Interim financial statements do not include all disclosures provided in annual financial statements and, accordingly, these financial statements should be read in conjunction with those appearing in the 2017 Annual Report. The information is unaudited but includes all adjustments that are, in the opinion of management, necessary for a fair presentation of the accompanying consolidated interim financial statements and are of a normal recurring nature. Depreciation, depletion and amortization expense is reported separately on the Consolidated Statements of Income and therefore is excluded from the other line items within operating expenses. Management has also evaluated the impact of events occurring after September 30, 2018, up to the date of issuance of these consolidated interim financial statements.

On December 22, 2017, President Trump signed into law the TCJA which includes lower corporate tax rates, repealing the domestic production deduction, disallowance of immediate expensing for regulated utility property and modifying or repealing many other business deductions and credits. The reduction in the corporate tax rate was effective on January 1, 2018, reducing the Company's income tax expense for 2018. The Company continues to review the components of the TCJA and the impact on the Company's consolidated financial statements and related disclosures for 2018 and thereafter.

While the Company was able to make reasonable estimates of the impact of the reduction in corporate tax rate on the Company's net deferred tax liabilities during the fourth quarter of 2017, such estimates may be affected by other analyses related to the TCJA, including, but not limited to, the state tax effect of adjustments to federal temporary differences and the calculation of deemed repatriation of deferred foreign income. The final transition impacts of the TCJA may differ from amounts disclosed, possibly materially, due to, among other things, interpretations, legislative action to address questions, changes in accounting standards for income taxes or related interpretations, or updates or changes to estimates the Company has utilized to calculate the transition impacts. The SEC has issued rules that would allow for a measurement period of up to one year after the enactment date of the TCJA to finalize the recording of the related tax impacts, of which there were no such material adjustments during the nine months ended September 30, 2018. The Company currently anticipates finalizing and recording any resulting adjustments by December 31, 2018, which will be included in income from continuing operations.

Due to the enactment of the TCJA, the regulated jurisdictions in which the Company's regulated businesses provide service have requested the Company furnish plans for the effect of the reduced corporate tax rate, which may impact the Company's rates to customers. Therefore, the Company has reserved for such impacts as an offset to revenue in certain jurisdictions. The Company will continue to make changes to reserve balances as new information becomes available. For more information on the details and statuses of the open requests, see Note 16.

Effective January 1, 2018, the Company adopted the requirements of the revenue from contracts with customers guidance following the modified retrospective method, as discussed in Notes 6 and 8. As such, results for reporting periods beginning January 1, 2018, are presented under the new guidance, while prior period amounts are not adjusted and continue to be reported in accordance with the historic accounting for revenue recognition. Based on the Company's analysis, the Company did not identify a significant change in the timing of revenue recognition under the new guidance as compared to the historic accounting for revenue recognition.

Certain prior year amounts have been reclassified to conform to the current year presentation in the consolidated financial statements related to the retrospective adoption of the FASB guidance to improve the presentation of net periodic pension and net periodic postretirement benefit costs, which was effective on January 1, 2018. The components of net periodic pension and postretirement costs, other than service costs, were reclassified from operating expenses to other income on the Consolidated Statements of Income, as discussed in Note 6.

The assets and liabilities for the Company's discontinued operations have been classified as held for sale and the results of operations are shown in income (loss) from discontinued operations, other than certain general and administrative costs and interest expense which do not meet the criteria for income (loss) from discontinued operations. At the time the assets were classified as held for sale, depreciation, depletion and amortization expense was no longer recorded. Unless otherwise indicated, the amounts presented in the accompanying notes to the consolidated financial statements relate to the Company's continuing operations. For more information on the Company's discontinued operations, see Note 10.

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Note 2 - Seasonality of operations

Some of the Company's operations are highly seasonal and revenues from, and certain expenses for, such operations may fluctuate significantly among quarterly periods. Accordingly, the interim results for particular businesses, and for the Company as a whole, may not be indicative of results for the full fiscal year.

Note 3 - Accounts receivable and allowance for doubtful accounts

Accounts receivable consist primarily of trade receivables from the sale of goods and services which are recorded at the invoiced amount net of allowance for doubtful accounts, and costs and estimated earnings in excess of billings on uncompleted contracts. The total balance of receivables past due 90 days or more was $29.2 million, $27.2 million and $34.7 million at September 30, 2018 and 2017, and December 31, 2017, respectively.

The allowance for doubtful accounts is determined through a review of past due balances and other specific account data. Account balances are written off when management determines the amounts to be uncollectible. The Company's allowance for doubtful accounts at September 30, 2018 and 2017, and December 31, 2017, was $7.3 million, $9.0 million and $8.1 million, respectively.

Note 4 - Inventories and natural gas in storage

Natural gas in storage for the Company's regulated operations is generally carried at lower of cost or net realizable value, or cost using the last-in, first-out method. All other inventories are stated at the lower of cost or net realizable value. The portion of the cost of natural gas in storage expected to be used within one year was included in inventories. Inventories on the Consolidated Balance Sheets were as follows:

	September 30, 2018	September 30, 2017	December 31, 2017
	(In thousands)		
Aggregates held for resale	$133,477	$ 116,399	$ 115,268
Asphalt oil	40,781	26,682	30,360
Natural gas in storage (current)	29,084	29,974	20,950
Materials and supplies	23,563	20,778	18,650
Merchandise for resale	15,954	15,346	14,905
Other	27,434	23,376	26,450
Total	$270,293	$ 232,555	$ 226,583

The remainder of natural gas in storage, which largely represents the cost of gas required to maintain pressure levels for normal operating purposes, was included in deferred charges and other assets - other and was $47.8 million, $49.5 million and $49.3 million at September 30, 2018 and 2017, and December 31, 2017, respectively.

Note 5 - Earnings per common share

Basic earnings per common share were computed by dividing earnings on common stock by the weighted average number of shares of common stock outstanding during the applicable period. Diluted earnings per common share were computed by dividing earnings on common stock by the total of the weighted average number of shares of common stock outstanding during the applicable period, plus the effect of nonvested performance share awards and restricted stock units. Common stock outstanding includes issued shares less shares held in treasury. Earnings on common stock was the same for both the basic and diluted earnings per share calculations. A reconciliation of the weighted average common shares outstanding used in the basic and diluted earnings per share calculations was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Weighted average common shares outstanding - basic	196,018	195,304	195,618	195,304
Effect of dilutive performance share awards and restricted stock units	247	479	486	618
Weighted average common shares outstanding - diluted	196,265	195,783	196,104	195,922
Shares excluded from the calculation of diluted earnings per share	114	—	—	—

Note 6 - New accounting standards

Recently adopted accounting standards

ASU 2014-09 - Revenue from Contracts with Customers In May 2014, the FASB issued guidance on accounting for revenue from contracts with customers. The guidance provides for a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. In August 2015, the FASB issued guidance deferring the effective date of the revenue guidance and allowing entities to early adopt. With this decision, the guidance was effective for the Company on January 1, 2018. Entities had the option of using either a full retrospective or modified retrospective approach to adopting the guidance. Under the modified retrospective approach, an entity recognizes the cumulative effect of initially applying the guidance with an adjustment to the opening balance of retained earnings in the period of adoption.

