

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

MDU - Q1 2023 MDU Resources Group, Inc. Earnings Call

EVENT DATE/TIME: MAY 04, 2023 / 6:00PM GMT

(with edits by Kayla Fischer 5-5-23)

CORPORATE PARTICIPANTS

Brian Gray MDU Resources Group, Inc. - President & CEO of Knife River Corporation

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

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

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

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

Stephanie Barth MDU Resources Group, Inc. - VP & CAO & Controller

Trevor Hastings MDU Resources Group, Inc. - President & CEO of WBI

CONFERENCE CALL PARTICIPANTS

Brent Edward Thielman D.A. Davidson & Co., Research Division - MD & Senior Research Analyst

Brian J. Russo Sidoti & Company, LLC - Equity Analyst

Ryan Michael Levine Citigroup Inc., Research Division - VP

PRESENTATION

Operator

Hello. My name is Marty, and I'll be your conference facilitator. At this time, I'd like to welcome everyone to the MDU Resources Group 2023 First Quarter Earnings Conference Call.

(Operator Instructions) The webcast can be accessed at www.mdu.com under the Investor Relations heading. Select Events & Presentations and click Q1 2023 Earnings Conference call. After the conclusion of the webcast, a replay will be available at the same location. 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.

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

Thank you, Marty, and thanks, everyone, for joining us on our first quarter 2023 earnings conference call. You can find our earnings release and supplemental materials for this call on our website at www.mdu.com under the Investor Relations tab. Leading today's discussion along with me will be Dave Goodin, President and CEO of MDU Resources. Also with us today to answer questions following our prepared remarks are Stephanie Barth, Vice President, Chief Accounting Officer and Controller of MDU Resources, Brian Gray, President and CEO of Knife River Corporation; Jeff Thiede, President and CEO of MDU Construction Services Group; Trevor Hastings, President and CEO of WBI Energy; and Nicole Kivisto, President and CEO of our Utility Group.

During our call, 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 on reasonable assumptions, actual results may differ materially. 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. We may also refer to certain non-GAAP information. For a reconciliation of any non-GAAP information to the appropriate GAAP metric, please reference our earnings release.

This morning, we announced that MDU Resources Board of Directors approved the previously announced spinoff of Knife River effective May 31. Dave will provide more details on the separation later in the call and additional information can be accessed on our website. It's an exciting time for both Knife River and MDU Resources as we progress towards our objective of creating 2 pure-play publicly traded companies.

I will provide consolidated financial results for the first quarter before handing the call over to Dave Goodin for his comments, forward look and update on our strategic initiatives. This morning, we announced our first quarter earnings of \$38.3 million or \$0.19 per share on a GAAP basis, with adjusted earnings of \$46.6 million or \$0.23 per share compared to first quarter 2022 GAAP earnings of \$31.7 million or \$0.16 per share. With the announcement of Knife River separation and continued work on the strategic review of our Construction Services business, we are reporting adjusted earnings that exclude costs related to these strategic initiatives.

Our combined utility business reported earnings of \$55.5 million for the quarter compared to earnings of \$47.6 million for the first quarter in 2022. The electric utility segment reported first quarter earnings of \$16.6 million compared to \$11.3 million for the same period in 2022.

The increase was largely the result of interim rate relief in North Dakota and Montana and lower operation and maintenance expense associated with the closure of coal-fired generating units 1 and 2 at Heskett Station in early 2022. The business also experienced higher investment returns on nonqualified benefit plans.

Our natural gas utility segment reported first quarter earnings of \$38.9 million compared to \$36.3 million in the first quarter of 2022. Revenues increased primarily as a result of approved rate relief in Washington and a 4.2% increase in retail sales volumes to all customer classes due to colder weather. Weather impacts were partially offset by weather normalization and decoupling mechanisms and the gas cost sharing mechanism in Oregon. The business also benefited from increased investment returns on nonqualified benefit plans during the quarter partially offset by higher operation and maintenance expense and higher net interest expense.

