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**MDU Resources Group,
Inc.** NYSE:MDU

Earnings Call

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Call Participants

EXECUTIVES

Jason L. Vollmer
Chief Financial Officer

Nicole A. Kivisto
President & CEO

Presentation

Operator

Ladies and gentlemen, thank you for joining us, and welcome to the MDU Resources Group, Inc. Q3 2025 Earnings Call. [Operator Instructions]

I will now hand the conference over to Jason Vollmer, Chief Financial Officer. Jason, please go ahead.

Jason L. Vollmer

Chief Financial Officer

Thank you, Nicole, and welcome, everyone, to our third quarter 2025 earnings conference call. You can find our earnings release and supplemental materials for this call on our website at www.mdu.com under the Investors tab.

Leading today's discussion with me is Nicole Kivisto, President and CEO of MDU Resources. During our call, we will make certain forward-looking statements within the meaning of federal securities laws. For more information about the risks and uncertainties that could cause our actual results to vary from any forward-looking statements, please refer to our most recent SEC filings.

I'll provide consolidated financial results later during the call, but we'll first turn the call over to Nicole for her remarks. Nicole?

Nicole A. Kivisto

President & CEO

All right. Thank you, Jason, and thank you, everyone, for joining us today and for your continued interest in MDU Resources. This morning, we reported income from continuing operations of \$18.4 million or \$0.09 per share for the third quarter of 2025, an increase of \$2.8 million or \$0.01 per share over the third quarter of 2024.

Strong performance at our Pipeline segment drove results for the quarter. Typically, this is a less impactful quarter from an earnings perspective at the utility as we approach the beginning of the heating season. Increased operating costs across our business segments did impact our third quarter results.

Continued strong customer demand at our pipeline segment and progress in our utility regulatory schedule should provide opportunity as we move forward. In addition, our utility experienced combined retail customer growth of 1.5% when compared to this time last year, which is within our targeted annual growth rate of 1% to 2%. This demand and growth provides investment opportunity for customer-driven growth projects at our pipeline and in our utility infrastructure to meet the demands of our growing customer base.

I'm extremely proud of our employees whose dedication to our core strategy continues to drive our business and to deliver exceptional performance while positioning MDU Resources with compelling long-term growth prospects.

At our Electric segment, the North Dakota Public Service Commission approved the advanced determination of prudence filing for the proposed acquisition of a 49% ownership interest in the Badger Wind Farm, which equates to 122.5 megawatts of the project's total 250 megawatts of generation capacity. As a result, we will complete the acquisition of this investment upon commercial operation, which we expect to be around year-end. This investment is currently in our 2026 capital budget.

We also filed a general rate case in Montana during the quarter, requesting an increase of \$14.1 million annually that includes recovery of Montana's share of our investment in the Badger Wind Farm. This filing included a request for a systems management cost adjustment mechanism for cost recovery of transmission and wildfire-related costs.

Interim rates were requested to be effective January 1, 2026, and the Montana PSC has up to 9 months to issue its decision. Recently, we also filed for recovery of our investment in Badger Wind in North Dakota through our annual update filing to our renewable resource cost adjustment and in South Dakota through our annual update filing to our infrastructure rider.

On our wildfire mitigation plans, those remain on track for filings in North Dakota, Montana and Wyoming before year-end. At our electric utility, we currently have 580 megawatts of data center load under signed electric service agreements. Of that total, 180 megawatts is currently online with an additional 100 megawatts expected to start ramping online late this year and continue into 2026. An additional 150 megawatts is expected online later in '26 with the remaining 150 megawatts expected online in 2027.

Our current approach is to serve these large customer opportunities with a capital-light business model, which not only benefits our earnings and returns, but also provides cost savings to our other retail customers. We do continue to pursue additional discussions with potential data center customers. And should these discussions progress to signed agreements, we would consider investing capital into new generation and transmission assets to serve the increased load.

Aside from data center load, we also continue to evaluate other potential capital projects related to safely and reliably meeting existing customer demand as well as grid resiliency. An example of this would be we recently signed a nonbinding memorandum of understanding for a potential investment in the North Plains Connector project.

At our Natural Gas segment, a settlement agreement was approved in our Wyoming general rate case for an annual increase of \$2.1 million with rates effective August 1, 2025. Additionally, in Wyoming, we filed for a mechanism to recover pipeline replacement costs during the quarter. A settlement in our general rate case in Montana was also approved on October 7, finalizing a \$7.3 million annual increase with final rates effective November 1, 2025.

Moving to Idaho, a general rate case settlement agreement was filed on October 20 for an annual increase of \$13 million. The hearing on this case is scheduled for November 18 and 19 with rates expected to be effective January 1, 2026. Looking ahead, we also plan to file a general rate case in Oregon before the end of this year.

Moving on to our pipeline segment. Our Minot expansion project was placed in service earlier this month and added approximately 7 million cubic feet of natural gas transportation capacity per day. We also continue to make progress on required surveys for our Line Section 32 Expansion Project, which will provide natural gas transportation service to an electric generation facility being constructed in Northwest North Dakota.