The Company adopted the guidance on January 1, 2018, using the modified retrospective approach. The Company elected the practical expedient to not disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period, along with an explanation of when such revenue would be expected to be recognized. This practical expedient was used since the performance obligations are part of contracts with an original duration of one year or less. The Company also elected the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Company otherwise would have recognized is one year or less. Upon completion of the Company's evaluation of contracts and methods of revenue recognition under the previous accounting guidance, the Company did not identify any material cumulative effect adjustments to be made to retained earnings. In addition, the Company has expanded revenue disclosures, both quantitatively and qualitatively, related to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, as discussed in Note 8. The Company reviewed its revenue streams to evaluate the impact of this guidance and did not identify a significant change in the timing of revenue recognition, results of operations, financial position or cash flows. The Company reviewed its internal controls related to revenue recognition and disclosures and concluded that the guidance impacted certain business processes and controls. As such, the Company developed modifications to its internal controls for certain topics under the guidance as they apply to the Company and such modifications were not deemed to be significant. Results for reporting periods beginning after December 31, 2017, are presented under the new guidance, while prior period amounts are not adjusted and continue to be reported in accordance with historic accounting for revenue recognition.

Under the modified retrospective approach, the guidance was applied only to contracts that were not completed as of January 1, 2018. Therefore, the Company recognized the cumulative effect of initially applying the guidance with an adjustment to the opening balance of retained earnings at January 1, 2018. For the nine months ended September 30, 2018, there were no material impacts to the financial statements as a result of applying the guidance. The cumulative effect of the changes made to the Consolidated Balance Sheet were as follows:

	December 31, 2017	Adjustments	January 1, 2018
	(In thousands)		
Liabilities and Stockholders' Equity			
Current liabilities:			
Other accrued liabilities	$186,010	$ 903	$186,913
Deferred credits and other liabilities:			
Deferred income taxes	347,271	(332)	346,939
Other	1,179,140	399	1,179,539
Commitments and contingencies			
Stockholders' equity:			
Retained earnings	1,040,748	(970)	1,039,778

The cumulative effect adjustment is related to prepaid natural gas transportation to storage contracts where a separate performance obligation existed and has not yet been satisfied. As such, these contracts were still open and met the criteria for a cumulative effect adjustment.

ASU 2016-15 - Classification of Certain Cash Receipts and Cash Payments In August 2016, the FASB issued guidance to clarify the classification of certain cash receipts and payments in the statement of cash flows. The guidance is intended to standardize the presentation and classification of certain transactions, including cash payments for debt prepayment or extinguishment, proceeds from insurance claim settlements and distributions from equity method investments. In addition, the guidance clarifies how to classify transactions that have characteristics of more than one class of cash flows. The Company adopted the guidance on January 1, 2018, on a prospective basis. The guidance did not have a material effect on the Company's statement of cash flows.

ASU 2017-01 - Clarifying the Definition of a Business In January 2017, the FASB issued guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The guidance provides a screen to determine when an integrated set of assets and activities is not a business. The guidance also affects other aspects of accounting, such as determining reporting units for goodwill testing and whether an entity has acquired or sold a business. The Company adopted the guidance on January 1, 2018, on a prospective basis. The guidance did not have a material effect on the Company's results of operations, financial position, cash flows or disclosures.

ASU 2017-07 - Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost In March 2017, the FASB issued guidance to improve the presentation of net periodic pension and net periodic postretirement benefit costs. The guidance required the service cost component to be presented in the income statement in the same line item or items as other compensation costs arising from services performed during the period. Other components of net periodic benefit cost shall be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. The guidance also only allows the service cost component to be capitalized.

The Company adopted the guidance on January 1, 2018, on a retrospective basis. The guidance required the reclassification of all components of net periodic benefit costs, except for the service cost component, from operating expenses to other income on the Consolidated Statements of Income with no impact to earnings. As a result of the retrospective application of this change in accounting guidance, the Company reclassified $1.5 million and $4.5 million from operation and maintenance expense to other income on the Consolidated Statements of Income for the three and nine months ended September 30, 2017, respectively. The Company also reclassified unrealized gains on investments used to satisfy obligations under the defined benefit plans of $2.6 million and $7.9 million for the three and nine months ended September 30, 2017, respectively, which were included in operation and maintenance expense, to other income on the Consolidated Statements of Income. The guidance did not have a material effect on the Company's results of operations, cash flows or disclosures.

ASU 2018-02 - Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

In February 2018, the FASB issued guidance that allows an entity to reclassify the stranded tax effects resulting from the newly enacted federal corporate income tax rate from accumulated other comprehensive income (loss) to retained earnings. The guidance is effective for the Company on January 1, 2019, including interim periods, with early adoption permitted. The guidance can be applied using one of two methods. One method is to record the reclassification of the stranded income taxes at the beginning of the period of adoption. The other method is to apply the guidance retrospectively to each period in which the income tax effects of the TCJA are recognized in accumulated other comprehensive income (loss). The Company early adopted the guidance on January 1, 2018, and elected to reclassify the stranded income taxes at the beginning of the period. During the first quarter of 2018, the Company reclassified $7.9 million of stranded tax expense from accumulated other comprehensive loss to retained earnings. The guidance did not have a material effect on the Company's results of operations, cash flows or disclosures.

Recently issued accounting standards not yet adopted

ASU 2016-02 - Leases In February 2016, the FASB issued guidance regarding leases. The guidance requires lessees to recognize a lease liability and a right-of-use asset on the balance sheet for operating and financing leases. The guidance remains largely the same for lessors, although some changes were made to better align lessor accounting with the new lessee accounting and to align with the revenue recognition standard. The guidance also requires additional disclosures, both quantitative and qualitative, related to operating and finance leases for the lessee and sales-type, direct financing and operating leases for the lessor. This guidance will be effective for the Company on January 1, 2019, with early adoption permitted.

