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EDITED TRANSCRIPT

MDU - Q12021MDU Resources Group, Inc. Earnings Call

EVENT DATE/TIME: MAY 06, 2021/ 6:00PM GMT

OVERVIEW:

Co. reported 1Q21 earnings of \$52.1m or \$0.26 per share. Expects 2021EPS to be \$2.00-2.15.

CORPORATE PARTICIPANTS

David C. Barney President & CEO of Knife River Corporation

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Nicole A. Kivisto CEO & President of Cascade Natural Gas Corp, Intermountain Gas Co & Montana-Dakota Utilities Co.

Trevor J. Hastings President & CEO of WBI Holdings, Inc.

CONFERENCE CALL PARTICIPANTS

Andrew Levi Hite Hedge Asset Management LLC - Portfolio Manager

Christopher Ellinghaus Siebert Williams Shank & Co., L.L.C., Research Division - Principal & Senior Equity Utility Analyst

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PRESENTATION

Operator

Hello. My name is Erica, and I will be your conference facilitator. At this time, I would like to welcome everyone to the MDU Resources Group 2021 First Quarter Conference Call. (Operator Instructions)

This call will be available for replay beginning at 5:00 p.m. Eastern Time today through 11:59 p.m. Eastern Time on May 20. The conference ID number for the replay is 2374997. Again, the conference ID number for the replay is 2374997. The number to dial for the replay is 1 (855) 859-2056 or (404) 537-3406.

I would now like to turn the conference over to Jason Vollmer, Vice President and Chief Financial Officer of MDU Resources Group. Thank you. Mr. Vollmer, you may begin your conference.

Jason L. Vollmer - MDU Resources Group, Inc. - VP & CFO

Thank you, Erica, and welcome, everyone, to our first quarter 2021 earnings conference call. This call is being broadcast live to the public over the Internet, and slides will accompany our remarks. If you'd like to view the slides, please visit our website at www.mdu.com and go to the Events and Presentations page under the Investors tab. Our earnings news release is also available on our website.

During this presentation, we will make certain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Although the company believes that its expectations and beliefs are based upon reasonable assumptions, actual results may differ materially. For a discussion of factors that may cause results to differ, refer to Item 1A, Risk Factors, in our most recent Form 10-K and other filings with the SEC.

We may also reference EBITDA and adjusted gross margin throughout the conference call, which are considered non-GAAP financial measures. For a reconciliation of EBITDA and adjusted gross margin to net income, please refer to the earnings release filed yesterday.

For our call today, I will discuss the key financial highlights and then turn the presentation over to Dave Goodin, President and CEO of MDU Resources. After Dave's remarks, we'll open the line for questions.

In addition to Dave and myself, members of our management team who are available to answer questions today are Dave Barney, President and CEO of Knife River Corporation; Jeff Thiede, President and CEO of MDU Construction Services Group; Nicole Kivisto, President and CEO of our utility group; Trevor Hastings, President and CEO of WBI Energy; and Stephanie Barth, Vice President, Chief Accounting Officer and Controller of MDU Resources.

Yesterday, we announced first quarter earnings of \$52.1 million or \$0.26 per share, doubling our first quarter 2020 earnings of \$25.1 million or \$0.13 per share. Our combined utility business performed well throughout the first quarter and reported earnings of \$46.9 million, up from \$43.7 million in the first quarter of 2020. Our natural gas utility segment reported net income of \$36.2 million for the quarter compared to \$32.3 million in the prior year.

Higher adjusted gross margin from approved rate relief, weather normalization and decoupling mechanisms as well as a 1.8% increase in natural gas retail sales volumes contributed to the increase in earnings. Higher investment income on certain benefit plans also had a positive impact on earnings. Partially offsetting the increase were higher operation and maintenance expense and higher depreciation, depletion and amortization expense.

At our Electric Utilities segment, earnings decreased slightly year-over-year at \$10.7 million for the first quarter compared to \$11.4 million in 2020. This decrease in earnings was largely the result of higher operating expenses, primarily payroll-related costs and increased depreciation, depletion and amortization expense from electric transmission projects placed into service. Partially offsetting the decrease in earnings were higher returns on certain benefit plan investments.

