MDU RESOURCES GROUP INC
Form 10-Q
November 07, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______________ to ______________
Commission file number 1-3480
MDU RESOURCES GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	41-0423660
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1200 West Century Avenue
P.O. Box 5650
Bismarck, North Dakota 58506-5650
(Address of principal executive offices)
(Zip Code)
(701) 530-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o.
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o.
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer ý	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý.
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of October 31, 2016: 195,304,376 shares.

Definitions

The following abbreviations and acronyms used in this Form 10-Q are defined below:

Abbreviation or Acronym	
2015 Annual Report	Company's Annual Report on Form 10-K for the year ended December 31, 2015
AFUDC	Allowance for funds used during construction
ASC	FASB Accounting Standards Codification
ATBs	Atmospheric tower bottoms
Bbl	Barrel
Brazilian Transmission Lines	Company's former investment in companies owning three electric transmission lines
Btu	British thermal unit
Calumet	Calumet Specialty Products Partners, L.P.
Cascade	Cascade Natural Gas Corporation, an indirect wholly owned subsidiary of MDU Energy Capital
Centennial	Centennial Energy Holdings, Inc., a direct wholly owned subsidiary of the Company
Centennial Capital	Centennial Holdings Capital LLC, a direct wholly owned subsidiary of Centennial
Centennial Resources	Centennial Energy Resources LLC, a direct wholly owned subsidiary of Centennial
Company	MDU Resources Group, Inc.
Coyote Creek	Coyote Creek Mining Company, LLC, a subsidiary of The North American Coal Corporation
Coyote Station	427-MW coal-fired electric generating facility near Beulah, North Dakota (25 percent ownership)
Dakota Prairie Refinery	20,000-barrel-per-day diesel topping plant built by Dakota Prairie Refining in southwestern North Dakota
Dakota Prairie Refining	Dakota Prairie Refining, LLC, a limited liability company previously owned by WBI Energy and Calumet (previously included in the Company's refining segment)
D.C. Circuit Court	United States Court of Appeals for the District of Columbia Circuit
dk	Decatherm
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EPA	United States Environmental Protection Agency
ERISA	Employee Retirement Income Security Act of 1974
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Fidelity	Fidelity Exploration & Production Company, a direct wholly owned subsidiary of WBI Holdings (previously referred to as the Company's exploration and production segment)
FIP	Funding improvement plan
GAAP	Accounting principles generally accepted in the United States of America
GHG	Greenhouse gas
Great Plains	Great Plains Natural Gas Co., a public utility division of the Company
IFRS	International Financial Reporting Standards
Intermountain	Intermountain Gas Company, an indirect wholly owned subsidiary of MDU Energy Capital
IPUC	Idaho Public Utilities Commission
JTL - Wyoming	JTL Group, Inc. (Wyoming Corporation), an indirect wholly owned subsidiary of Knife River
Knife River	Knife River Corporation, a direct wholly owned subsidiary of Centennial
Knife River - Northwest	Knife River Corporation - Northwest, an indirect wholly owned subsidiary of Knife River
kWh	Kilowatt-hour
LWG	Lower Willamette Group
	MDU Construction Services Group, Inc., a direct wholly owned subsidiary of Centennial

MDU Construction Services	
MDU Energy Capital	MDU Energy Capital, LLC, a direct wholly owned subsidiary of the Company
MEPP	Multiemployer pension plan
MISO	Midcontinent Independent System Operator, Inc.
MMBtu	Million Btu

MMdk	Million dk
MNPUC	Minnesota Public Utilities Commission
Montana-Dakota	Montana-Dakota Utilities Co., a public utility division of the Company
Montana Seventeenth Judicial District Court	Montana Seventeenth Judicial District Court, Phillips County
MPPAA	Multiemployer Pension Plan Amendments Act of 1980
MW	Megawatt
NDPSC	North Dakota Public Service Commission
NGL	Natural gas liquids
Oil	Includes crude oil and condensate
Omimex	Omimex Canada, Ltd.
OPUC	Oregon Public Utility Commission
Oregon DEQ	Oregon State Department of Environmental Quality
PRP	Potentially Responsible Party
RIN	Renewable Identification Number
ROD	Record of Decision
RP	Rehabilitation plan
SDPUC	South Dakota Public Utilities Commission
SEC	United States Securities and Exchange Commission
SEC Defined Prices	The average price of oil and natural gas during the applicable 12-month period, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions
Securities Act	Securities Act of 1933, as amended
Tesoro	Tesoro Refining & Marketing Company LLC
UA	United Association of Journeyman and Apprentices of the Plumbing and Pipefitting Industry of the United States and Canada
United States District Court for the District of Montana	United States District Court for the District of Montana, Great Falls Division
United States Supreme Court	Supreme Court of the United States
VIE	Variable interest entity
Washington DOE	Washington State Department of Ecology
WBI Energy	WBI Energy, Inc., an indirect wholly owned subsidiary of WBI Holdings
WBI Energy Midstream	WBI Energy Midstream, LLC, an indirect wholly owned subsidiary of WBI Holdings
WBI Energy Transmission	WBI Energy Transmission, Inc., an indirect wholly owned subsidiary of WBI Holdings
WBI Holdings	WBI Holdings, Inc., a direct wholly owned subsidiary of Centennial
WUTC	Washington Utilities and Transportation Commission
WYPSC	Wyoming Public Service Commission

Introduction

The Company is a regulated energy delivery and construction materials and services business, which was incorporated under the laws of the state of Delaware in 1924. Its principal executive offices are at 1200 West Century Avenue, P.O. Box 5650, Bismarck, North Dakota 58506-5650, telephone (701) 530-1000.