In July 2018, the FASB issued ASU 2018-11 - *Leases: Targeted Improvements,* an accounting standard update to ASU 2016-02. This ASU provides an entity the option to adopt the guidance using one of two modified retrospective approaches. An entity can adopt the guidance using the modified retrospective transition approach beginning in the earliest year presented in the financial statements. This method of adoption would require the restatement of prior periods reported and the presentation of lease disclosures under the new guidance for all periods reported. The additional transition method of adoption introduced by ASU 2018-11, allows entities the option to apply the guidance on the date of adoption by recognizing a cumulative effect adjustment to retained earnings during the period of adoption and does not require prior comparative periods to be restated. The Company is planning to adopt the standard on January 1, 2019, utilizing the practical expedient that allows the Company to not reassess whether an expired or existing contract contains a lease, the classification of leases or initial direct costs, as well as the additional transition method of adoption applied on the date of adoption. The Company also plans to adopt a short-term leasing policy as the lessee where leases with a term of 12 months or less will not be included on the Consolidated Balance Sheet.

The Company formed a lease implementation team and is currently in the contract review and assessment phase to identify and evaluate contracts containing leases. Additionally, the team is implementing new and revising existing software to meet the reporting and disclosure requirements of the standard. The Company also has started to assess the impact the standard will have on its processes and internal controls and is identifying new and updating current processes. During the assessment phase, the Company is using various analytic methodologies to ensure the completeness of the lease inventory. The Company expects that most of the current operating leases will be subject to the guidance and recognized as operating lease liabilities and right-of-use assets on the Consolidated Balance Sheets upon adoption. During the fourth quarter of 2018, the Company will engage internal auditors to review and assess the completeness of the lease inventory and the effectiveness of the revised and new internal controls. The Company continues to evaluate the impact the new guidance will have on lease contracts where the Company is the lessor and, at this time, does not anticipate a significant impact.

In January 2018, the FASB issued a practical expedient for land easements under the new lease guidance. The practical expedient permits an entity to elect the option to not evaluate land easements under the new guidance if they existed or expired before the adoption of the new lease guidance and were not previously accounted for as leases under the previous lease guidance. Once an entity adopts the new guidance, the entity should apply the new guidance on a prospective basis to all new or modified land easements. The Company is currently planning to adopt this practical expedient. The Company continues to monitor other industry-specific issues as it relates to the regulated businesses but does not expect these issues to have a material impact on the Company's results of operations, financial position or disclosures.

ASU 2017-04 - Simplifying the Test for Goodwill Impairment In January 2017, the FASB issued guidance on simplifying the test for goodwill impairment by eliminating Step 2, which required an entity to measure the amount of impairment loss by comparing the implied fair value of reporting unit goodwill with the carrying amount of such goodwill. This guidance requires entities to perform a quantitative impairment test, previously Step 1, to identify both the existence of impairment and the amount of impairment loss by comparing the fair value of a reporting unit to its carrying amount. Entities will continue to have the option of performing a qualitative assessment to determine if the quantitative impairment test is necessary. The guidance also requires additional disclosures if an entity has one or more reporting units with zero or negative carrying amounts of net assets. The guidance will be effective for the Company on January 1, 2020, and must be applied on a prospective basis with early adoption permitted. The Company is evaluating the effects the adoption of the new guidance will have on its results of operations, financial position, cash flows and disclosures.

ASU 2018-07 - Improvements to Nonemployee Share-Based Payment Accounting In June 2018, the FASB issued guidance on simplifying the accounting for nonemployee share-based payment transactions by expanding the scope of ASC 718, *Compensation - Stock Compensation*, to include share-based payment transactions for acquiring goods and services from nonemployees. The guidance will require nonemployee share-based payment awards be measured at the grant-date fair value of the equity instruments at the grant date. The guidance will be effective for the Company on January 1, 2019, including interim periods, and must be applied using a modified retrospective approach with early adoption permitted. The modified retrospective approach requires an entity to record a cumulative-effect adjustment to retained earnings at the beginning of the year of adoption. The Company is evaluating the effects the adoption of the new guidance will have on its results of operations, financial position, cash flows and disclosures.

ASU 2018-13 - Changes to the Disclosure Requirements for Fair Value Measurement In August 2018, the FASB issued guidance on modifying the disclosure requirements on fair value measurements as part of the disclosure framework project. The guidance modifies, among other things, the disclosures required for Level 3 fair value measurements, including the range and weighted average of significant unobservable inputs. The guidance removes, among other things, the disclosure requirement to disclose transfers between Levels 1 and 2. The guidance will be effective for the Company on January 1, 2020, including interim periods, with early adoption permitted. Level 3 fair value measurement disclosures should be applied prospectively while all other amendments should be applied retrospectively. The Company is evaluating the effects the adoption of the new guidance will have on its disclosures.

ASU 2018-14 - Changes to the Disclosure Requirements for Defined Benefit Plans In August 2018, the FASB issued guidance on modifying the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans as part of the disclosure framework project. The guidance removes disclosures that are no longer considered cost beneficial, clarifies the specific requirements of disclosures and adds disclosure requirements identified as relevant. The guidance adds, among other things, the requirement to include an explanation for significant gains and losses related to changes in benefit obligations for the period. The guidance removes, among other things, the disclosure requirement to disclose the amount of net periodic benefit costs to be amortized over the next fiscal year from accumulated other comprehensive income (loss) and the effects a one percentage point change in assumed health care cost trend rates will have on certain benefit components. The guidance will be effective for the Company on January 1, 2021, and must be applied on a retrospective basis with early adoption permitted. The Company is evaluating the effects the adoption of the new guidance will have on the its disclosures.

ASU 2018-15 - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract In August 2018, the FASB issued guidance on the accounting for implementation costs of a hosting arrangement that is a service contract. The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract similar to the costs incurred to develop or obtain internal-use software and such capitalized costs to be expensed over the term of the hosting arrangement. Costs incurred during the preliminary and postimplementation stages should continue to be expensed as activities are performed. The capitalized costs are required to be presented on the balance sheet in the same line the prepayment for the fees associated with the hosting arrangement would be presented. In addition, the expense related to the capitalized implementation costs should be presented in the same line on the income statement as the fees associated with the hosting element of the arrangements. The guidance will be effective for the Company on January 1, 2020, including interim periods, and may be applied on a retrospective or a prospective basis with early adoption permitted. The Company is evaluating the effects the adoption of the new guidance will have on the its results of operations, financial position, cash flows and disclosures.

SEC File Number S7-15-16 - Disclosure Update and Simplification In October 2018, the SEC published guidance in the Federal Register on disclosure updates and simplifications. The guidance removes disclosures that are no longer considered cost beneficial, duplicative of GAAP required disclosures, clarifies the specific requirements of disclosures and adds disclosure requirements identified as relevant. The amendments are intended to facilitate disclosure of information to investors and simplify the compliance without significantly altering the total mix of information provided to investors. The guidance will be effective for the Company on November 5, 2018, including interim periods, and must be applied on a prospective basis. The Company is evaluating the effects the adoption of the new guidance will have on its disclosures, various sections of the Annual Report on Form 10-K for the year ended December 31, 2018, and future reports on Form 10-Q.