We anticipate filing our FERC application in the first quarter of 2026 for this project and are targeting construction to be complete in late 2028. In regard to our proposed Bakken East pipeline project that could run approximately 350 miles from western North Dakota to the eastern part of the state plus additional pipeline laterals, the project was selected by the North Dakota Industrial Commission for firm pipeline capacity commitments of up to \$50 million annually for 10 years.

We continue to actively market this project and engage with all interested parties to further define the project scope, time lines and commercial terms. This project would provide natural gas transportation service for additional industrial, power generation and local distribution companies, growing demand and also provide much needed take away capacity to meet forecasted natural gas production growth in the Bakken region. This project is currently not in our 5-year capital forecast and would be incremental should we determine to proceed.

The final route, time line and cost of this project will be determined later as we finalize discussions with potential shippers, including delivery points and contracted volume commitments. As we look to finance a project of this size and scope, we will evaluate all options, including using our balance sheet to finance the project, pursuing potential partners and various other options.

We currently plan to conduct a binding open season during the first quarter of 2026, and we'll continue to provide updates on this potential project as we learn more. We also signed an agreement to support the

early-stage development of the potential Minot Industrial Pipeline project, which would be an approximate 90-mile pipeline from Tioga, North Dakota to Minot, North Dakota. The project would provide incremental natural gas transportation capacity for anticipated industrial demand. We will provide updates as the project progresses to final investment decision.

With the performance we have experienced during the third quarter and our view for the remainder of the year, we are raising the bottom end of our earnings per share guidance to a new range of \$0.90 to \$0.95 per share from our previous range of \$0.88 to \$0.95 per share. This, of course, remains dependent on normal weather and operating conditions in the fourth quarter.

We remain confident in our ability to execute on our long-term growth strategy and believe our operational focus and financial discipline continue to position us well for delivering safe and reliable energy, customer value and strong stockholder returns. We also continue to anticipate a long-term EPS growth rate of 6% to 8% while targeting a 60% to 70% annual dividend payout ratio.

As always, MDU Resources is committed to operating with integrity and with a focus on safety. We remain dedicated to delivering value as a leading energy provider and employer of choice. I will now turn the call back over to Jason for the financial update. Jason?

Jason L. Vollmer
Chief Financial Officer

Thanks, Nicole. This morning, we announced third quarter earnings of \$18.4 million or \$0.09 per share compared to third quarter 2024 earnings of \$64.6 million or \$0.32 per share. Third quarter income from continuing operations was \$18.4 million or \$0.09 per share compared to \$15.6 million or \$0.08 per share in the prior year. Income from continuing operations excludes the impacts of Everus, which was separated in a spin-off transaction on October 31, 2024.

Turning to our individual businesses. Our electric utility reported third quarter earnings of \$21.5 million compared to \$24.3 million for the same period in 2024. Higher retail sales revenues positively impacted results for the quarter, but were more than offset by higher operation and maintenance expense, primarily from higher payroll-related costs and higher contract services related to electric generation station outages this year. Higher depreciation expense associated with capital projects placed in service further impacted the results.

Our natural gas utility reported a seasonal loss of \$18.2 million in the third quarter compared to a loss of \$17.5 million in 2024. Increased operation and maintenance expense, primarily, again, higher payroll-related costs as well as higher depreciation expense related to capital projects placed in service drove the loss in the quarter. Higher retail sales revenue due to rate relief in Washington, Montana and Wyoming partially offset the seasonal loss.

The pipeline posted record third quarter earnings of \$16.8 million compared to third quarter earnings of \$15.1 million last year. The increase in earnings was driven by higher transportation revenue from growth projects placed in service in late 2024 and customer demand for short-term firm natural gas transportation contracts. Higher operation and maintenance expense, along with increased property taxes and depreciation, partially offset the earnings increase.

And finally, MDU Resources continues to maintain a strong balance sheet with ample access to working capital to finance our operations. While we have no equity needs in 2025 based on our current capital plan, our capital investment program moving forward will require access to the equity capital markets. As such, we re-established an ATM program during the quarter to meet those needs. We will update our forward-looking capital investment plan later this month, and we'll provide further details around the size and timing of the near-term equity needs at that same time. That summarizes our financial highlights for the third quarter. We appreciate your interest in and commitment to MDU Resources and ask that we now open the line for any questions. Operator?

Question and Answer

Operator

[Operator Instructions]

There are no questions at this time. I will now turn the call back to Nicole Kivisto for closing remarks.

Nicole A. Kivisto

President & CEO

Thank you, everyone, for joining us today. We certainly appreciate your continued interest and support of MDU Resources and look forward to connecting with you as we finish out the year. And with that, I'll turn the call back over to the operator.

Operator

This concludes today's call. Thank you for attending. You may now disconnect.

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