Montana-Dakota, through the electric and natural gas distribution segments, generates, transmits and distributes electricity and distributes natural gas in Montana, North Dakota, South Dakota and Wyoming. Cascade distributes natural gas in Oregon and Washington. Intermountain distributes natural gas in Idaho. Great Plains distributes natural gas in western Minnesota and southeastern North Dakota. These operations also supply related value-added services.

The Company, through its wholly owned subsidiary, Centennial, owns WBI Holdings (comprised of the pipeline and midstream segment and Fidelity, formerly the Company's exploration and production business), Knife River (construction materials and contracting segment), MDU Construction Services (construction services segment), Centennial Resources and Centennial Capital (both reflected in the Other category).

In the second quarter of 2016, the Company sold all of the outstanding membership interests in Dakota Prairie Refining and exited that line of business. Therefore, the results of Dakota Prairie Refining are reflected in discontinued operations, other than certain general and administrative costs and interest expense which are reflected in the Other category.

In the second quarter of 2015, the Company announced its plan to market Fidelity and exit that line of business. The Company completed the sale of all of its marketed assets. Therefore, the results of Fidelity are reflected in discontinued operations, other than certain general and administrative costs and interest expense which are reflected in the Other category.

For more information on the Company's business segments and discontinued operations, see Notes 10 and 16.

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Part I -- Financial Information
Item 1. Financial Statements
MDU Resources Group, Inc.
Consolidated Statements of Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In thousands, except per share amounts)			
Operating revenues:				
Electric, natural gas distribution and regulated pipeline and midstream	$192,079	$185,417	$783,997	$807,585
Nonregulated pipeline and midstream, construction materials and contracting, construction services and other	1,016,488	1,012,925	2,328,733	2,189,640
Total operating revenues	1,208,567	1,198,342	3,112,730	2,997,225
Operating expenses:				
Fuel and purchased power	16,800	20,616	54,725	63,761
Purchased natural gas sold	34,321	37,574	242,795	305,313
Operation and maintenance:				
Electric, natural gas distribution and regulated pipeline and midstream	77,662	68,344	229,364	207,144
Nonregulated pipeline and midstream, construction materials and contracting, construction services and other	842,878	859,843	2,008,122	1,919,455
Depreciation, depletion and amortization	54,094	51,746	163,226	154,669
Taxes, other than income	36,128	32,391	116,864	109,039
Total operating expenses	1,061,883	1,070,514	2,815,096	2,759,381
Operating income	146,684	127,828	297,634	237,844
Other income	1,741	3,300	3,662	5,673
Interest expense	22,278	22,417	67,365	68,872
Income before income taxes	126,147	108,711	233,931	174,645
Income taxes	37,761	34,825	67,381	54,157
Income from continuing operations	88,386	73,886	166,550	120,488
Loss from discontinued operations, net of tax (Note 10)	(5,400)	(223,112)	(299,538)	(816,517)
Net income (loss)	82,986	(149,226)	(132,988)	(696,029)
Loss from discontinued operations attributable to noncontrolling interest (Note 10)	—	(9,778)	(131,691)	(21,060)
Dividends declared on preferred stocks	171	171	514	514
Earnings (loss) on common stock	$82,815	$(139,619)	$(1,811)	$(675,483)
Earnings (loss) per common share - basic:				
Earnings before discontinued operations	$.45	$.38	$.85	$.62
Discontinued operations attributable to the Company, net of tax	(.03)	(1.10)	(.86)	(4.09)
Earnings (loss) per common share - basic	$.42	$(.72)	$(.01)	$(3.47)
Earnings (loss) per common share - diluted:				
Earnings before discontinued operations	$.45	$.38	$.85	$.62
Discontinued operations attributable to the Company, net of tax	(.03)	(1.10)	(.86)	(4.09)
Earnings (loss) per common share - diluted	$.42	$(.72)	$(.01)	$(3.47)
Dividends declared per common share	$.1875	$.1825	$.5625	$.5475
Weighted average common shares outstanding - basic	195,304	195,151	195,298	194,814
Weighted average common shares outstanding - diluted	195,811	195,169	195,794	194,833

The accompanying notes are an integral part of these consolidated financial statements.