Note 7 - Comprehensive income (loss)

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

Three Months Ended September 30, 2018	Net Unrealized Gain (Loss) on Derivative Instruments Qualifying as Hedges	Postretirement Liability Adjustment	Foreign Currency Translation Adjustment	Net Unrealized Gain (Loss) on Available-for-sale Investments	Total Accumulated Other Comprehensive Loss
	(In thousands)				
Balance at beginning of period	$ (2,136)	$ (41,816)	$ —	$ (183)	$ (44,135)
Other comprehensive loss before reclassifications	—	—	—	(51)	(51)
Amounts reclassified from accumulated other comprehensive loss	92	442	—	33	567
Net current-period other comprehensive income (loss)	92	442	—	(18)	516
Balance at end of period	$ (2,044)	$ (41,374)	$ —	$ (201)	$ (43,619)

Three Months Ended September 30, 2017	Net Unrealized Gain (Loss) on Derivative Instruments Qualifying as Hedges	Postretirement Liability Adjustment	Foreign Currency Translation Adjustment	Net Unrealized Gain (Loss) on Available-for-sale Investments	Total Accumulated Other Comprehensive Loss
	(In thousands)				
Balance at beginning of period	$ (2,117)	$ (33,469)	$ (155)	$ (48)	$ (35,789)
Other comprehensive income (loss) before reclassifications	—	—	15	(19)	(4)
Amounts reclassified from accumulated other comprehensive loss	92	333	—	27	452
Net current-period other comprehensive income	92	333	15	8	448
Balance at end of period	$ (2,025)	$ (33,136)	$ (140)	$ (40)	$ (35,341)

Nine Months Ended September 30, 2018	Net Unrealized Gain (Loss) on Derivative Instruments Qualifying as Hedges	Postretirement Liability Adjustment	Foreign Currency Translation Adjustment	Net Unrealized Gain (Loss) on Available-for-sale Investments	Total Accumulated Other Comprehensive Loss
	(In thousands)				
Balance at beginning of period	$ (1,934)	$ (35,163)	$ (155)	$ (82)	$ (37,334)
Other comprehensive loss before reclassifications	—	—	(61)	(199)	(260)
Amounts reclassified from accumulated other comprehensive loss	279	1,309	249	97	1,934
Net current-period other comprehensive income (loss)	279	1,309	188	(102)	1,674
Reclassification adjustment of prior period tax effects related to TCJA included in accumulated other comprehensive loss	(389)	(7,520)	(33)	(17)	(7,959)
Balance at end of period	$ (2,044)	$ (41,374)	$ —	$ (201)	$ (43,619)

Nine Months Ended September 30, 2017	Net Unrealized Gain (Loss) on Derivative Instruments Qualifying as Hedges	Postretirement Liability Adjustment	Foreign Currency Translation Adjustment	Net Unrealized Gain (Loss) on Available-for-sale Investments	Total Accumulated Other Comprehensive Loss
	(In thousands)				
Balance at beginning of period	$(2,300)	$(33,221)	$(149)	$(63)	$(35,733)
Other comprehensive income (loss) before reclassifications	—	—	9	(70)	(61)
Amounts reclassified from accumulated other comprehensive loss	275	1,002	—	93	1,370
Amounts reclassified to accumulated other comprehensive loss from regulatory asset	—	(917)	—	—	(917)
Net current-period other comprehensive income	275	85	9	23	392
Balance at end of period	$(2,025)	$(33,136)	$(140)	$(40)	$(35,341)

The following amounts were reclassified out of accumulated other comprehensive loss into net income. The amounts presented in parenthesis indicate a decrease to net income on the Consolidated Statements of Income. The reclassifications were as follows:

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017	Location on Consolidated Statements of Income
	(In thousands)				
Reclassification adjustment for loss on derivative instruments included in net income	$(147)	$(148)	$(443)	$(443)	Interest expense
	55	56	164	168	Income taxes
	(92)	(92)	(279)	(275)	
Amortization of postretirement liability losses included in net periodic benefit cost (credit)	(584)	(536)	(1,751)	(1,611)	Other income
	142	203	442	609	Income taxes
	(442)	(333)	(1,309)	(1,002)	
Reclassification adjustment for loss on foreign currency translation adjustment included in net income	—	—	(324)	—	Other income
	—	—	75	—	Income taxes
	—	—	(249)	—	
Reclassification adjustment on available-for-sale investments included in net income	(42)	(41)	(123)	(143)	Other income
	9	14	26	50	Income taxes
	(33)	(27)	(97)	(93)	
Total reclassifications	$(567)	$(452)	$(1,934)	$(1,370)	

Note 8 - Revenue from contracts with customers

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

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

The pipeline and midstream segment generates revenue from providing natural gas transportation, gathering and underground storage services, as well as other energy-related services to both third parties and internal customers, largely the natural gas distribution segment. The pipeline and midstream segment establishes a contract with a customer based upon the customer's request for firm or interruptible natural gas transportation, storage or gathering service(s). The contract identifies an obligation for the segment to provide the requested service(s) in exchange for consideration from the customer over a specified term. Depending on the type of service(s) requested and contracted, the service provided may include transporting, gathering or storing an identified quantity of natural gas and/or standing ready to deliver or store an identified quantity of natural gas. Natural gas transportation, gathering and storage revenues are based on fixed rates, which may include reservation fees and/or per-unit commodity rates. The services provided by the segment are generally treated as single performance obligations satisfied over time simultaneous to when the service is provided and revenue is recognized. Rates for the segment's regulated services are based on its FERC approved tariff or customer negotiated rates on special projects, and rates for its non-regulated services are negotiated with its customers and set forth in the contract. For contracts governed by the company's tariff, amounts are billed on or before the ninth business day of the following month and the amount is due within twelve days of receipt of the invoice. For gathering contracts not governed by the tariff, amounts are due within twenty days of invoice receipt. For other contracts not governed by the tariff, payment terms are net thirty days. At this time, the segment has no material obligations for returns, refunds or other similar obligations.