The pipeline business earned \$8.3 million in the first quarter compared to \$7.3 million in the first quarter of '22. The improvement was driven by higher transportation revenue, largely due to a full first quarter of benefit from the North Bakken expansion project that was placed in service in February of 2022 as well as its increased contracted volume commitments starting February of this year. The business experienced record first quarter transportation volumes. The increase was offset in part by higher operation and maintenance expense due to payroll-related costs and legal fees associated with the pending FERC rate case. In addition, interest expense and depreciation expense increased largely related to the North Bakken expansion project.

Construction Services reported all-time record quarterly revenue of \$754.3 million in the first quarter and first quarter earnings of \$26.1 million compared to revenue of \$552.6 million and earnings of \$21.3 million for the same period in 2022. EBITDA increased \$8.7 million in the first quarter compared to last year. Business increased electrical and mechanical revenue due to increased commercial, industrial and institutional workloads. Transmission and Distribution revenues increased slightly year-over-year, primarily related to storm work and were partially offset by lower transportation workloads, in particular for street lighting projects. While revenues increased, the business experienced a decrease in margins due to higher overall operating costs, largely related to inflationary pressures, including costs for labor, subcontractors and equipment. In addition, margins were impacted by losses on certain projects.

Finally, our Construction Materials business reported first quarter revenue of \$307.9 million and a seasonal loss of \$41.3 million compared to prior year first quarter revenue of \$310 million and a seasonal loss of \$40 million. EBITDA increased \$4.1 million in the first quarter compared to 2022. In response to inflation, the business has raised average product pricing across its product lines, which contributed to increased margins. The business was negatively impacted by unfavorable weather across most regions and in particular in the Pacific region, resulting in decreased volumes for certain products, including ready-mixed concrete and asphalt. Increased aggregate revenue and margins offset some of the weather impacts, largely due to higher average selling prices and higher demand in the Northwest region business continues to be impacted by inflation across all regions with the largest impacts from cement, labor and natural gas and diesel.

Results at each of our businesses were positively impacted in the first quarter on a noncash basis by higher investment returns on nonqualified benefit plans. Collectively, the positive earnings variance was approximately \$9.1 million or \$0.04 per share, compared to first quarter of 2022. This change in investment returns is due to fluctuations in the financial markets. That summarizes the financial highlights for the first quarter. And now I'll 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 thank you, everyone, for spending time with us today and for your continued interest in MDU Resources. We are pleased with our strong first quarter results. Our utility and natural gas pipeline businesses continue to perform well. The utility business was positively impacted by rate relief and higher natural gas volumes due to colder weather in many of its regions. While the colder weather was a benefit to the regulated businesses and Construction Services experienced increased workloads from storm-related work, our construction materials business experienced unfavorable weather throughout the first quarter, which delayed the start of our construction season in many parts. We are beginning to see the benefits from price increases, which is helping offset inflationary pressures. Our combined construction businesses reported record first quarter backlog. The businesses have secured additional projects to replace backlog projects that have been completed or nearing the end of their project life cycle.

To summarize activity by business segment, I'll start off with the regulated energy delivery businesses. The utility reported increased earnings on a combined basis for the quarter, driven by rate relief in certain electric and natural gas jurisdictions. Natural gas retail sales volumes were 4.2% higher and electric retail sales volumes were 3.3% higher than the first quarter last year. The company is constructing our Heskett Unit 4, an 88-megawatt natural gas-fired electric generating facility near Mandan, North Dakota just across the river, and we expect this to be operational this summer. We also continue to expect our rate base to grow between 6% and 7% compounded annually over the next 5 years, driven primarily by investments in system infrastructure upgrades and replacements to safely meet customer demand. This business reached settlements in the North Dakota Electric and Idaho natural gas rate cases and continues to seek regulatory recovery for the investments associated with providing safe and reliable electric and natural gas service to our growing customer base.

At our pipeline business, we had record first quarter transportation volumes. As Jason noted, this business recorded higher transportation revenues largely due to the full first quarter of benefit from our North Bakken Expansion project, which was placed into service in February of 2022 and increased volume commitments, which began here recently in February of 2023. The company filed a rate case on January 27 with the Federal Energy Regulatory Commission in which it is seeking rate increases for its transportation and storage services. The new rates, pending FERC approval will take effect August 1. The company expects to be in construction in the second quarter on 3 natural gas pipeline expansion projects that are anticipated to be in service later in 2023. These will add approximately 300 million cubic feet per day of incremental capacity. Our regulated energy delivery businesses performed well in the first quarter, and we are reaffirming earnings guidance for the regulated businesses to be in the range of \$140 million to \$150 million.