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MDU Resources Group, Inc.
Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In thousands)			
Net income (loss)	$82,986	$(149,226)	$(132,988)	$(696,029)
Other comprehensive income (loss):				
Reclassification adjustment for loss on derivative instruments included in net income (loss), net of tax of $56 and $60 for the three months ended and $170 and $181 for the nine months ended in 2016 and 2015, respectively	92	100	275	299
Amortization of postretirement liability (gains) losses included in net periodic benefit cost, net of tax of $143 and $233 for the three months ended and $(676) and $881 for the nine months ended in 2016 and 2015, respectively	236	382	(1,111)	1,341
Foreign currency translation adjustment:				
Foreign currency translation adjustment recognized during the period, net of tax of $(2) and $(44) for the three months ended and $32 and $(107) for the nine months ended in 2016 and 2015, respectively	(4)	(73)	52	(176)
Reclassification adjustment for loss on foreign currency translation adjustment included in net income (loss), net of tax of $0 and $0 for the three months ended and $0 and $491 for the nine months ended in 2016 and 2015, respectively	—	—	—	802
Foreign currency translation adjustment	(4)	(73)	52	626
Net unrealized gain (loss) on available-for-sale investments:				
Net unrealized loss on available-for-sale investments arising during the period, net of tax of $(23) and $(19) for the three months ended and $(35) and $(57) for the nine months ended in 2016 and 2015, respectively	(42)	(35)	(65)	(105)
Reclassification adjustment for loss on available-for-sale investments included in net income (loss), net of tax of $18 and $15 for the three months ended and $57 and $53 for the nine months ended in 2016 and 2015, respectively	33	28	106	98
Net unrealized gain (loss) on available-for-sale investments	(9)	(7)	41	(7)
Other comprehensive income (loss)	315	402	(743)	2,259
Comprehensive income (loss)	83,301	(148,824)	(133,731)	(693,770)
Comprehensive loss from discontinued operations attributable to noncontrolling interest	—	(9,778)	(131,691)	(21,060)
Comprehensive income (loss) attributable to common stockholders	$83,301	$(139,046)	$(2,040)	$(672,710)

The accompanying notes are an integral part of these consolidated financial statements.

MDU Resources Group, Inc.
Consolidated Balance Sheets
(Unaudited)

	September 30, 2016	September 30, 2015	December 31, 2015
(In thousands, except shares and per share amounts)			
Assets			
Current assets:			
Cash and cash equivalents	$ 59,868	$ 88,630	$ 83,903
Receivables, net	665,142	663,342	582,475
Inventories	245,790	245,987	240,551
Deferred income taxes	31,378	31,892	33,121
Prepayments and other current assets	49,081	55,860	29,528
Current assets held for sale	93,366	117,823	54,847
Total current assets	1,144,625	1,203,534	1,024,425
Investments	126,048	118,063	119,704
Property, plant and equipment	6,588,445	6,199,880	6,387,702
Less accumulated depreciation, depletion and amortization	2,583,566	2,443,830	2,489,322
Net property, plant and equipment	4,004,879	3,756,050	3,898,380
Deferred charges and other assets:			
Goodwill	641,527	635,204	635,204
Other intangible assets, net	6,529	7,908	7,342
Other	360,537	346,163	351,603
Noncurrent assets held for sale	69,061	909,150	565,509
Total deferred charges and other assets	1,077,654	1,898,425	1,559,658
Total assets	$ 6,353,206	$ 6,976,072	$ 6,602,167
Liabilities and Equity			
Current liabilities:			
Long-term debt due within one year	$ 93,598	$ 258,539	$ 238,539
Accounts payable	281,373	271,767	286,061
Taxes payable	59,747	42,637	46,880
Dividends payable	36,791	35,807	36,784
Accrued compensation	58,604	59,218	45,192
Other accrued liabilities	191,904	157,116	167,322
Current liabilities held for sale	22,185	123,628	130,375
Total current liabilities	744,202	948,712	951,153
Long-term debt	1,808,350	1,942,234	1,557,624
Deferred credits and other liabilities:			
Deferred income taxes	693,704	718,348	696,750
Other	821,889	755,790	812,342
Noncurrent liabilities held for sale	—	96,117	63,750
Total deferred credits and other liabilities	1,515,593	1,570,255	1,572,842
Commitments and contingencies			
Equity:			
Preferred stocks	15,000	15,000	15,000
Common stockholders' equity:			
Common stock			
Authorized - 500,000,000 shares, $1.00 par value	195,843	195,805	195,805
Shares issued - 195,843,297 at September 30, 2016, 195,804,665 at			

September 30, 2015 and December 31, 2015			
Other paid-in capital	1,231,396	1,228,875	1,230,119
Retained earnings	884,339	980,421	996,355
Accumulated other comprehensive loss	(37,891)	(39,844)	(37,148)
Treasury stock at cost - 538,921 shares	(3,626)	(3,626)	(3,626)
Total common stockholders' equity	2,270,061	2,361,631	2,381,505
Total stockholders' equity	2,285,061	2,376,631	2,396,505
Noncontrolling interest	—	138,240	124,043
Total equity	2,285,061	2,514,871	2,520,548
Total liabilities and equity	$ 6,353,206	$ 6,976,072	$ 6,602,167

The accompanying notes are an integral part of these consolidated financial statements.