Adjusted gross margin also increased during the quarter, the result of higher transmission revenues and increased revenues associated with transmission interconnect upgrades. Adjusted gross margin was offset by a 2.2% decrease in electric sales volumes, primarily to our commercial and industrial customers. The pipeline business had a record first quarter for earnings of \$8.9 million compared to \$7.4 million in 2020. The primary contributor to the increase in earnings were strong customer demand for natural gas storage services as well as higher other income from increased allowance for funds used during construction and higher investment returns on certain benefit plans.

Turning to the construction platform. Our Construction Services business reported record first quarter earnings of \$29.8 million compared to \$16.8 million in 2020, and first quarter revenues of \$518.5 million, up from prior year revenues of \$514.7 million. Construction Services saw an increase in outside specialty contracting workloads and margins due to strong demand from its customers in the utility industry.

Inside specialty contracting workloads decreased during the quarter, primarily from lower customer demand for refinery projects. Customer demand for high-tech projects, however, remained very strong throughout the quarter. As a reminder, 2020 first quarter net income for the Construction Services business was impacted by a \$6.7 million out-of-period adjustment after tax.

Our Construction Materials business reported a seasonal loss of \$30.8 million in the first quarter compared to a loss of \$38.2 million for the same period in 2020 and had record first quarter revenues of \$265.7 million this year, up from 2020 revenues of \$262.2 million. Increased materials pricing and higher contracting margins decreased the seasonal loss, and an early start to the construction season and material sales season resulted in higher materials revenues. Higher investment returns on certain benefit plans and lower selling, general and administrative expenses were partially offset by increased payroll-related costs.

In addition to the strong earnings performance in the first quarter, our consolidated EBITDA also grew 29% year-over-year to \$162.2 million compared to \$125.3 million for the same period in 2020.

That summarizes the financial highlights from the quarter. And now I'd like to turn the call over to Dave for his formal remarks. Dave?

David L. Goodin - MDU Resources Group, Inc. - President, CEO & Director

Thank you, Jason, and good afternoon, everyone, and thank you for joining us here today. We're off to a very strong start in 2021, doubling our first quarter earnings compared to 2020. All our businesses performed well during the quarter, with record earnings at Construction Services and

our pipeline group. Record revenues from an early start to the year at Construction Materials and our utility continued to provide safe and reliable service to customers even as other areas of the country were impacted by weather-related outages.

With the strong first quarter performance, we are narrowing our 2021 earnings per share guidance to a range now of \$2 to \$2.15, raising the low end of the range from \$1.95.

I will now walk and talk through each of our business lines to give additional color on our results and update everyone on the opportunities that we see ahead of us for the remainder of 2021 and beyond.

Our combined utility had a very successful first quarter, reporting a 7% increase in earnings, along with a busy regulatory activity as we continue to work on recovering investments made to strengthen the safety and reliability of both our natural gas and electric systems. Our outlook for the utility businesses includes plans to invest \$328 million this year and approximately \$1.6 billion over the next 5 years with a projected rate base growth of 5% compounded annually. Throughout the remainder of the year, the electric utility business will continue with plans to retire the Heskett coal-fired stations in early 2022 and is nearing the completion of its integrated resource planning process with an expected release date here in the summer of 2021.

Turning to our pipeline business. They had an excellent first quarter, and as I mentioned earlier, reported record first quarter earnings. We own the largest natural gas storage field in North America, and demand for our natural gas storage-related services contributed strongly to the earnings growth. Our pipeline group is currently awaiting the final Federal Energy Regulatory Commission certificate for its North Bakken Expansion project. As a reminder, this is a 250 million cubic feet per day expansion project with long-term customer commitments that will help decrease natural gas flaring within the Bakken.

FERC approval for this expansion was expected during the first quarter, and since it has not yet been received, the company is adjusting its construction schedule to reflect this delay. The in-service date, which was previously expected to be in late 2021, will also be impacted by this delay. With natural gas production levels remaining strong in the Bakken and low natural gas prices, we are experiencing sustained demand for our transportation and storage services and continue to evaluate other organic growth projects across the pipeline operations.

Now I'd like to turn to our construction platform of businesses. At Construction Services, here, we reported strong first quarter revenues, record first quarter earnings and record first quarter backlog of now at \$1.273 billion. This record backlog really showcases, I'll say, the success of our diverse operations as well as the bidding environments that we see across our footprint throughout the first quarter. We are confident that our high quality of service and skilled workforce will continue to be in demand for new jobs.

