

MDU RESOURCES GROUP, INC.

BOARD OF DIRECTORS' COMPENSATION COMMITTEE

CHARTER

Members

Harry J. Pearce, Chairman
Thomas Everist
Patricia L. Moss

Purpose

The Compensation Committee shall have direct responsibility relating to compensation of the Company's executives, and shall produce an annual report on executive compensation for inclusion in the Company's proxy statement, in accordance with applicable rules and regulations.

Authority and Responsibilities

The Compensation Committee shall:

1. Make recommendations to the Board regarding compensation policies for directors and executives.
2. Have direct responsibility to review and approve the corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluate the Chief Executive Officer's performance in light of such goals and objectives, and either as a committee or together with other independent directors (as directed by the Board) determine and approve the compensation level of the Chief Executive Officer based on such evaluation.
3. Determine annual and long-term incentive compensation for the directors, Chief Executive Officer, and the other executive officers.
4. Review the performance of and fix, upon recommendation of the Chief Executive Officer, the base salary of other corporate officers and key management personnel.
5. Review the Directors' Compensation Policy, which provides for compensation of members of the Board of Directors, and recommend changes, as appropriate, to the Board.

6. Evaluate periodically the internal equity and external competitiveness of compensation offered to the Company's non-employee directors, the Chief Executive Officer, the other executive officers, corporate officers and key management personnel; and initiate actions or recommend changes to the full Board as appropriate.
7. Review and supervise the Company's compensation programs, including incentive and equity-based programs, and make recommendations to the Board for the adoption of any appropriate additions to or modifications of such programs.
8. Establish or approve annual incentive goals under the Executive Incentive Compensation Plan and set target award levels for each calendar year. In determining the long-term incentive component of CEO compensation, the Committee should consider the Company's performance and relative shareholder return, the value of similar incentive awards to CEOs at comparable companies, and the awards given to the Company's CEO in past years.
9. Review corporate and individual performance under the Executive Incentive Compensation Plan for the past calendar year and determine awards earned, if any.
10. Establish long-term incentive compensation opportunities under the 1992 Key Employee Stock Option Plan and the 1997 Executive Long-Term Incentive Plan. This includes determining the type of award, the terms of the award and performance goals.
11. Review performance for the 1992 Key Employee Stock Option Plan and the 1997 Executive Long-Term Incentive Plan for the past calendar year (or years, as appropriate). Take any action which is necessary or desirable, including by way of example but not by way of limitation, vesting, acceleration of options, awarding of dividend equivalents, and the like.
12. Arrange for the preparation of and approve the Compensation Committee Report on executive compensation for the Proxy Statement or Annual Report on Form 10-K.

13. Determine other benefits for executives, including but not limited to pension and supplemental pension amounts, life insurance, health insurance, and perquisites.
14. Meet at such times and report to the Board regarding its deliberations, as necessary.
15. Review and evaluate the performance of the Compensation Committee on an annual basis.
16. Retain and discharge, and approve fees and other terms and conditions for retention of, compensation consultants.
17. Direct any officer or employee of the Company or request any employee of the Company's advisors, consultants or counsel or such other individual as it may deem appropriate to attend a Committee meeting or meet with any Committee members.

The term "compensation" shall be construed comprehensively including by way of example, but not by way of limitation, salary, any supplemental payments, incentive payments, bonuses, stock incentives, dividend equivalents, options, restricted stock or compensation or benefits in other forms which are determined to be internally equitable and externally competitive.

Composition

The Compensation Committee is a standing committee of the Board of Directors. The Compensation Committee shall consist of not less than three members of the Board, each of whom satisfies the requirements for independence taking into account the rules of the New York Stock Exchange, and at least two of whom are non-employee directors within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934 and outside directors within the meaning of Section 162(m) of the Internal Revenue Code. Committee members shall serve at the pleasure of the Board and for such term or terms as the Board may determine.

Resources

The Compensation Committee shall have the resources and appropriate funding, as determined by the Committee, to discharge its duties and responsibilities.

Compensation Committee Charter

Page 4

Date of Creation

August 3, 1967 as the Salary Committee. Redesignated the Compensation Committee on May 7, 1981.

Charter Adopted

January 31, 1979, later expanded and restated on August 4, 1983, May 6, 1993, May 11, 1995, May 16, 1996, May 14, 1998, May 11, 2000, May 15, 2003, November 13, 2003, and August 11, 2005.

Date Issued

August 11, 2005