MDU Resources Group, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30, 2016	2015
	(In thousands)	
Operating activities:		
Net loss	$(132,988)	$(696,029)
Loss from discontinued operations, net of tax	(299,538)	(816,517)
Income from continuing operations	166,550	120,488
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, depletion and amortization	163,226	154,669
Deferred income taxes	(1,346)	(48)
Changes in current assets and liabilities, net of acquisitions:		
Receivables	(75,308)	(76,447)
Inventories	(4,153)	(3,660)
Other current assets	(18,824)	34,493
Accounts payable	15,514	47,629
Other current liabilities	48,973	5,187
Other noncurrent changes	(25,284)	(4,478)
Net cash provided by continuing operations	269,348	277,833
Net cash provided by discontinued operations	7,127	125,738
Net cash provided by operating activities	276,475	403,571
Investing activities:		
Capital expenditures	(303,873)	(397,005)
Net proceeds from sale or disposition of property and other	17,583	37,679
Investments	56	1,309
Net cash used in continuing operations	(286,234)	(358,017)
Net cash provided by (used in) discontinued operations	31,918	(185,999)
Net cash used in investing activities	(254,316)	(544,016)
Financing activities:		
Issuance of long-term debt	341,777	327,475
Repayment of long-term debt	(236,433)	(143,333)
Proceeds from issuance of common stock	—	21,894
Dividends paid	(110,366)	(107,028)
Tax withholding on stock-based compensation	(323)	—
Net cash provided by (used in) continuing operations	(5,345)	99,008
Net cash provided by (used in) discontinued operations	(40,852)	69,780
Net cash provided by (used in) financing activities	(46,197)	168,788
Effect of exchange rate changes on cash and cash equivalents	3	(192)
Increase (decrease) in cash and cash equivalents	(24,035)	28,151
Cash and cash equivalents -- beginning of year	83,903	60,479
Cash and cash equivalents -- end of period	$59,868	$88,630

The accompanying notes are an integral part of these consolidated financial statements.

MDU Resources Group, Inc.
Notes to Consolidated
Financial Statements
September 30, 2016 and 2015
(Unaudited)

Note 1 - Basis of presentation

The accompanying consolidated interim financial statements were prepared in conformity with the basis of presentation reflected in the consolidated financial statements included in the Company's 2015 Annual Report, and the standards of accounting measurement set forth in the interim reporting guidance in the ASC and any amendments thereto adopted by the FASB. Interim financial statements do not include all disclosures provided in annual financial statements and, accordingly, these financial statements should be read in conjunction with those appearing in the 2015 Annual Report. The information is unaudited but includes all adjustments that are, in the opinion of management, necessary for a fair presentation of the accompanying consolidated interim financial statements and are of a normal recurring nature. Depreciation, depletion and amortization expense is reported separately on the Consolidated Statements of Income and therefore is excluded from the other line items within operating expenses. Management has also evaluated the impact of events occurring after September 30, 2016, up to the date of issuance of these consolidated interim financial statements.

On June 24, 2016, WBI Energy entered into a membership interest purchase agreement with Tesoro to sell all of the outstanding membership interests in Dakota Prairie Refining to Tesoro. WBI Energy and Calumet each previously owned 50 percent of the Dakota Prairie Refining membership interests and were equal members in building and operating Dakota Prairie Refinery. To effectuate the sale, WBI Energy acquired Calumet’s 50 percent membership interest in Dakota Prairie Refining on June 27, 2016. The sale of the membership interests to Tesoro closed on June 27, 2016. The sale of Dakota Prairie Refining reduces the Company’s risk by decreasing exposure to commodity prices.

In the second quarter of 2015, the Company began the marketing and sale process of Fidelity with an anticipated sale to occur within one year. Between September 2015 and March 2016, the Company entered into purchase and sale agreements to sell all of Fidelity's marketed oil and natural gas assets. The completion of these sales occurred between October 2015 and April 2016. The sale of Fidelity was part of the Company's strategic plan to grow its capital investments in the remaining business segments and to focus on creating a greater long-term value.

The assets and liabilities for the Company's discontinued operations have been classified as held for sale and the results of operations are shown in loss from discontinued operations, other than certain general and administrative costs and interest expense which do not meet the criteria for income (loss) from discontinued operations. The Company's consolidated financial statements and accompanying notes for current and prior periods have been restated. At the time the assets were classified as held for sale, depreciation, depletion and amortization expense was no longer recorded. Unless otherwise indicated, the amounts presented in the accompanying notes to the consolidated financial statements relate to the Company's continuing operations. For more information on the Company's discontinued operations, see Note 10.

Note 2 - Seasonality of operations

Some of the Company's operations are highly seasonal and revenues from, and certain expenses for, such operations may fluctuate significantly among quarterly periods. Accordingly, the interim results for particular businesses, and for the Company as a whole, may not be indicative of results for the full fiscal year.