At Construction Materials, we reported a lower seasonal loss. Here, favorable weather gave us an early start to the construction materials sales season, allowing this business to complete projects ahead of schedule and also take advantage of new bidding opportunities for the remainder of the year.

Even with this early start to the season, backlog remains strong and was 819 million as of March 31. As noted in prior news releases, Knife River completed its first acquisition of 2021 with an aggregates operation in the Portland Oregon area. The Mount Hood rock acquisition strengthens our position in the Portland metro area and will also provide an estimated 20 years of aggregate reserves. Knife River also received a very key permit to expand operations at our Honey Creek aggregate quarry in Texas just outside of Austin.

Combined, our construction businesses ended the quarter with nearly \$2.1 billion in backlog, and we do anticipate construction revenues on a combined basis to be between \$4.2 billion and \$4.6 billion for 2021. We are excited about the opportunities in front of us both of our business platforms present. The discussion surrounding a new federally funded infrastructure package, while not built into any of our forecasts for this year, is a positive development that could provide substantial longer-term growth opportunities for both platforms of businesses.

Our focus here at MDU Resources has been to produce significant long-term value as we execute our business plans, organic growth projects and targeted acquisitions, and that's exactly what we're doing. We continue to maintain a strong balance sheet, solid credit ratings, a good liquidity position, and for the last 83 consecutive years, we provided a competitive dividend to our shareholders. As always, MDU Resources is committed to operating with integrity and a focus on safety while creating superior shareholder value as we continue along our tag line of building a strong America.

I appreciate your interest in and commitment to MDU Resources, and ask now that we open the line for questions. Turning it back to you, operator.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question is from Dariusz Lozny with Bank of America.

Dariusz Lozny - BofA Securities, Research Division - Research Analyst

Dariusz here. I just wanted to briefly come back to the Bakken Expansion Project. It sounded like, clearly, there's a delay in the construction schedule. You didn't say that it may go into 2022. Can you maybe just kind of talk about the puts and takes and potentially any flex in your plan as far as when the in-service date may move to?

And Part B to that would be in your Q, there's a little bit of a disclosure about the FERC reforming the way in which it analyzes greenhouse gas emissions and I was wondering if you could sort of tie that into the overall delays that you're experiencing in the project, to the extent that you can.

David L. Goodin - MDU Resources Group, Inc. - President, CEO & Director

Sure. I'll -- Dariusz, I'll ask Trevor Hastings, who's the CEO at WBI Energy, to touch on both parts of your questions.

Trevor J. Hastings - President & CEO of WBI Holdings, Inc.

Okay. Thanks for the question. So the -- to the first one just in terms of the delay on timing, our timing on the project will be predicated on when we get our FERC certificate. And then ultimately, the notice to proceed with construction. So at this moment in time, if we were to get our certificate at the May meeting and a notice to proceed at the end of June, early July, we would be able to achieve an in-service date by the end of the year or very early in 2022, depending on the weather. If it delays past that, we're -- obviously, our project team continues to work on this as we move forward, and we would just need to go back and look at it. But at this point in time, we could hit end of the year, early next year.

Related to the greenhouse gas portion of it. So with the new administration and Chairman Glick at the FERC, one of the early things he's done is implemented a greenhouse gas review. The first order that it came out on was actually a replacement project to do a significance determination. So as it relates to the North Bakken project, the -- in terms of direct assessment from the project, our view would be the direct greenhouse gas emissions are insignificant. And as it relates to the downstream, not knowing fully how FERC is going to do it on an expansion project because we haven't seen an order with it in an expansion project yet, but just looking downstream in terms of those impacts, we're flowing into a full pipe and so our argument would be there really wouldn't be any material change in terms of downstream emissions. And then from the project standpoint, this project running through the heart of the Bakken really helps reduce flaring today and into the future as the Bakken continues to grow.

David L. Goodin - MDU Resources Group, Inc. - President, CEO & Director

Dariusz, did Trevor answer both parts of your question with that?

Dariusz Lozny - BofA Securities, Research Division - Research Analyst

Certainly, yes. Very insightful answers. If I can just sneak one more in here. Just wanted to discuss a little bit the composition of your services results. And two parts to that. If you can talk a little bit to how much contribution came from storm repair work. It sounded like it might have been significant. And also, the comments about lower demand from refinery and commercial projects. Is that something that you expect to be temporary or do you expect that to be more of a longer-term shift and then obviously, look to backfill that with more kind of tech industry-type work?