Now I'd like to move on to our construction businesses. Our Construction Services Group had an all-time record quarterly revenue. We experienced strong demand for electrical and mechanical related work with an increase in revenues of approximately 50%, specifically for high-tech and hospitality-related construction services during the quarter. Margins were impacted by higher labor costs and higher interest rates negatively impacting results.

Construction Services ended the quarter with record first quarter backlog. We are well positioned to complete these projects safely and efficiently with our ability to attract and retain a skilled workforce now exceeding 9,000 employees across our footprint. Given the strong start to the year, we are increasing our 2023 revenue guidance range, \$50 million on both the bottom and the top end to be now at \$2.8 billion to \$3 billion. We expect slightly higher margins compared to 2022 and our EBITDA in the range between \$200 million to \$225 million.

At our construction materials business, we increased EBITDA here \$4.1 million when compared to the same period in 2022. The business experienced delays from unfavorable weather conditions across the majority of Knife River's markets. However, higher product pricing partially offset these delays. The company reported a record first quarter contracting services backlog increasing approximately 23% since the same time last year. Given the strong backlog and the successful bidding process, we are affirming the revenue guidance range to be between \$2.5 billion and \$2.7 billion here in 2023 with higher margins compared to 2022. We also note that our EBITDA is expected to be in the range between \$300 million and \$350 million.

Looking forward, both of our construction businesses are well positioned to benefit from increased bidding opportunities. With the funding from the Infrastructure Investment and Jobs Act, along with the inflation Reduction Act and additional state funding our construction businesses will see increased demand in 2023 and beyond for the work they already excel in doing. Overall, as we look ahead, we are encouraged by our opportunities for customer growth in our electric and natural gas businesses, a robust set of pipeline projects, ongoing system growth and steady demand for pipeline services, along with high demand, as I've noted, for our Construction Service business.

We are excited to share the news today that the MDU Resources Board of Directors approved the separation of Knife River. The spin-off is expected to be completed at 11:59 p.m. Eastern Daylight Time on May 31. The distribution is expected to be tax-free for MDU Resources stockholders for U.S. federal income tax purposes. Stockholders will retain their current shares of MDU Resources stock. And on May 31, we'll receive a distribution of 1 share of Knife River stock for every 4 shares of MDU Resources stock owned as of May 22, 2023, which is the record date for the distribution. Upon completion of the distribution, MDU Resources will continue to trade in the regular way on the New York Stock Exchange under our ticker symbol MDU and Knife River will trade in the regular way on the NYSE under the ticker symbol KNF. In connection with the anticipated separation of Knife River, and Investor Day is also planned for May 18 at the Stock Exchange, Knife River Management will present Knife River's investment highlights, operations, financial performance, along with growth prospects along with a question-and-answer session. The presentation will also be webcast. Please visit the MDU website for more details on the Knife River separation along with our Investor Day, again, planned for this May 18.

In addition to the Knife River separation and to achieve our objective of creating 2 pure-play public companies, we also announced in November last year that the MDU Resources was undertaking a strategic review of our Construction Service business. We are on track to complete this review here in the second quarter of 2023.

We also announced today the Board of Directors declared a quarterly dividend on the company's common stock of \$0.2225 per share, unchanged from the previous quarter. The dividend is payable July 1 to stockholders of record on June 13. Following the spin-off of Knife River, MDU Resources Board of Directors expects to review our dividend practice with the intent to align payout relative to regulated energy delivery earnings with pure-play peer companies. Any changes that result from the review will apply to future periods and will not impact the quarterly dividend to be paid here on July 1. The Board of Directors for Knife River will be responsible for developing any future dividend practice for Knife River.

As always, MDU Resources is committed to operating with integrity and with a focus on safely providing superior shareholder value as we continue to provide essential services to our customers and delivering on our mission of building a strong America while being a great and safe place to work. I appreciate your interest in and your commitment to MDU Resources and ask now that we open the lines to questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We'll take our first question from Ryan Levine from Citi.