Note 3 - Accounts receivable and allowance for doubtful accounts

Accounts receivable consist primarily of trade receivables from the sale of goods and services which are recorded at the invoiced amount net of allowance for doubtful accounts, and costs and estimated earnings in excess of billings on uncompleted contracts. The total balance of receivables past due 90 days or more was $26.3 million, $29.3 million and $27.8 million at September 30, 2016 and 2015, and December 31, 2015, respectively.

The allowance for doubtful accounts is determined through a review of past due balances and other specific account data. Account balances are written off when management determines the amounts to be uncollectible. The Company's allowance for doubtful accounts at September 30, 2016 and 2015, and December 31, 2015, was $10.2 million, $9.0 million and $9.8 million, respectively.

Note 4 - Inventories and natural gas in storage
Natural gas in storage for the Company's regulated operations is generally carried at average cost, or cost using the last-in, first-out method. All other inventories are stated at the lower of average cost or market value. The portion of the cost of natural gas in storage expected to be used within one year is included in inventories. Inventories consisted of:

	September 30, 2016	September 30, 2015	December 31, 2015
	(In thousands)		
Aggregates held for resale	$119,078	$ 115,736	$ 115,854
Asphalt oil	23,480	33,581	36,498
Natural gas in storage (current)	35,625	28,222	21,023
Materials and supplies	18,584	19,404	16,997
Merchandise for resale	15,672	15,563	15,318
Other	33,351	33,481	34,861
Total	$245,790	$ 245,987	$ 240,551

The remainder of natural gas in storage, which largely represents the cost of gas required to maintain pressure levels for normal operating purposes, is included in other assets and was $49.1 million, $49.3 million and $49.1 million at September 30, 2016 and 2015, and December 31, 2015, respectively.

Note 5 - Impairment of long-lived assets
During the second quarter of 2015, the Company recognized an impairment of coalbed natural gas gathering assets at the pipeline and midstream segment of $3.0 million, which is recorded in operation and maintenance expense on the Consolidated Statements of Income. The impairment is related to coalbed natural gas gathering assets located in Wyoming where there had been continued decline in natural gas development and production activity due to low natural gas prices. The coalbed natural gas gathering assets were written down to their estimated fair value that was determined using the income approach.

The Company negotiated a purchase and sale agreement for the sale of certain non-strategic natural gas gathering assets at the pipeline and midstream segment and, as a result, recognized an impairment during the third quarter of 2015 of $14.1 million, largely related to these assets, which is recorded in operation and maintenance expense on the Consolidated Statements of Income. The natural gas gathering assets were written down to their estimated fair value that was determined using the market approach.

For more information on these nonrecurring fair value measurements, see Note 13.

For information regarding impairments related to the Company's discontinued operations, see Note 10.
Note 6 - Earnings (loss) per common share
Basic earnings (loss) per common share were computed by dividing earnings (loss) on common stock by the weighted average number of shares of common stock outstanding during the applicable period. Diluted earnings (loss) per common share were computed by dividing earnings (loss) on common stock by the total of the weighted average number of shares of common stock outstanding during the applicable period, plus the effect of outstanding performance share awards. Common stock outstanding includes issued shares less shares held in treasury. Net income (loss) was the same for both the basic and diluted earnings (loss) per share calculations. A reconciliation of the weighted average common shares outstanding used in the basic and diluted earnings (loss) per share calculations was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015

	(In thousands)			
Weighted average common shares outstanding - basic	195,304	195,151	195,298	194,814
Effect of dilutive performance share awards	507	18	496	19
Weighted average common shares outstanding - diluted	195,811	195,169	195,794	194,833
Shares excluded from the calculation of diluted earnings per share	—	—	—	—

Note 7 - Cash flow information

Cash expenditures for interest and income taxes were as follows:

	Nine Months Ended September 30,	
	2016	2015
	(In thousands)	
Interest, net of amounts capitalized and AFUDC - borrowed of $842 and $6,989 in 2016 and 2015, respectively	$66,281	$69,253
Income taxes paid, net	$73,771	$39,543

Noncash investing transactions were as follows:

	September 30,	
	2016	2015
	(In thousands)	
Property, plant and equipment additions in accounts payable	$22,560	$15,348

Note 8 - New accounting standards

Revenue from Contracts with Customers In May 2014, the FASB issued guidance on accounting for revenue from contracts with customers. The guidance provides for a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. This guidance was to be effective for the Company on January 1, 2017. In August 2015, the FASB issued guidance deferring the effective date of the revenue guidance one year and allowing entities to early adopt. With this decision, the guidance will be effective for the Company on January 1, 2018. Entities will have the option of using either a full retrospective or modified retrospective approach to adopting the guidance. Under the modified approach, an entity would recognize the cumulative effect of initially applying the guidance with an adjustment to the opening balance of retained earnings in the period of adoption. In addition, the modified approach will require additional disclosures. The Company is evaluating the effects the adoption of the new revenue guidance will have on its results of operations, financial position, cash flows and disclosures, as well as its method of adoption.