The construction materials and contracting segment generates revenue from contracting services and construction materials sales. This segment focuses on the vertical integration of its contracting services with its construction materials to support the aggregate based product lines. This segment provides contracting services to a customer when a contract has been signed by both the customer and a representative of the segment obligating a service to be provided in exchange for the consideration identified in the contract. The nature of the services this segment provides generally includes integrating a set of services and related construction materials into a single project to create a distinct bundle of goods and services, which the Company evaluates to determine whether a separate performance obligation exists. The transaction price is the original contract price plus any subsequent change orders and variable consideration. Examples of variable consideration that exist in this segment's contracts include liquidated damages; performance bonuses or incentives and penalties; claims; unapproved/unpriced change orders; and index pricing. The variable amounts usually arise upon achievement of certain performance metrics or change in project scope. The Company estimates the amount of revenue to be recognized on variable consideration using estimation methods that best predict the most likely amount of consideration the Company expects to be entitled to or expects to incur. The Company includes variable consideration in the estimated transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is resolved. Changes in circumstances could impact management's estimates made in determining the value of variable consideration recorded. The Company updates its estimate of the transaction price each reporting period and the effect of variable consideration on the transaction price is recognized as an adjustment to revenue on a cumulative catch-up basis. Revenue is recognized over time using the input method based on the measurement of progress on a project. The input method is the preferred method of measuring revenue because the costs incurred have been determined to represent the best indication of the overall progress toward the transfer of such goods or services promised to a customer. This segment also sells construction materials to third parties and internal customers. The contract for material sales is the use of a sales order or an invoice, which includes the pricing and payment terms. All material contracts contain a single performance obligation for the delivery of a single distinct product or a distinct separately identifiable bundle of products and services. Revenue is recognized at a point in time when the performance obligation has been satisfied with the delivery of the products or services. The warranties associated with the sales are those consistent with a standard warranty that the product meets certain specifications for quality or those required by law. For most contracts, amounts billed to customers are due within thirty days of receipt. There are no material obligations for returns, refunds or other similar obligations.

The construction services segment generates revenue from specialty contracting services which also includes the sale of construction equipment and other supplies. This segment provides specialty contracting services to a customer when a contract has been signed by both the customer and a representative of the segment obligating a service to be provided in exchange for the consideration identified in the contract. The nature of the services this segment provides generally includes multiple promised goods and services in a single project to create a distinct bundle of goods and services, which the Company evaluates to determine whether a separate performance obligation exists. The transaction price is the original contract price plus any subsequent change orders and variable consideration. Examples of variable consideration that exist in this segment's contracts include claims, unapproved/unpriced change orders, bonuses, incentives, penalties and liquidated damages. The variable amounts usually arise upon achievement of certain performance metrics or change in project scope. The Company estimates the amount of revenue to be recognized on variable consideration using estimation methods that best predict the most likely amount of consideration the Company expects to be entitled to or expects to incur. The Company includes variable consideration in the estimated transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is resolved. Changes in circumstances could impact management's estimates made in determining the value of variable consideration recorded. The Company updates its estimate of the transaction price each reporting period and the effect of variable consideration on the transaction price is recognized as an adjustment to revenue on a cumulative catch-up basis. Revenue is recognized over time using the input method based on the measurement of progress on a project. The input method is the preferred method of measuring revenue because the costs incurred have been determined to represent the best indication of the overall progress toward the transfer of such goods or services promised to a customer. This segment also sells construction equipment and other supplies to third parties and internal customers. The contract for these sales is the use of a sales order or invoice, which includes the pricing and payment terms. All such contracts include a single performance obligation for the delivery of a single distinct product or a distinct separately identifiable bundle of products and services. Revenue is recognized at a point in time when the performance obligation has been satisfied with the delivery of the products or services. The warranties associated with the sales are those consistent with a standard warranty that the product meets certain specifications for quality or those required by law. For most contracts, amounts billed to customers are due within thirty days of receipt. There are no material obligations for returns, refunds or other similar obligations.

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

Disaggregation

In the following table, revenue is disaggregated by the type of customer or service provided. The Company believes this level of disaggregation best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The table also includes a reconciliation of the disaggregated revenue by reportable segments. For more information on the Company's business segments, see Note 14.

Three Months Ended September 30, 2018	Electric	Natural gas distribution	Pipeline and midstream	Construction materials and contracting	Construction services	Other	Total
	(in thousands)						
Residential utility sales	$ 31,424	$ 43,825	$ —	$ —	$ —	$ —	$ 75,249
Commercial utility sales	36,259	28,174	—	—	—	—	64,433
Industrial utility sales	8,738	4,421	—	—	—	—	13,159
Other utility sales	2,056	—	—	—	—	—	2,056
Natural gas transportation	—	10,841	21,400	—	—	—	32,241
Natural gas gathering	—	—	2,320	—	—	—	2,320
Natural gas storage	—	—	2,795	—	—	—	2,795
Contracting services	—	—	—	409,006	—	—	409,006
Construction materials	—	—	—	538,962	—	—	538,962
Intrasegment eliminations*	—	—	—	(204,040)	—	—	(204,040)
Inside specialty contracting	—	—	—	—	217,474	—	217,474
Outside specialty contracting	—	—	—	—	100,988	—	100,988
Other	6,158	3,208	5,701	—	15	3,084	18,166
Intersegment eliminations	—	—	(3,187)	(165)	(782)	(3,037)	(7,171)
Revenues from contracts with customers	84,635	90,469	29,029	743,763	317,695	47	1,265,638
Revenues out of scope	1,445	1,779	42	—	11,883	—	15,149
Total external operating revenues	$ 86,080	$ 92,248	$ 29,071	$ 743,763	$ 329,578	$ 47	$ 1,280,787

* Intrasegment revenues are presented within the construction materials and contracting segment to highlight the focus on vertical integration as this segment sells materials to both third parties and internal customers. Due to consolidation requirements, these revenues must be eliminated against construction materials to arrive at the external operating revenue total for the segment.

Nine Months Ended September 30, 2018	Electric	Natural gas distribution	Pipeline and midstream	Construction materials and contracting	Construction services	Other	Total
	(in thousands)						
Residential utility sales	$ 93,359	$ 305,399	$ —	$ —	$ —	$ —	$ 398,758
Commercial utility sales	103,636	185,885	—	—	—	—	289,521
Industrial utility sales	25,734	17,457	—	—	—	—	43,191
Other utility sales	5,766	—	—	—	—	—	5,766
Natural gas transportation	—	32,104	64,505	—	—	—	96,609
Natural gas gathering	—	—	6,900	—	—	—	6,900
Natural gas storage	—	—	8,563	—	—	—	8,563
Contracting services	—	—	—	730,628	—	—	730,628
Construction materials	—	—	—	1,100,185	—	—	1,100,185
Intrasegment eliminations*	—	—	—	(363,877)	—	—	(363,877)
Inside specialty contracting	—	—	—	—	667,664	—	667,664
Outside specialty contracting	—	—	—	—	283,432	—	283,432
Other	22,836	10,821	13,353	—	32	8,536	55,578
Intersegment eliminations	—	—	(31,485)	(501)	(1,332)	(8,343)	(41,661)
Revenues from contracts with customers	251,331	551,666	61,836	1,466,435	949,796	193	3,281,257
Revenues out of scope	653	2,786	129	—	36,853	—	40,421
Total external operating revenues	$ 251,984	$ 554,452	$ 61,965	$ 1,466,435	$ 986,649	$ 193	$ 3,321,678

* Intrasegment revenues are presented within the construction materials and contracting segment to highlight the focus on vertical integration as this segment sells materials to both third parties and internal customers. Due to consolidation requirements, these revenues must be eliminated against construction materials to arrive at the external operating revenue total for the segment.