David L. Goodin - MDU Resources Group, Inc. - President, CEO & Director

Sure, Dariusz. I'll ask Jeff Thiede to weigh in on that. I'll say storm work, while a portion of our first quarter work, wasn't necessarily material to the results. It was certainly helpful, but not material. But Jeff, you can add more color to that, along with the second part of Dariusz' question relative to the refining area.

Jeffrey S. Thiede - President & CEO of MDU Construction Services Group, Inc

Okay. Hello, Dariusz. We really respect our essential workers and appreciate them responding to the storm work that we had in Q1 and we sent many crews to Arkansas, Missouri and Oklahoma. In fact, we still have crews in Arkansas right now. Our team helped restore power and even communications to homes and businesses and services for those in need and the storm work contributed to our success, but it was not material to earnings. So again, we're pleased to be able to respond but it wasn't material to our earnings into Q1.

David L. Goodin - MDU Resources Group, Inc. - President, CEO & Director

And then, Jeff, I think Dariusz had a second part relative to the refining area.

Jeffrey S. Thiede - President & CEO of MDU Construction Services Group, Inc

Yes. So we had -- in 2020, we had a big project and big opportunity and looking at that period versus 2021, we were down, obviously. But our backlog and our work opportunities within the turnaround services at our petrochemical refinery customers' locations, in addition to capital projects and even maintenance project, is picking up speed, and we see it increasing throughout the rest of the year.

Operator

Your next question is from Ryan Levine with Citi.

Ryan Levine - Citigroup Inc., Research Division - VP

I wanted to start off -- Dave, maybe just wanted to start off in terms of the construction materials and service business. Curious if you're seeing any inflation on the cost side or any that you're able to pass on to customers, both during the quarter and over the last few weeks.

David L. Goodin - MDU Resources Group, Inc. - President, CEO & Director

Sure. We'll start maybe with Dave Barney on the materials side, and then we'll shift over to Jeff Thiede on the services relative to your question on inflationary pressures. Dave?

David C. Barney - President & CEO of Knife River Corporation

Yes, we're definitely seeing some inflationary pressure on steel and other products, but we have been able to pass those costs on in our bids or in our materials side.

Ryan Levine - Citigroup Inc., Research Division - VP

Okay. What about in terms of the actual commodity in terms of the agg or ready-mix, are you seeing any inflation there?

David C. Barney - President & CEO of Knife River Corporation

Well, we've been raising our prices internally for aggregates and ready-mix. We are seeing -- people, they rarely buy from our aggregate side, increased aggregate pricing like we are. But not significant. And there's no shortage of it right now. It's going to be tight this year in some areas on aggregate. We're really busy in some parts of our region. It's going to be really tight. But we'll continue to monitor it as we go forward.

Ryan Levine - Citigroup Inc., Research Division - VP

Is there a margin expansion opportunity in light of that dynamic?

David C. Barney - President & CEO of Knife River Corporation

Yes, there is.

David L. Goodin - MDU Resources Group, Inc. - President, CEO & Director

Jeff, do you want to touch on in services?

Jeffrey S. Thiede - President & CEO of MDU Construction Services Group, Inc

You bet. Availability is also an issue in addition to the price increases that we're seeing. And there has been some impact from steel, copper, aluminum and PVC products. They've sharply risen over the last 6 months. We're timely and proactively notifying our customers while also working with our suppliers to mitigate the impact to our backlog margins. We've had some success in anticipating these increases. We've also used our purchasing power and our financial strength to bulk purchase wire in some of our markets.

Ryan Levine - Citigroup Inc., Research Division - VP

On the services side, on the existing contracts, how did they address that potential issue? Are there a lot of pass-throughs? Or does the company have negative margin pressure if prices increase?

Jeffrey S. Thiede - President & CEO of MDU Construction Services Group, Inc

Mostly on our GMP projects, they're pass-throughs and a lot of our pricing, since we started to experience and anticipate, working closely with our suppliers. We've identified a certain level of pricing and have qualified our bid proposals with those levels and then provide impacts to our customers to let them know if we wait 2 months to make this purchase, it will impact us by X dollars and so we get them involved and mitigate those risks. And we are mostly being able to pass those costs on to our customers when we're in the preconstruction on our GMP jobs.