Simplifying the Presentation of Debt Issuance Costs In April 2015, the FASB issued guidance on simplifying the presentation of debt issuance costs in the financial statements. This guidance requires entities to present debt issuance costs as a direct deduction to the related debt liability. The amortization of these costs will be reported as interest expense. The guidance was effective for the Company on January 1, 2016, and was to be applied retrospectively. Early adoption of this guidance was permitted, however the Company did not elect to do so. The guidance required a reclassification of the debt issuance costs on the Consolidated Balance Sheets, but did not impact the Company's results of operations or cash flows. As a result of the retrospective application of this change in accounting principle, the Company reclassified debt issuance costs of $100,000 and $100,000 from prepayments and other current assets and $5.2 million and $6.0 million from deferred charges and other assets - other to long-term debt on its Consolidated Balance Sheets at September 30, 2015 and December 31, 2015, respectively.

Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent) In May 2015, the FASB issued guidance on fair value measurement and disclosure requirements removing the requirement to include investments in the fair value hierarchy for which fair value is measured using the net asset value per share practical expedient. The new guidance also removes the requirement to make certain disclosures for all investments that are eligible to be measured at net asset value using the practical expedient, and rather limits those disclosures to investments for which the practical expedient has been elected. This guidance was effective for the Company on January 1, 2016, with early adoption permitted. The application of this guidance affected the Company's disclosures; however, it did not impact the Company's results of operations, financial position or cash flows.

Simplifying the Measurement of Inventory In July 2015, the FASB issued guidance regarding inventory that is measured using the first-in, first-out or average cost method. The guidance does not apply to inventory measured using the last-in, first-out or the retail inventory method. The guidance requires inventory within its scope to be

measured at the lower of cost or net realizable value, which is the estimated selling price in the normal course of business less reasonably predictable costs of completion, disposal and transportation. These amendments more closely align GAAP with IFRS. This guidance will be effective for the Company on January 1, 2017, and should be applied prospectively with early adoption permitted as of the beginning of an interim or annual reporting period. The Company is planning to adopt the guidance on January 1, 2017, and does not anticipate the guidance to have a material effect on its results of operations, financial position or cash flows.
Balance Sheet Classification of Deferred Taxes In November 2015, the FASB issued guidance regarding the classification of deferred taxes on the balance sheet. The guidance will require all deferred tax assets and liabilities to be classified as noncurrent. These amendments will align GAAP with IFRS. This guidance will be effective for the Company on January 1, 2017, with early adoption permitted. Entities will have the option to apply the guidance prospectively, for all deferred tax assets and liabilities, or

retrospectively. The Company is planning to adopt the guidance in the fourth quarter of 2016 and will be applying the retrospective method of adoption. The guidance requires a reclassification of current deferred income taxes to noncurrent deferred income taxes on the Consolidated Balance Sheets; however, it does not impact the Company's results of operations or cash flows.

Recognition and Measurement of Financial Assets and Financial Liabilities In January 2016, the FASB issued guidance regarding the classification and measurement of financial instruments. The guidance revises the way an entity classifies and measures investments in equity securities, the presentation of certain fair value changes for financial liabilities measured at fair value and amends certain disclosure requirements related to the fair value of financial instruments. This guidance will be effective for the Company on January 1, 2018, with early adoption of certain amendments permitted. The guidance should be applied using a modified retrospective approach with the exception of equity securities without readily determinable fair values which will be applied prospectively. The Company is evaluating the effects the adoption of the new guidance will have on its results of operations, financial position, cash flows and disclosures.

Leases In February 2016, the FASB issued guidance regarding leases. The guidance requires lessees to recognize a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term on the statement of financial position for leases with terms of more than 12 months. This guidance also requires additional disclosures. This guidance will be effective for the Company on January 1, 2019, and should be applied using a modified retrospective approach with early adoption permitted. The Company is evaluating the effects the adoption of the new guidance will have on its results of operations, financial position, cash flows and disclosures.

Improvements to Employee Share-Based Payment Accounting In March 2016, the FASB issued guidance regarding simplification of several aspects of the accounting for share-based payment transactions. The guidance will affect the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. This guidance will be effective for the Company on January 1, 2017, with early adoption permitted in any interim or annual period. An entity that elects early adoption must adopt all of the amendments in the same period. Certain amendments of this guidance are to be applied retrospectively and others prospectively. The Company is planning to adopt the guidance on January 1, 2017. The Company anticipates the guidance will have an impact to the Consolidated Statements of Income and the Consolidated Balance Sheets on a prospective basis with all taxes related to share-based payments recognized as income tax expense or benefit and no longer recognized in additional paid-in capital. The Company anticipates the guidance will not have a material impact on its cash flows.

Classification of Certain Cash Receipts and Cash Payments In August 2016, the FASB issued guidance to clarify the classification of certain cash receipts and payments in the statement of cash flows. This guidance will be effective for the Company on January 1, 2018, with early adoption permitted. An entity that elects early adoption must adopt all the amendments in the same period and apply any adjustments as of the beginning of the fiscal year. Entities must apply the guidance retrospectively unless it is impracticable then may apply it prospectively as of the earliest date practicable. The Company is evaluating the effects the adoption of the new guidance will have on its cash flows and disclosures.