Contract balances

The timing of revenue recognition may differ from the timing of invoicing to customers. The timing of invoicing to customers does not necessarily correlate with the timing of revenues being recognized under the cost-to-cost method of accounting. Contracts from contracting services are billed as work progresses in accordance with agreed upon contractual terms. Generally, billing to the customer occurs contemporaneous to revenue recognition. A variance in timing of the billings may result in a contract asset or a contract liability. A contract asset occurs when revenues are recognized under the cost-to-cost measure of progress, which exceeds amounts billed on uncompleted contracts. Such amounts will be billed as standard contract terms allow, usually based on various measures of performance or achievement. A contract liability occurs when there are billings in excess of revenues recognized under the cost-to-cost measure of progress on uncompleted contracts. Contract liabilities decrease as revenue is recognized from the satisfaction of the related performance obligation. The changes in contract assets and liabilities were as follows:

	September 30, 2018	December 31, 2017	Change	Location on Consolidated Balance Sheets
	(In thousands)			
Contract assets	$ 142,376	$ 109,540	$ 32,836	Receivables, net
Contract liabilities - current	(98,470)	(84,123)	(14,347)	Accounts payable
Contract liabilities - noncurrent	(399)	—	(399)	Deferred credits and other liabilities - other
Net contract assets	$ 43,507	$ 25,417	$ 18,090	

At September 30, 2018, the Company's net contract assets increased $18.1 million compared to December 31, 2017. Included in the change of total net contract assets was an increase in contract assets due to revenue recognized in excess of billings on contracts and an increase in contract liabilities due to billings on contracts in excess of revenues recognized. The Company recognized $10.3 million and $79.2 million in revenue for the three and nine months ended September 30, 2018, respectively, which was previously included in contract liabilities at December 31, 2017.

The Company recognized a net decrease in revenues of $8.7 million and $3.7 million for the three and nine months ended September 30, 2018, respectively, from performance obligations satisfied in prior periods, which primarily resulted from changes in estimates of variable consideration on certain construction contracts.

Note 9 - Acquisitions

In April 2018, the Company acquired Teevin & Fischer Quarry, LLC, an aggregate producer that provides crushed rock and gravel to construction and retail customers in Oregon. In June 2018, the Company acquired Tri-City Paving, Inc., a general contractor and aggregate, asphalt and ready-mixed concrete supplier in Minnesota. In July 2018, the Company acquired Molalla Redi-Mix and Rock Products, Inc., a producer of ready-mixed concrete in Oregon. As of September 30, 2018, the gross aggregate consideration for these acquisitions was $27.9 million in cash, subject to certain adjustments, and 713,948 shares of common stock with a market value of $20.1 million as of the respective acquisition date. Due to the holding period restriction on the common stock, the share consideration has been discounted to a fair value of approximately $18.0 million, as reflected in the Company's financial statements. The acquisitions are subject to customary adjustments based on, among other things, the amount of cash, debt and working capital in the businesses as of the closing dates. The amounts included in the Consolidated Balance Sheets for these adjustments are considered provisional until final settlement has occurred.

The above acquisitions are considered business combinations and the Company has preliminarily allocated the purchase price of the acquisitions to identifiable assets acquired and liabilities assumed based on their estimated fair values as of the acquisition dates. The excess of the purchase price over the aggregate fair values was recorded as goodwill. The Company calculated the fair value of the assets acquired using the income, market or cost approach (or a combination thereof). Fair values for some of the assets were determined based on Level 3 inputs including estimated future cash flows, discount rates, growth rates, sales projections, retention rates and terminal values, all of which require significant management judgment and are susceptible to change. The purchase price allocation is based upon preliminary information and is subject to change if additional information about the facts and circumstances that existed at the acquisition date becomes available. The final fair value of the net assets acquired may result in adjustments to the assets and liabilities, including goodwill. However, any subsequent measurement period adjustments are not expected to have a material impact on the Company's results of operations. The discount rate used in calculating the fair value of the common stock issued was determined by a Black-Scholes-Merton model. The model used Level 2 inputs including risk-free interest rate, volatility range and dividend yield. The results of the acquired businesses have been included in the Company's construction materials and contracting segment and consolidated financial statements beginning on the acquisition dates. Pro forma financial amounts reflecting the effects of the above acquisitions are not presented, as such acquisitions were not material to the Company's financial position or results of operations.

Note 10 - Discontinued operations

The assets and liabilities of the Company's discontinued operations have been classified as held for sale and the results of operations are shown in income (loss) from discontinued operations, other than certain general and administrative costs and interest expense which do not meet the criteria for income (loss) from discontinued operations. At the time the assets were classified as held for sale, depreciation, depletion and amortization expense was no longer recorded.

Dakota Prairie Refining On June 24, 2016, WBI Energy entered into a membership interest purchase agreement with Tesoro to sell all of the outstanding membership interests in Dakota Prairie Refining to Tesoro. WBI Energy and Calumet each previously owned 50 percent of the Dakota Prairie Refining membership interests and were equal members in building and operating Dakota Prairie Refinery. To effectuate the sale, WBI Energy acquired Calumet’s50 percent membership interest in Dakota Prairie Refining on June 27, 2016. The sale of the membership interests to Tesoro closed on June 27, 2016. The sale of Dakota Prairie Refining reduced the Company’s risk by decreasing exposure to commodity prices. As of September 30, 2018, the Company incurred no material exit and disposal costs related to the sale of Dakota Prairie Refining and does not expect to incur any future material exit and disposal costs.

At September 30, 2018, Centennial continued to guarantee certain debt obligations of Dakota Prairie Refining and Tesoro continued to indemnify Centennial for any losses and litigation expenses arising from the guarantee. On October 17, 2018, Centennial was released of any further liabilities or obligations under this guarantee. For more information related to the guarantee, see Note 17.

The carrying amounts of the major classes of assets and liabilities classified as held for sale, related to the operations of and activity associated with Dakota Prairie Refining, on the Consolidated Balance Sheets were as follows:

	September 30, 2018	September 30, 2017	December 31, 2017
	(In thousands)		
Assets			
Current assets:			
Income taxes receivable (a)	$ 1,640	$ 8,444	$ 1,778
Total current assets held for sale	1,640	8,444	1,778
Total assets held for sale	$ 1,640	$ 8,444	$ 1,778
Liabilities			
Noncurrent liabilities:			
Deferred income taxes (b)	$ 37	$ 55	$ 37
Total noncurrent liabilities held for sale	37	55	37
Total liabilities held for sale	$ 37	$ 55	$ 37

(a) On the Company's Consolidated Balance Sheets, these amounts were reclassified to taxes payable and are reflected in current liabilities held for sale.