Ryan Levine - Citigroup Inc., Research Division - VP

Okay. And then maybe one follow-up. In terms of the backlog numbers that you posted for the quarter, has the business mix shift at all in light of some of those dynamics?

Jeffrey S. Thiede - President & CEO of MDU Construction Services Group, Inc

For services, our backlog, it's divided up into our outside backlog versus our inside and it's always been about 80% inside and 20% outside. It's very close to where it was a year ago. We are seeing our Vegas group about the same level, slightly down by a couple of percentage points. We're seeing some increases in the Pacific Northwest and the West Coast in addition to Ohio and in the Midwest. So having a diversified company has helped strengthen us and helped us adjust to be able to capture the opportunities and to be able to build our Q1 record backlog.

David L. Goodin - MDU Resources Group, Inc. - President, CEO & Director

Ryan, did your question extend over to materials then relative to the backlog makeup, too?

Ryan Levine - Citigroup Inc., Research Division - VP

I mean that would be helpful if Dave is able to share that commentary?

David L. Goodin - MDU Resources Group, Inc. - President, CEO & Director

Yes. Dave Barney?

David C. Barney - President & CEO of Knife River Corporation

As far as our backlog, Ryan, we're still about 70% public, 30% private on our work, and we haven't seen much change on that over the last couple of years.

Ryan Levine - Citigroup Inc., Research Division - VP

Okay. And then maybe one question or another question on the pipeline segment. In light of some of these inflationary pressures, given the potential pipeline timing delay with the FERC process, how is the contract structured with your customers to the extent the build costs were to go up -- yes, versus what was originally budgeted when you filed the application?

Trevor J. Hastings - President & CEO of WBI Holdings, Inc.

Ryan, this is Trevor. First of all, thinking back, this project would have started in 2019. Our -- as we work through the project schedule, the engineering, procurement is a big part of that. So at this point in time, we were anticipating a first quarter certificate order and into construction. So from the

procurement side and our main contract side, we're actually fully procured and have all of our contracts in place. So as it relates to North Bakken, it shouldn't be a material issue.

Ryan Levine - Citigroup Inc., Research Division - VP

To the extent that the pricing were to change, the contract, you've already locked in the pricing and terms on that supply agreement?

Trevor J. Hastings - President & CEO of WBI Holdings, Inc.

On the -- yes. So I was speaking to the material procurement side and the major subcontractor side to build that project out, it's covered on that side of it. So from the customer side, yes, we should be covered.

David L. Goodin - MDU Resources Group, Inc. - President, CEO & Director

Yes. Thanks for the questions, Ryan. And maybe just as, I think, more from a high level, relative to your inflationary question on materials and services, we do note in our guidance that we expect margins in those businesses to be either comparable, if not slightly increasing on a year-over-year basis. So while there's many moving parts there, skilled labor costs, material costs, type of agreement, GMP or other cost-plus with customers, end of the day, we believe those margins to be comparable to actually slightly increasing on a year-over-year basis. So I appreciate the questions, Ryan. Back to you, operator.

Operator

Your next question is from Chris Elinghaus with Sebert Williams.

Christopher Elinghaus - Sebert Williams Shank & Co., L.L.C., Research Division - Principal & Senior Equity Utility Analyst

Trevor, can we go back to the expansion and the permit. It seems to me that the net carbon situation relative to the reduction in flaring is so glaringly obvious that I'm not sure I understand what the FERC could be up to in trying to make sort of a net determination. Can you elaborate on that a little bit?

Trevor J. Hastings - President & CEO of WBI Holdings, Inc.

Sure. Give me one second. So this is somewhat tied into historical court cases and outcomes of that. So not to dive all the way into the weeds, but there was a court outcome suggesting that the FERC needed to incorporate greenhouse gas emissions determinations in issuing pipeline certificate orders in the past and so with -- previously that had been done and then really hadn't been done and then now underneath of the new administration and Chairman Glick, with the first replacement project I referenced earlier, they had done the greenhouse gas math to do a significance determination, which they had done.