Note 9 - Comprehensive income (loss)

The after-tax changes in the components of accumulated other comprehensive loss were as follows:

Three Months Ended September 30, 2016	Net Unrealized Gain (Loss) on Derivative Instruments Qualifying as Hedges	Postretirement Liability Adjustment	Foreign Currency Translation Adjustment	Net Unrealized Gain (Loss) on Available-for-sale Investments	Total Accumulated Other Comprehensive Loss
	(In thousands)				

Balance at beginning of period	$(2,484)	$ (35,604)	$ (144)	$ 26	$ (38,206)
Other comprehensive loss before reclassifications	—	—	(4)	(42)	(46)
Amounts reclassified from accumulated other comprehensive loss	92	236	—	33	361
Net current-period other comprehensive income (loss)	92	236	(4)	(9)	315
Balance at end of period	$(2,392)	$ (35,368)	$ (148)	$ 17	$ (37,891)

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Three Months Ended September 30, 2015	Net Unrealized Gain (Loss) on Derivative Instruments Qualifying as Hedges	Postretirement Liability Adjustment	Foreign Currency Translation Adjustment	Net Unrealized Gain (Loss) on Available-for-sale Investments	Total Accumulated Other Comprehensive Loss
	(In thousands)				
Balance at beginning of period	$(2,872)	$ (37,259)	$ (130)	$ 15	$ (40,246)
Other comprehensive loss before reclassifications	—	—	(73)	(35)	(108)
Amounts reclassified from accumulated other comprehensive loss	100	382	—	28	510
Net current-period other comprehensive income (loss)	100	382	(73)	(7)	402
Balance at end of period	$(2,772)	$ (36,877)	$ (203)	$ 8	$ (39,844)

Nine Months Ended September 30, 2016	Net Unrealized Gain (Loss) on Derivative Instruments Qualifying as Hedges	Postretirement Liability Adjustment	Foreign Currency Translation Adjustment	Net Unrealized Gain (Loss) on Available-for-sale Investments	Total Accumulated Other Comprehensive Loss
	(In thousands)				
Balance at beginning of period	$(2,667)	$ (34,257)	$ (200)	$ (24)	$ (37,148)
Other comprehensive income (loss) before reclassifications	—	—	52	(65)	(13)
Amounts reclassified from accumulated other comprehensive loss	275	(1,111)	—	106	(730)
Net current-period other comprehensive income (loss)	275	(1,111)	52	41	(743)
Balance at end of period	$(2,392)	$ (35,368)	$ (148)	$ 17	$ (37,891)

Nine Months Ended September 30, 2015	Net Unrealized Gain (Loss) on Derivative Instruments Qualifying as Hedges	Postretirement Liability Adjustment	Foreign Currency Translation Adjustment	Net Unrealized Gain (Loss) on Available-for-sale Investments	Total Accumulated Other Comprehensive Loss
	(In thousands)				
Balance at beginning of period	$(3,071)	$ (38,218)	$ (829)	$ 15	$ (42,103)

Other comprehensive loss before reclassifications	—	—	(176)	(105)	(281)
Amounts reclassified from accumulated other comprehensive loss	299	1,341	802	98	2,540
Net current-period other comprehensive income (loss)	299	1,341	626	(7)	2,259
Balance at end of period	$(2,772)	$ (36,877)	$ (203)	$ 8	$ (39,844)

Reclassifications out of accumulated other comprehensive loss were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,		Location on Consolidated Statements of Income
	2016	2015	2016	2015	
	(In thousands)				
Reclassification adjustment for loss on derivative instruments included in net income (loss):					
Interest rate derivative instruments	$(148)	$(160)	$(445)	$(480)	Interest expense
	56	60	170	181	Income taxes
	(92)	(100)	(275)	(299)	
Amortization of postretirement liability gains (losses) included in net periodic benefit cost	(379)	(615)	1,787	(2,222)	(a)
	143	233	(676)	881	Income taxes
	(236)	(382)	1,111	(1,341)	
Reclassification adjustment for loss on foreign currency translation adjustment included in net income (loss)	—	—	—	(1,293)	Other income
	—	—	—	491	Income taxes
	—	—	—	(802)	
Reclassification adjustment for loss on available-for-sale investments included in net income (loss)	(51)	(43)	(163)	(151)	Other income
	18	15	57	53	Income taxes
	(33)	(28)	(106)	(98)	
Total reclassifications	$(361)	$(510)	$730	$(2,540)	

(a) Included in net periodic benefit cost. For more information, see Note 17.

Note 10 - Discontinued operations

The assets and liabilities of the Company's discontinued operations have been classified as held for sale and the results of operations are shown in loss from discontinued operations, other than certain general and administrative costs and interest expense which do not meet the criteria for income (loss) from discontinued operations. The Company's consolidated financial statements and accompanying notes for current and prior periods have been restated. At the time the assets were classified as held for sale, depreciation, depletion and amortization expense was no longer recorded.