(b) On the Company's Consolidated Balance Sheets, these amounts were reclassified to deferred charges and other assets - deferred income taxes and are reflected in noncurrent assets held for sale.

Fidelity In the second quarter of 2015, the Company began the marketing and sale process of Fidelity with an anticipated sale to occur within one year. Between September 2015 and March 2016, the Company entered into purchase and sale agreements to sell substantially all of Fidelity's oil and natural gas assets. The completion of these sales occurred between October 2015 and April 2016. In July 2018, the Company completed the sale of a majority of the remaining property, plant and equipment. The sale of Fidelity was part of the Company's strategic plan to grow its capital investments in the remaining business segments and to focus on creating a greater long-term value.

The carrying amounts of the major classes of assets and liabilities classified as held for sale, related to the operations of Fidelity, on the Consolidated Balance Sheets were as follows:

	September 30, 2018	September 30, 2017	December 31, 2017
	(In thousands)		
Assets			
Current assets:			
Receivables, net	$ 571	$ 304	$ 479
Total current assets held for sale	571	304	479
Noncurrent assets:			
Net property, plant and equipment	—	2,064	1,631
Deferred income taxes	1,711	62,163	2,637
Other	161	161	161
Total noncurrent assets held for sale	1,872	64,388	4,429
Total assets held for sale	$ 2,443	$ 64,692	$ 4,908
Liabilities			
Current liabilities:			
Accounts payable	$ 188	$ 68	$ 30
Taxes payable	7,463	11,745	10,857
Other accrued liabilities	1,948	2,380	2,884
Total current liabilities held for sale	9,599	14,193	13,771
Total liabilities held for sale	$ 9,599	$ 14,193	$ 13,771

The Company's deferred tax assets included in assets held for sale were largely comprised of federal and state net operating loss carryforwards. The Company realized substantially all of the outstanding net operating loss carryforwards in 2017.

The Company has incurred $10.5 million of exit and disposal costs to date. As of September 30, 2018, the Company has incurred no exit and disposal costs for the year. As of September 30, 2017, the Company had incurred no exit and disposal costs for the year. The Company does not expect to incur any additional material exit and disposal costs related to the sale of Fidelity. The exit and disposal costs are associated with severance and other related matters.

Dakota Prairie Refining and Fidelity The reconciliation of the major classes of income and expense constituting pretax income (loss) from discontinued operations, which includes Dakota Prairie Refining and Fidelity, to the after-tax income (loss) from discontinued operations on the Consolidated Statements of Income was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Operating revenues	$ 61	$ 121	$ 201	$ 356
Operating expenses	216	384	825	(4,988)
Operating income (loss)	(155)	(263)	(624)	5,344
Other income (expense)	—	—	12	(13)
Interest expense	—	—	575	239
Income (loss) from discontinued operations before income taxes	(155)	(263)	(1,187)	5,092
Income taxes	(37)	1,935 *	(1,272)	8,794 *
Income (loss) from discontinued operations	$ (118)	$ (2,198)	$ 85	$ (3,702)

* Includes the eliminations for the presentation of income tax adjustments between continuing and discontinued operations.

The Company retained certain liabilities of Dakota Prairie Refining. In the first quarter of 2017, the Company recorded a reversal of the previously accrued liability of $7.0 million ($4.3 million after tax) due to the resolution of a legal matter.

Note 11 - Goodwill and other intangible assets

The changes in the carrying amount of goodwill were as follows:

Nine Months Ended September 30, 2018	Balance at January 1, 2018	Goodwill Acquired During the Year*	Balance at September 30, 2018
	(In thousands)		
Natural gas distribution	$ 345,736	$ —	$ 345,736
Construction materials and contracting	176,290	8,412	184,702
Construction services	109,765	—	109,765
Total	$ 631,791	$ 8,412	$ 640,203

* Relates to business acquisitions that occurred during the period, as discussed in Note 9.

Nine Months Ended September 30, 2017	Balance at January 1, 2017	Goodwill Acquired During the Year	Balance at September 30, 2017
	(In thousands)		
Natural gas distribution	$ 345,736	$ —	$ 345,736
Construction materials and contracting	176,290	—	176,290
Construction services	109,765	—	109,765
Total	$ 631,791	$ —	$ 631,791

Year Ended December 31, 2017	Balance at January 1, 2017	Goodwill Acquired During the Year	Balance at December 31, 2017
	(In thousands)		
Natural gas distribution	$ 345,736	$ —	$ 345,736
Construction materials and contracting	176,290	—	176,290

Construction services	109,765	—	109,765
Total	$ 631,791	$ —	$ 631,791

Other amortizable intangible assets were as follows:

	September 30, 2018	September 30, 2017	December 31, 2017
	(In thousands)		
Customer relationships	$ 15,920	$ 15,248	$ 15,248
Less accumulated amortization	13,342	13,176	13,382
	2,578	2,072	1,866
Noncompete agreements	2,606	2,430	2,430
Less accumulated amortization	1,911	1,769	1,805
	695	661	625
Other	6,458	7,020	6,990
Less accumulated amortization	5,413	5,544	5,644
	1,045	1,476	1,346
Total	$ 4,318	$ 4,209	$ 3,837

Amortization expense for amortizable intangible assets for the three and nine months ended September 30, 2018, was $300,000 and $900,000, respectively. Amortization expense for amortizable intangible assets for the three and nine months ended September 30, 2017, was $500,000 and $1.7 million, respectively. Estimated amortization expense for amortizable intangible assets is $1.4 million in 2018, $1.2 million in 2019, $600,000 in 2020, $400,000 in 2021, $400,000 in 2022 and $1.2 million thereafter.

Note 12 - Fair value measurements

The Company measures its investments in certain fixed-income and equity securities at fair value with changes in fair value recognized in income. The Company anticipates using these investments, which consist of an insurance contract, to satisfy its obligations under its unfunded, nonqualified benefit plans for executive officers and certain key management employees, and invests in these fixed-income and equity securities for the purpose of earning investment returns and capital appreciation. These investments, which totaled $80.4 million, $75.0 million and $77.4 million, at September 30, 2018 and 2017, and December 31, 2017, respectively, are classified as investments on the Consolidated Balance Sheets. The net unrealized gains on these investments were $2.1 million and $3.0 million for the three and nine months ended September 30, 2018, respectively. The net unrealized gains on these investments were $1.9 million and $6.9 million for the three and nine months ended September 30, 2017, respectively. The change in fair value, which is considered part of the cost of the plan, is classified in other income on the Consolidated Statements of Income. In connection with the adoption of ASU 2017-07, as discussed in Note 6, the Company has elected to reclassify prior period unrealized gains from operation and maintenance expense to other income on the Consolidated Statements of Income.

