MDU RESOURCES
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Comment on Pay for Performance Disclosure as specified in the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") section 953(a)

Submitted November 5, 2010, by MDU Resources Group, Inc.

MDU Resources Group, Inc. is a publicly traded, *Fortune* 500 company providing value-added natural resource products and related services through three core lines of business: energy, utility resources, and construction materials.

Under our Board's leadership we have already implemented a number of the good governance practices called for under the Dodd-Frank Act. One example is developing and disclosing to shareholders the relationship between our performance (i.e., our total shareholder return) and the level of our executive pay. This appears in our proxy under the heading "PEER4 Analysi$: Comparison of Pay for Performance Ratios."

We submit to the Securities and Exchange Commission our approach as a meaningful way of showing the relationship between executive compensation and the financial performance of the issuer.

Under our analytical framework, we compare our pay-for-performance ratio to the pay-for-performance ratio of companies in our performance graph peer group. We determine our pay-for-performance ratio by:

A. Calculating our combined total direct compensation by summing our named executive officers' total compensation as reported in the summary compensation table of our proxy statements over a five year period.

B. Calculating the five-year average annual stockholder return.

C. Dividing A. by B. to obtain a pay-for-performance ratio, expressed as total direct compensation for each percentage point of return.

We then calculate a pay-for-performance ratio for all the companies in our performance graph peer group.

For example,

Five-Year Total Direct Compensation for the Named Executive Officers of Peer Group:

Company D: $80,000,000
Company E: $75,000,000
Company F: $75,600,000
Company G: $70,400,000
Company H: $70,800,000

Total: $301,200,000

Five-Year Average Stockholder Return

Company D: 12.45
Company E: 10.25
Company F: 10.25
Company G: 7.50
Company H: 9.75

Total: 50.20

$$\text{Pay for Performance Ratio} = \frac{\text{Peer Group NEOs' Five-Year Total Direct Compensation}}{\text{Peer Group Five-Year Average Stockholder Return}} = \frac{\$301{,}200{,}000}{50.20} = \$6{,}000{,}000$$

If our pay-for-performance ratio is <u>higher</u> than the ratio of our performance graph peer group, it means we <u>paid our executives more</u> for a given level of total shareholder return. If our pay-for-performance ratio is <u>lower</u> than the ratio of our performance graph peer group, it means we <u>paid our executives less</u> for a given level of total shareholder return.

We believe our approach has many desirable attributes, namely:

- it is simple and straightforward
- it relates executive pay to arguably the most important metric for a public company: total shareholder return
- using a five-year measurement period, rather than a one-year period, moderates annual volatility and leads to more balanced comparisons
- requiring the comparison to be against companies in the same/similar industries gives an “apples to apples” perspective. An issuer could use the registrant constructed peer group or companies comprising the published industry index, either of which are necessary for the issuer’s annual report

Below is an example of how this analysis could be presented in a proxy statement:

5 Year Total Direct Compensation to 5 Year Total Stockholder Return (2005 – 2009)

	ABC Corp. ($)	ABC Corp.'s Performance Graph Peer Group ($)
Dollars of Total Direct Compensation[1] per Point of Total Stockholder Return	5,000,000	6,000,000

(1) Total direct compensation is the sum of the named executive officers' total compensation as reported in the summary compensation table of proxy statements.

These ratios would be interpreted to mean that, over the 2005 through 2009 period, ABC Corp. paid its named executive officers $5 million per point of shareholder return over the same period, or $1 million less than the $6 million companies in ABC Corp.'s peer group paid their named executive officers.

We believe our framework for showing the relationship between executive pay and company performance is important because it:

- assesses the sizes and trends of the relationships between rewards and results
- quantifies how far our executive remuneration goes in terms of incremental changes in our performance, and
- allows our owners to compare our pay for performance relationship to the pay for performance relationships of competing investments.

We appreciate the opportunity to comment on the above-captioned provision of Dodd-Frank.

Respectfully,

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MDU Resources Group, Inc.