Other than that project from January time frame to today, there haven't been any expansion projects that have been on the agenda or any certificate orders issued. So we're unclear in terms of how exactly the FERC will be doing the greenhouse gas significance determination on an expansion project. So it's -- related into that was my earlier response to the Q disclosure around FERC moving into greenhouse gases. So from our project standpoint, there's kind of the direct -- the upstream and downstream emissions, our view would be, obviously, it's not a significant -- it wouldn't achieve a significance determination. But at this point, we don't know how FERC is actually going to apply it to expansion projects.

Christopher Elinghaus - Seibert Williams Shank & Co., L.L.C., Research Division - Principal & Senior Equity Utility Analyst

Okay. Dave, you mentioned something about construction materials bidding, having gotten an early start to the construction season. Maybe Dave can address that but are you suggesting that you're getting an early bidding season as well and does that -- how is that helpful to you necessarily?

David L. Goodin - MDU Resources Group, Inc. - President, CEO & Director

Yes. Dave Barney, you want to take that one, please?

David C. Barney - President & CEO of Knife River Corporation

Yes, Chris. We really aren't getting early bidding season and our bid schedule looks good. It's been strong. But as far as an early bid schedule, no, we just got out early. And mainly, it was on the aggregates and ready-mix side that we benefited from that getting out early. Most of our construction work doesn't start until a little later in the year. Except for on the private side, we can get out and do the work but the bid schedule really hasn't changed much.

Christopher Elinghaus - Seibert Williams Shank & Co., L.L.C., Research Division - Principal & Senior Equity Utility Analyst

Okay. Can you -- just sort of everybody, I guess, really probably mostly on the construction side, but maybe also how this might influence your IRP with the Biden proposal? How do you see what the provisions of the Biden plan might bring in terms of opportunity or just sort of what your general thoughts of the provisions in the various areas that influence you look like?

David L. Goodin - MDU Resources Group, Inc. - President, CEO & Director

Chris, that would be relative to the electric generation IRP, the utilities right in the midst of doing currently?

Christopher Elinghaus - Seibert Williams Shank & Co., L.L.C., Research Division - Principal & Senior Equity Utility Analyst

Yes. I mean my thought was it could directly influence your IRP thought process with extensions of tax credits and then obviously, the infrastructure build will influence both of the construction companies. So I just wanted to know if you had any general thoughts on having seen all the provisions at this point, what you're thinking?

David L. Goodin - MDU Resources Group, Inc. - President, CEO & Director

I'll actually start with some kind of overall comments on that, Chris. Certainly, we're watching very closely and participating as we are able to with the discussion within the administration and within Washington. We appreciate the added emphasis on infrastructure, certainly and I think that's what your -- part of your question is. We're able to participate in that, depending on what shape or form that infrastructure becomes, whether it's the traditional roads, bridges, highways, airports. Materials obviously directly affected with that, any of our pre-stress products for bridges and those kinds of things.

And then when you think of renewables and other clean energy sources and getting that into the grid and grid upgrades and/or transmission upgrades, those are all right in the wheelhouse of our outside T&D group within services. So I think we kind of stand to benefit, if you will, depending on the nature and form of that.

And you think, too, of within services -- I mean other forms of clean energy, whether it's photovoltaic, we do that kind of work for others. We've done some utility scale PV farms as well. So I think we stand to benefit from that. Broadband is another area that we would -- we do that work quite extensively in certain parts of our services group, too. So it kind of depends on your definition of infrastructure and what's all developed there.

Specific to some other of the administration's plans relative to the electric and natural gas industries, I'm going to turn to Nicole because she's front and center so far as relative to the IRP and as how we're thinking about that and in short, we've been making transition into renewables since 2007. Clearly, there's some accelerated time lines here but I'll ask Nicole without speaking entirely for here to maybe a little more of the detail, the thinking currently on -- at the utility group. Nicole?

Nicole A. Kivisto - CEO & President of Cascade Natural Gas Corp, Intermountain Gas Co & Montana-Dakota Utilities Co.

Sure. Thanks, Dave. I think you hit it on the head here by kind of your overall summary in terms of we've been on a pathway already in terms of our renewable progress. But when you start with our overall mission in terms of safe, reliable, affordable and environmentally friendly energy, certainly, there's areas of the clean electricity standard that is being proposed that fit within that wheelhouse. I think as we look at this, as we think about the time line that Dave mentioned here, we do have maybe some concerns in terms of challenges in meeting the time line.