Dakota Prairie Refining

On June 24, 2016, WBI Energy entered into a membership interest purchase agreement with Tesoro to sell all of the outstanding membership interests in Dakota Prairie Refining to Tesoro. WBI Energy and Calumet each previously owned 50 percent of the Dakota Prairie Refining membership interests and were equal members in building and operating Dakota Prairie Refinery. To effectuate the sale, WBI Energy acquired Calumet’s 50 percent membership interest in Dakota Prairie Refining on June 27, 2016. The sale of the membership interests to Tesoro closed on June 27, 2016. The sale of Dakota Prairie Refining reduces the Company’s risk by decreasing exposure to commodity prices.

In connection with the sale, WBI Energy has cash in an escrow account for RINs obligations, which is included in current assets held for sale on the Consolidated Balance Sheet at September 30, 2016. The Company retained certain liabilities of Dakota Prairie Refining which are reflected in current liabilities held for sale on the Consolidated Balance Sheet at September 30, 2016. In October 2016, the RINs liability was paid and the cash was removed from escrow. Also, Centennial continues to guarantee certain debt obligations of Dakota Prairie Refining; however, Tesoro has agreed to indemnify Centennial for any losses and litigation expenses arising from the guarantee. For more information related to the guarantee, see Note 19.

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The carrying amounts of the major classes of assets and liabilities that are classified as held for sale related to the operations of and activity associated with Dakota Prairie Refining on the Company's Consolidated Balance Sheets were as follows:

	September 30, 2016	September 30, 2015		December 31, 2015	
	(In thousands)				
Assets					
Current assets:					
Cash and cash equivalents	$—	$ 564		$ 688	
Receivables, net	13	14,648		7,693	
Inventories	—	12,354		13,176	
Deferred income taxes	—	116	(a)	—	
Income taxes receivable	32,388	—		2,495	
Prepayments and other current assets	7,741	7,125		6,214	
Total current assets held for sale	40,142	34,807		30,266	
Noncurrent assets:					
Net property, plant and equipment	—	415,817		412,717	
Deferred income taxes	2,984	—		—	
Other	—	5,052		9,627	
Total noncurrent assets held for sale	2,984	420,869		422,344	
Total assets held for sale	$43,126	$ 455,676		$ 452,610	
Liabilities					
Current liabilities:					
Short-term borrowings	$—	$ 29,500		$ 45,500	
Long-term debt due within one year	—	4,125		5,250	
Accounts payable	7,063	21,472		24,468	
Taxes payable	—	7,470		1,391	
Deferred income taxes	—	—		272	
Accrued compensation	—	1,059		938	
Other accrued liabilities	7,743	1,217		4,953	
Total current liabilities held for sale	14,806	64,843		82,772	
Noncurrent liabilities:					
Long-term debt	—	64,875		63,750	
Deferred income taxes	—	11,632	(b)	23,569	(b)
Total noncurrent liabilities held for sale	—	76,507		87,319	
Total liabilities held for sale	$14,806	$ 141,350		$ 170,091	

(a) On the Company's Consolidated Balance Sheet, this amount was reclassified to a current deferred income tax liability and is reflected in current liabilities held for sale.

(b) On the Company's Consolidated Balance Sheets, these amounts were reclassified to noncurrent deferred income tax assets and are reflected in noncurrent assets held for sale.

The Company performed a fair value assessment of the assets and liabilities classified as held for sale. In the second quarter of 2016, the fair value assessment was determined using the market approach based on the sale transaction to Tesoro. The fair value assessment indicated an impairment based on the carrying value exceeding the fair value, which resulted in the Company recording an impairment of $251.9 million ($156.7 million after tax) in the quarter ended June 30, 2016. The impairment was included in operating expenses from discontinued operations. The fair value of Dakota Prairie Refining’s assets has been categorized as Level 3 in the fair value hierarchy. At September 30, 2016, Dakota Prairie Refining had not incurred any material exit and disposal costs, and does not expect to incur any material exit and disposal costs.

Fidelity

In the second quarter of 2015, the Company began the marketing and sale process of Fidelity with an anticipated sale to occur within one year. Between September 2015 and March 2016, the Company entered into purchase and sale agreements to sell all of Fidelity's marketed oil and natural gas assets. The completion of these sales occurred between October 2015 and April 2016. The sale of Fidelity was part of the Company's strategic plan to grow its capital investments in the remaining business segments and to focus on creating a greater long-term value.

The carrying amounts of the major classes of assets and liabilities that are classified as held for sale related to the operations of Fidelity on the Company's Consolidated Balance Sheets were as follows:

	September 30, 2016	September 30, 2015	December 31, 2015
	(In thousands)		
Assets			
Current assets:			
Receivables, net	$7,930	$ 24,703	$ 13,387
Inventories	—	7,034	1,308
Commodity derivative instruments	—	8,633	—
Income taxes receivable	45,294	—	9,665
Prepayments and other current assets	—	42,762	221
Total current assets held for sale	53,224	83,132	24,581
Noncurrent assets:			