Ryan Michael Levine - Citigroup Inc., Research Division - VP

I guess a few questions. One, in terms of the construction materials performance during the quarter. I noticed some of the ready mix volumes were light versus history. Any color as to what drove that? Was it weather? Or were there other factors that were at play?

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

Yes. Ryan, a perfect question. Certainly, weather did have a negative effect on our Knife River operations. I'll ask Brian Gray to give more detailed color on that though.

Brian Gray

Thanks, Dave, and thanks, Ryan. Yes, our volumes were down about 24% in ready mix. And like you mentioned, weather had a big impact on that. Rain in California, the record snowfalls in Bismarck or North Dakota, Wyoming, Montana, Minnesota, all had an impact on that.

The other thing that plays into that is we sold our Beaumont operations at the end of last year, and that was a ready-mix facility down there in Texas. And so that had the impact. And really, the last thing is the softening of the residential market is impacting our ready-mix business the most. So really those 3 things, Ryan.

Ryan Michael Levine - Citigroup Inc., Research Division - VP

And then in terms of Construction Service strategic alternatives, you highlighted continued expectations to reach a decision by the end of the quarter. Does that imply that you're prepared to monetize the asset within the next couple of months? Or could a decision include keeping it as part of the portfolio?

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

Yes, Ryan, really, what we've said and what I'll reinforce today is that it's the review we expect to be completed here in the second quarter. And so I think you're jumping ahead with what could be some conclusions or some hypotheticals there. I won't go there. But expect to get an update on/or before probably our second quarter earnings release.

Ryan Michael Levine - Citigroup Inc., Research Division - VP

Okay. Then in terms of the Knife River spin itself, the recent filing seems to suggest a smaller retained equity position for MDUs than some of the previous filings. How are you thinking about what the right level of equity that MDU will hold in the go-forward entity in the interim and then longer term?

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

Yes. Spot on, Ryan. Yes, we've indicated 10% so far as retained shares at MDU. I'll ask Jason, to maybe give a little color there. The short answer is about balance. But Jason, maybe a little more detail.

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

Yes. Thanks. And Ryan, good to catch up with you. But yes, as David mentioned, we have reflected in our most recent filing of the Form 10, approximately 10% retained stake versus 19.9%, which we had talked about earlier within that. So again, when you think about the timing of the spin for Knife River here at the end of May, it really gets to be towards the peak of its working capital cycle on a seasonal basis. And that working capital, obviously, is being incurred right now under the MDU resources balance sheet here. But after the spin, Knife River will get the benefit of the cash flowing back as they complete construction projects and build that out to their customers and work through that process.

So it's really about balancing the appropriate capital structure for both of these businesses post spin to make sure that both Knife River and MDU Resources have a strong balance sheet and a strong ability to continue their growth prospects after this. So it's really more of a balancing mechanism on that than it is anything else.

Ryan Michael Levine - Citigroup Inc., Research Division - VP

Okay. And then last question for me. In terms of Construction Service, opportunities for undergrounding. We're hearing more utilities look to initiate acceleration of undergrounding work around the country, is MDU pursuing opportunities throughout the country or more selective in certain geographies?

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

Yes. Thanks, Ryan. I'll ask Jeff Thiede to weigh in on that. You'll probably expound on the fact of our \$2.1 billion in backlog there across the services group. But Jeff, specific to undergrounding, which is Ryan's question.

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

Yes. Thanks, Ryan, for the question. We've been prequalified for one of our utility customers, and we're seeing packages be released, and we have the experience in working with this particular customer for decades, and we rate high on their KPIs. So we're very well positioned, and we expect to get quite a bit of this work. We are doing some of this undergrounding work in Southern California as well, and we see an increase in those opportunities going forward.

And also, we're seeing some of the Pacific Northwest with undergrounding of services, power, communications, gas. And as right-of-ways and engineering gets completed, those packages are available, we certainly have that in our line of sight. And we expect to get some of that work that falls right into our wheelhouse of what we've done in the past and what we're able to be successful in the future.

Operator

And we'll take our next question from Brian Russo from Sidoti.