So again, we've been on a path for renewables for quite some time. As you think about the accelerated time line, us along with the industry are looking at what technology advancements would be needed, the transmission build-out that Dave already referenced, not only the build-out but the permitting of that build-out. And then just ensuring that we've got the appropriate reliability and what kind of redundancy is needed as you develop this pathway to 80% clean by 2030 and 100% clean by 2035. So again, we're evaluating the proposals as they stand.

Certainly, as you mentioned, Chris, you're exactly right. We will be looking at how to address this in terms of where it stands by the time we put out our IRP. So it will be a part of our overall mix as we put our Integrated Resource Plan together. But again, it's still in the proposal stages and we continue to evaluate it along with what we currently were contemplating. Obviously, the acceleration, it was not built into our forecast in terms of our capital and our rate base projections that you're seeing. So certainly, any kind of firm guidance here or firm legislation here would accelerate some of those generation replacements. So hopefully, that answers your question. I'm happy to answer any further if you have a follow-up, Chris.

Christopher Ellinghaus - Sebert Williams Shank & Co., LLC, Research Division - Principal & Senior Equity Utility Analyst

Nicole, does this also influence the speed at which you want to address carbonization as well?

Nicole A. Kivisto - CEO & President of Cascade Natural Gas Corp, Intermountain Gas Co & Montana-Dakota Utilities Co.

Yes. I think some of this would certainly accelerate some of the things that we were currently contemplating, and that's where we -- we're trying to ensure that we've got the -- again, back to the balancing act of safe, reliable, affordable and environmentally friendly. We tend to make sure that we're trying to evaluate all buckets, right? And so certainly, this has some impact on those. And the time line, yes.

Christopher Ellinghaus - Sebert Williams Shank & Co., LLC, Research Division - Principal & Senior Equity Utility Analyst

Right. Trevor, the FERC process, is that more a function of their changing their administrative process as opposed to the math on carbon is really -- seems quite simple.

Trevor J. Hastings - President & CEO of WBI Holdings, Inc.

That's a tough one to answer. I mean we're not exactly sure what the delay is on bringing any expansion projects forward at this point in time. It could be related to the -- I'm trying to figure out and make that, I'll say, policy determination and how that's going to be applied. I mean, to this point, Chairman Glick has stated publicly that he doesn't intend to sit on certificate orders for natural gas pipeline projects. So our hope is that he's true to his word, and we start to see some of these expansion projects and the North Bakken project come forward in some of the near future commission meetings.

Christopher Elinghaus - Seibert Williams Shank & Co., LLC, Research Division - Principal & Senior Equity Utility Analyst

Okay. One last thing, vis-a-vis the Biden plan, Jeff, do you see or expect a couple of things out of that? One, do you see maybe a lot more water work for you? And two, there's a lot of things that are in the Biden plan that are encouraging of private, particularly manufacturing type of investment. Do you anticipate that maybe the bidding for, say, manufacturing-type construction work might sort of be ahead of the curve of where maybe public construction materials-type projects might come in after that legislation sort of gets more detail?

Jeffrey S. Thiede - President & CEO of MDU Construction Services Group, Inc

Yes. And certainly until we see the specifics of the plan, it's difficult to anticipate. But I think we're very well positioned with water work, the manufacturing work, which we're doing a lot of, also mission-critical work. And of course, our outside business with our support services on the power, gas and communications, in addition to our equipment company, is going to help us capture the opportunities in our selected markets.

Our backlog levels, I think, will remain strong. And that will help carry us through. Bidding opportunities we're seeing in the near term are telling us that our services are still in demand. I'm humble to say that since 2015, our field professionals and management professionals have grown our business revenue by 126% and our earnings 362%. So we're going to continue to remain disciplined with our bidding margins, look to build upon our success, and we're not yet maxed out.

Operator

(Operator Instructions) Your next question is from Andrew Levi with Hite Hedge.

Andrew Levi - Hite Hedge Asset Management LLC - Portfolio Manager

So just to summarize just kind of on the construction materials, and I think you kind of did, Dave, but I guess net-net between, let's say, inflationary pressures on your supplies, from a better way to put it, and then obviously, the ability to pass some of that through whether the contracting gets probably or not completely fixed. And then on top of that, looking at your aggregate business, the ability to raise prices there because whether it's lumber or aggregates or whatever it may be, everything is kind of going through the roof right now. And then on top of that, just the demand for construction in general, net-net, at this stage of the year, you're looking at, to kind of mix it all together, no pun intended, you're looking at a benefit when you kind of do the pluses and minuses. Is that what you were trying to say before, David?