The Company did not elect the fair value option, which records gains and losses in income, for its available-for-sale securities. The available-for-sale securities include mortgage-backed securities and U.S. Treasury securities. These available-for-sale securities are recorded at fair value and are classified as investments on the Consolidated Balance Sheets. Unrealized gains or losses are recorded in accumulated other comprehensive income (loss).

Details of available-for-sale securities were as follows:

September 30, 2018	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Mortgage-backed securities	$ 10,550	$ 3	$ 251	$ 10,302
U.S. Treasury securities	179	—	—	179
Total	$ 10,729	$ 3	$ 251	$ 10,481

September 30, 2017	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Mortgage-backed securities	$ 9,488	$ 11	$ 72	$ 9,427
U.S. Treasury securities	613	—	1	612
Total	$ 10,101	$ 11	$ 73	$ 10,039

December 31, 2017	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Mortgage-backed securities	$ 10,342	$ 4	$ 129	$ 10,217
U.S. Treasury securities	205	—	1	204
Total	$ 10,547	$ 4	$ 130	$ 10,421

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The fair value ASC establishes a hierarchy for grouping assets and liabilities, based on the significance of inputs. The estimated fair values of the Company's assets and liabilities measured on a recurring basis are determined using the market approach. The Company's Level 2 money market funds are valued at the net asset value of shares held at the end of the quarter, based on published market quotations on active markets, or using other known sources including pricing from outside sources. The estimated fair value of the Company's Level 2 mortgage-backed securities and U.S. Treasury securities are based on comparable market transactions, other observable inputs or other sources, including pricing from outside sources. The estimated fair value of the Company's Level 2 insurance contract is based on contractual cash surrender values that are determined primarily by investments in managed separate accounts of the insurer. These amounts approximate fair value. The managed separate accounts are valued based on other observable inputs or corroborated market data.
Though the Company believes the methods used to estimate fair value are consistent with those used by other market participants, the use of other methods or assumptions could result in a different estimate of fair value. For the nine months ended September 30, 2018 and 2017, there were no transfers between Levels 1 and 2.
The Company's assets and liabilities measured at fair value on a recurring basis were as follows:

	Fair Value Measurements at September 30, 2018, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2018
	(In thousands)			
Assets:				
Money market funds	$ —	$ 9,948	$ —	$ 9,948
Insurance contract*	—	80,358	—	80,358
Available-for-sale securities:				
Mortgage-backed securities	—	10,302	—	10,302
U.S. Treasury securities	—	179	—	179
Total assets measured at fair value	$ —	$ 100,787	$ —	$ 100,787

* The insurance contract invests approximately 47 percent in fixed-income investments, 24 percent in common stock of large-cap companies, 13 percent in common stock of mid-cap companies, 12 percent in common stock of small-cap companies, 3 percent in target date investments and 1 percent in cash equivalents.

	Fair Value Measurements at September 30, 2017, Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2017
	(In thousands)			
Assets:				

Money market funds	$ —	$ 6,204	$ —	$ 6,204
Insurance contract*	—	74,991	—	74,991
Available-for-sale securities:				
Mortgage-backed securities	—	9,427	—	9,427
U.S. Treasury securities	—	612	—	612
Total assets measured at fair value	$ —	$ 91,234	$ —	$ 91,234

* The insurance contract invests approximately 50 percent in fixed-income investments, 23 percent in common stock of large-cap companies, 13 percent in common stock of mid-cap companies, 11 percent in common stock of small-cap companies, 2 percent in target date investments and 1 percent in cash equivalents.

	Fair Value Measurements at December 31, 2017, Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2017
	(In thousands)			
Assets:				
Money market funds	$ —	$ 6,965	$ —	$ 6,965
Insurance contract*	—	77,388	—	77,388
Available-for-sale securities:				
Mortgage-backed securities	—	10,217	—	10,217
U.S. Treasury securities	—	204	—	204
Total assets measured at fair value	$ —	$ 94,774	$ —	$ 94,774

* The insurance contract invests approximately 49 percent in fixed-income investments, 23 percent in common stock of large-cap companies, 14 percent in common stock of mid-cap companies, 11 percent in common stock of small-cap companies, 2 percent in target date investments and 1 percent in cash equivalents.

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

	Carrying Amount	Fair Value
	(In thousands)	
Long-term debt at September 30, 2018	$ 1,915,470	$ 1,987,360
Long-term debt at September 30, 2017	$ 1,740,552	$ 1,846,811
Long-term debt at December 31, 2017	$ 1,714,853	$ 1,826,256

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

Note 13 - Cash flow information

Cash expenditures for interest and income taxes were as follows:

	Nine Months Ended September 30, 2018	2017
	(In thousands)	
Interest, net*	$ 58,359	$ 58,119
Income taxes paid, net**	$ 8,887	$ 46,430

* AFUDC - borrowed was $1.8 million and $676,000 for the nine months ended September 30, 2018 and 2017, respectively.

** Income taxes paid, net of discontinued operations, were $5.1 million and $1.4 million for the nine months ended September 30, 2018 and 2017, respectively.

Noncash investing and financing transactions were as follows:

	September 30, 2018	September 30, 2017	December 31, 2017

	(In thousands)		
Property, plant and equipment additions in accounts payable	$34,594	$ 16,914	$ 29,263
Issuance of common stock in connection with acquisition	$17,993	$ —	$ —

Note 14 - Business segment data

The Company's reportable segments are those that are based on the Company's method of internal reporting, which generally segregates the strategic business units due to differences in products, services and regulation. The internal reporting of these operating segments is defined based on the reporting and review process used by the Company's chief executive officer. The vast majority of the Company's operations are located within the United States.

The electric segment generates, transmits and distributes electricity in Montana, North Dakota, South Dakota and Wyoming. The natural gas distribution segment distributes natural gas in those states, as well as in Idaho, Minnesota, Oregon and Washington. These operations also supply related value-added services.
The pipeline and midstream segment provides natural gas transportation, underground storage and gathering services through regulated and nonregulated pipeline systems primarily in the Rocky Mountain and northern Great Plains regions of the United States. This segment also provides cathodic protection and other energy-related services.
The construction materials and contracting segment operations mine, process and sell construction aggregates (crushed stone, sand and gravel); produce and sell asphalt mix; and supply ready-mixed concrete. This segment focuses on vertical integration of its contracting services with its construction materials to support the aggregate based product lines including aggregate placement, asphalt and concrete paving, and site development and grading. Although not common to all locations, other products include the sale of cement, liquid asphalt for various commercial and roadway applications, various finished concrete products and other building materials and related contracting services. This segment operates in the central, southern and western United States and Alaska and Hawaii.
The construction services segment provides inside and outside specialty contracting services. Its outside services include design, construction and maintenance of overhead and underground electrical distribution and transmission lines, substations, external lighting, traffic signalization, and gas pipelines, as well as utility excavation and the manufacture and distr