Brian J. Russo - Sidoti & Company, LLC - Equity Analyst

just focus on the utility. You noted the North Dakota Electric settlement. Correct me if I'm wrong, but did you also say you reached a settlement in Idaho as well?

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

That is correct. Nicole?

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

Yes. Yes, you did hear that correctly. So we have an all-party settlement there that we will file. We have not filed it yet with the commission, so it would be in front of the commission for approval. We hope to file that this week. We have a settlement in (inaudible).

Brian J. Russo - Sidoti & Company, LLC - Equity Analyst

Okay. Great. And I think you also had plans for several other rate cases to be filed, I think both in electric and gas in South Dakota and then a gas case in North Dakota and then another gas case in Washington. Just wondering what the status are of those 4 cases?

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

You hit it exactly right. So all of those are still on the radar here for 2023. So we expect to get those filings out in 2023. Washington, LA, I would add to what you mentioned there is Washington which would be a multiyear case.

Brian J. Russo - Sidoti & Company, LLC - Equity Analyst

Okay. Great. And then on Knife River, just -- could you just talk about the weather impact maybe on the contracting services side of the business, projects that were delayed but not canceled, maybe a dollar amount that gets pushed into later in the year? And then were you also involved or actively involved in any storm restoration?

Brian Gray

Yes. Brian, this is Brian. So yes, we had a lot of a lot of rain in California. And so that had a huge -- probably the biggest impact. The first quarter for us in construction revenue is always slow because of our geographic footprint. But typically, on the West Coast, we're able to work and then California because of the soil conditions and the amount of rain that they had, they had 13 inches of rain last year for the first quarter, they had a drought going on.

They had less than an inch last year. This year, more than 13 inches. And so in terms of revenue. In California specifically, we lost about 75% of our days that we could do contracting services due to the weather. In the North Central region, Montana, Wyoming, North Dakota, Minnesota, they're typically down those months. So really, the impact came from in California.

We are seeing, I think, with the hot temperatures now and the amount of snow up in this area is that there is going to be -- there is some flooding and fully expect that we'll benefit from some flood restoration and some storm repair work. We don't have anything that's material on our books as far as that type of weather repairs right now, but we are expecting to see some of that come.

Brian J. Russo - Sidoti & Company, LLC - Equity Analyst

Okay. Great. Lastly on...

Brian Gray

As far as the work that we didn't get done, we've looked at our backlog. It's a record backlog of \$959 million. And so even though we did have a slow start on the West Coast and the normal start that we have in the North Central regions. Definitely, we have the crews and capacity to get that backlog of work done, and we did not see any cancellations of our backlog projects.

Brian J. Russo - Sidoti & Company, LLC - Equity Analyst

Okay. Great. And then just on Construction Services and the backlog as of March, do -- have you burned through or completed most of the projects that were generating lower margins due to the rapid inflation we saw throughout 2022? So as we move forward throughout the year, we could see year-over-year quarterly margin improvements in that business?

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

Jeff, Can you take that one?

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

Certainly.

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

Go ahead.

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

So we've had some issues, of course, with the inflationary pressures on labor and materials, subcontractors. We've had a couple of projects that had some challenges on, but we're working on and well underway on entitlement recovery and equitable adjustment for those projects, which could bode well in future periods. We're building our record backlog, we're seeing a lot of consistency in how our markets were in 2022 versus 2023.

Our commercial market is the strongest, which contains our entertainment, gaming and hospitality and mission-critical. We're seeing incredible demand for our services in those areas. Our transportation market has also increased as a percentage of our backlog, largely due to 2 key projects in Kansas City. There's a Streetcar Extension Project and a U.S. 69 Expressway project. We're involved in a 9-mile 2 lane expansion. And if you take a look at our top 10 list of our backlog, they come from 5 of our companies.

And in our top 10 list, we've got hospitality and gaming, of course, probably as expected, an entertainment project, mission-critical, data center projects and airport project, health care project and a government services projects in the mid-Atlantic. And those last 2 projects are from a company that was mostly recently acquired as we're starting to see their contribution grow. So we're pulling through some of these challenges that we've had with pandemic and inflation and supply chain, and our margins going forward should improve as well.