David L. Goodin - MDU Resources Group, Inc. - President, CEO & Director

Yes. That's what I was trying to kind of -- all the puts and takes of the year, think about our guidance that we believe margins will be comparable to actually slightly increasing year-over-year with puts and takes, all the variables that you mentioned as we think about the businesses, absolutely.

Andrew Levi - Hite Hedge Asset Management LLC - Portfolio Manager

Okay. Great. And then my -- just one other question. So just, again, well, I think it was asked already, but just on the Biden infrastructure bill, assuming it gets done in some type or form, where do you see the biggest benefit, whether you could point to a couple for MDU and the way that you're structured, whether it's on the aggregate side or beyond the aggregate side?

David L. Goodin - MDU Resources Group, Inc. - President, CEO & Director

Yes. I appreciate the softball on that, Andy, because I mean it really hits the wheelhouse of our 2 platforms. And within the construction platform, again, probably typically people think, me included, infrastructure is kind of roads and bridges and highways and airports. Well, that's obviously

the materials group wheelhouse, whether it's ready-mix, whether it's asphalt, whether it's pre-stressed products or just the base aggregate material or other products like that.

What the Biden administration is talking about, in addition to that, though, would be things like broadband, things like talking about more infrastructure so far as outside transmission, electric transmission build. That very much hits right in the wheelhouse of our services business, too. And so, again, there's many shapes or forms of what infrastructure is to differing people, but the fact that we have optionality and other skilled labor lines within our construction businesses certainly fits that.

And even back to our North Bakken project, and you've heard from Trevor as to the -- some delay with FERC here as we think about that. I mean this is a very environmentally friendly project that will lessen the flaring in the Bakken. And from a downstream perspective, we're displacing gas that's already in a full pipe so we don't believe there's any downstream effects there, too. So I believe it's an environmentally friendly project as well. So -- and we've already touched base a little bit on the utility and uncertainty, if you think about that from a generation mix. Certainly, time line there is of importance to us as we look to decarbonize the fleet over a reasonable period of time. So it really will touch all of our business lines and I'm thankful that we have the 2 platforms that we do.

Andrew Levi - Hite Hedge Asset Management LLC - Portfolio Manager

And then just a follow-up on the first part. Just geographically the way that you're set up, so getting back to where we may see the biggest benefit in the Biden plan, can you guys just touch on geographically where your assets and people are relative to what may come out of the plan?

David L. Goodin - MDU Resources Group, Inc. - President, CEO & Director

Sure. So I'll touch on it. And if you want more detail, we can dive into the business heads. But we're really in 15 Western states with materials. So think of the Mississippi and look West, and that includes both Hawaii and also Alaska. We touch many of those states with our operations. So it's pretty geographically diversified. And that's really by our design that we have differing states with differing economies so that we have an ability -- sometimes markets are up or down, but we have a lot of geographic -- geography with us there.

In services, we're actually licensed to do business in 45-or-so different states. And so we really cover most of the U.S. there. That gives us some flexibility to kind of move where the work is best suited for us. So we've got some optionality as it relates to geography as well.

Operator

(Operator Instructions) This call will be available for replay beginning at 5:00 p.m. Eastern Time today through 11:59 p.m. Eastern Time on May 20. The conference ID number for the replay is 2374997. Again, the conference ID number for the replay is 2374997. At this time, there are no further questions. I would now like to turn the conference back over to management for closing remarks.

David L. Goodin - MDU Resources Group, Inc. - President, CEO & Director

Thank you, operator. Well, as we noted earlier, we're off to a very strong start here in 2021. And certainly, we have many opportunities in front of us at all of our lines of business. We are committed to building a strong America while ensuring the safety of our nearly 14,000 employees who are providing essential services to our customers, those services they need during this challenging time and beyond. We appreciate your participation on our call today. And as always, we thank you for your continued interest in MDU Resources.

And with that, I'll turn it back to the operator.

Operator

This concludes today's MDU Resources Group conference call. Thank you for your participation. You may now disconnect.

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