Operator

And next, we'll go to Brent Thielman from D.A. Davidson.

Brent Edward Thielman - D.A. Davidson & Co., Research Division - MD & Senior Research Analyst

Congrats on all the progress on the strategic changes here.

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

Yes. Thank you very much, Brent.

Brent Edward Thielman - D.A. Davidson & Co., Research Division - MD & Senior Research Analyst

Yes. I guess first question, just on CSG, just the thoughts on the quality of new work added. It seems like really high levels of demand, relative to what you're seeing where I think you'd be able to be more selective. I'm just wondering if you're able to build in kind of better contingencies in the contracts to counteract any kind of future potential inflation and supply chain issues that may come about, how those negotiations are going within DSG Group.

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

Jeff?

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

You bet. Yes. As we continue to be involved with reconstruction, we get involved with the architects, the engineers, the general contractor on these jobs. We were able to work closely with our suppliers and mitigate a lot of these issues with the potential delays and availability of equipment, commodities, materials. And so as we continue to see our backlog grow to record levels, and these projects still available for us, we have been more selective. And it's tough to say no on some opportunities, but we are going to continue to grow our business, grow our record employment levels and be very selective and take those calculated risks so we can build upon our record performance in 2022.

Brent Edward Thielman - D.A. Davidson & Co., Research Division - MD & Senior Research Analyst

Okay. I appreciate that. And really strong results and growth in terms of the commercial, industrial, institutional pieces of the business. Maybe just your thoughts on the potential, I guess, for the renewables business slide, it seems like that could be a much more important piece of the overall pie down the road, but maybe you're managing the growth a little more carefully. Just curious your thoughts there.

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

Yes. we have a couple of really exciting projects out of one of our companies in the Midwest that we're underway on and we've got another project in Las Vegas that we've got over 200 people working and installing renewable products that our customers asked us to come in and help out on.

We've got experience in the electric vehicle manufacturing facilities, EV charging stations. We've done hundreds of those. And of course, as I mentioned, the solar work, this is going to put us in a good position for future renewable projects, IJJA and IRA contract awards, that's going to contribute to our momentum.

Brent Edward Thielman - D.A. Davidson & Co., Research Division - MD & Senior Research Analyst

Okay. I appreciate that, Jeff. Just one more, if I could, on Knife River. I mean, substantial uptick in backlog here this quarter. I'd be interested if the majority of this is public works related due to infrastructure work, maybe how the other nonresidential end markets work in the geographies you play in? And then lastly, just, I guess, your customers were receptiveness to price increases. There's been a lot pushed out there in the market and whether that's still a lever that you think you can control this year.

Brian Gray

Yes, Brent, I'll take this. This is Brian. And so yes, our backlog continues to grow over at that \$959 million of a record backlog. And it has been towards the public works projects. And so last year, of the \$1.2 billion of contracting services work that we did, 78% of that was public funded. This year, our backlog right now is at 83%. And so we are seeing that grow and benefiting from the -- just the multiple different sources of public infrastructure funding.

And so we are seeing that. We can be more selective because we have that record backlog, which has been good. And that's improved our margins that's on our backlog. As far as the price increases, we did see and had a very good success at implementing new price increases this year, and that's on top of several increases from last year.

And so quarter-over-quarter, our aggregate prices are up about 10%. Ready-mix was up about 17% and asphalt prices, even though we didn't do a lot of production in asphalt, those prices are up 33% year-over-year. And so definitely see some traction with our price increases in the market.

Operator

(Operator Instructions) Having no further questions, I'd like to turn it back to our speakers for any closing remarks.

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

Thank you, operator, and thank you all for taking the time to join us here on our first quarter earnings call. We are optimistic, as you've heard about our growth opportunities and our future regulated energy delivery projects and encouraged by the strong demand along with performance of our Construction Services business. And again, we look forward to connecting with you again as we progress through 2023. Thank you again. We appreciate your continued interest and support of MDU Resources. With that, I'll turn it back to the operator.

Operator

Thank you. And ladies and gentlemen, that does conclude today's conference. We appreciate your participation, and have a wonderful day.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2023, Refinitiv. All Rights Reserved.