

Black Hills Corp (Q2 2025 Earnings)

July 31, 2025

Corporate Speakers:

- Salvador Diaz; Black Hills Corporation; Director of Investor Relations
- Linden Evans; Black Hills Corporation; President, Chief Executive Officer
- Kimberly Nooney; Black Hills Corporation; Senior Vice President, Chief Financial Officer
- Marne Jones; Black Hills Corporation; Senior Vice President, Chief Utility Officer

Participants:

- Christopher Ellinghaus; Siebert Williams Shank; Analyst
- Andrew Weisel; Scotiabank; Analyst

PRESENTATION

Operator^ Good day. And thank you for standing by. Welcome to the Second Quarter 2025 Black Hills Corporation Earnings Conference Call. (Operator Instructions)

Please be advised that today's conference is being recorded. (Operator Instructions)

I would now like to hand the conference over to your speaker today, Sal Diaz, Director of Investor Relations.

Salvador Diaz^ Thank you, Operator. Good morning. And welcome to Black Hills Corporation's second quarter 2025 earnings conference call. You can find our earnings release and materials for our call this morning on our website at blackhillscorp.com under the Investor Relations heading.

Leading our quarterly earnings call are Linn Evans, President and Chief Executive Officer; Kimberly Nooney, Senior Vice President and Chief Financial Officer; and Marne Jones, Senior Vice President and Chief Utility Officer.

During our earnings discussion today, comments we make may contain forward-looking statements as defined by the Securities and Exchange Commission. And there are a number of uncertainties inherent in such comments. Although we believe that our expectations are based on reasonable assumptions, actual results may differ materially.

We direct you to our earnings release, Slide 2 of the investor presentation on our website and our most recent Form 10-K and 10-Q filed with the Securities and Exchange Commission for a list of some of the factors that could cause future results to differ materially from our expectations.

With that, I will now turn the call over to Linn Evans. Linn?

Linden Evans^ Thank you, Sal. Good morning. And thank you all for joining us today.

I'll begin on Slide 3 with a summary of our quarter and our strategic outlook. Kimberly will provide our financial update, and Marne will discuss our operational performance and strategic progress. Among our key stakeholder commitments for the year are: first, deliver on our financial commitments including a year-over-year earnings growth of 5% at the midpoint of guidance; second, execute on our regulatory and growth initiatives including our \$1 billion capital plan to support key projects that serve the growing needs of our customers; and third, provide excellent operational performance including top quartile reliability and above industry average safety performance.

I'm pleased to report we made strong progress on these three commitments in the second quarter, and I'm proud of the relentless drive of our team as we execute our customer-focused strategy. Together, we delivered on our financial commitments and made great progress on several large initiatives through the first half of 2025.

We're on track to achieve our earnings guidance for the full year due to three primary drivers: new base rates, rider recovery and customer growth, and we continue to maintain a healthy balance sheet to help us execute on our strategic growth plan.

We continue to make excellent progress on our regulatory strategy including our recently approved Kansas Gas rate review and our active rate review in Nebraska, our seven rate reviews since the beginning of 2024 reflect the strength and skill within our team to execute multiple rate reviews annually. Collectively, these rate reviews represent the recovery of over \$1.3 billion of new system investments made to serve our customers.

Our rider mechanisms are also instrumental in recovering investments in a timely manner and support our path to achieve our earnings guidance.

We also made strong progress on near-term projects that will drive growth including our Ready Wyoming transmission expansion, our Lange II generation project and our Colorado Clean Energy Plan.

Additionally, customer growth including growing demand from data center and blockchain customers and economic development in our service territories are providing solid contributions to earnings. Representing that customer growth, Wyoming Electric recorded four distinct all-time peak loads during the first half of this year.

The newest peak of 379 megawatts set in June is a 21% increase over the peak recorded in 2024 and a 10% increase over a peak customer load that was set earlier in the second quarter, reflecting ongoing growth in data center and blockchain demand.

As we leverage our growth opportunities, we're also mitigating risk for our business and our customers. At the end of June, we established an emergency public safety power shutoff program across all three of our electric utilities to mitigate wildfire risk and keep our customers safe.

The program reflects extensive engagement with a variety of stakeholders to craft the framework for a plan that makes sense in our local service territories.

In summary, our team continues to deliver consistent results for our stakeholders on our regulatory and growth initiatives while keeping customer safety and reliability top of mind. Thank you to our employees and partners listening today. I'm proud of what we have achieved together, and I'm grateful for your dedication to our mission of improving life with energy every day.

Our financial outlook is provided on Slide 4.

With earnings meeting our expectations to date and strong ongoing customer demand opportunities ahead, we are reaffirming our 2025 earnings guidance range of \$4 to \$4.20, which is a 5% growth rate at the midpoint over our 2024 EPS.

Looking ahead, with excellent progress on our regulatory and growth initiatives, we are successfully executing on our plan to deliver in the upper half of our 4% to 6% long-term EPS growth target starting in 2026.

Our confidence in our long-term growth target is driven by our \$4.7 billion capital plan and further reinforced by strong customer demand including data center and blockchain demand opportunities.

Slide 5 helps illustrate our \$4.7 billion capital plan. The base investment level in our business currently ranges from \$700 million to \$750 million annually, prioritizing the core needs of our customers for safety, reliability and supporting growth.

In addition, our transformative infrastructure expansion investments will cost effectively enhance the resiliency of our system and support growing demand and evolving system requirements.

Our ongoing capital projects include our Ready Wyoming transmission expansion that is on target to be completed by year-end, our 99-megawatt Lange II generation project in South Dakota that we expect to place in service in the second half of 2026 and our solar and battery projects to comply with the Colorado Clean Energy Plan to be placed in service in 2027 to 2028.

These investments further capitalize on our strength as a vertically integrated electric and gas infrastructure company operating in eight constructive states.

Our confidence in our earnings guidance and our long-term growth is reinforced by the tech-driven industrial demand we are witnessing as outlined on Slide 6. For more than a decade, we have served Microsoft's increasing hyperscale data center demand on top of our core residential and commercial customer growth.

Meta, which we announced last year as a customer, is now in the process of constructing its new data center site, which we expect to begin taking data center load beginning in 2026. As Meta ramps up and as Microsoft continues its growth, we expect data center to contribute more than 10% of our total EPS in 2028.

By the end of 2029, our current forecast includes approximately 500 megawatts of data center demand being served through our innovative tariffs and market energy procurement model that provide valuable speed-to-market advantages for our customers.

And looking ahead, our pipeline of data center demand continues to solidify and grow. We are developing our plans to serve more than 1 gigawatt of demand.

We are engaging in meaningful conversations with a growing and diverse group of select customers that recognize the value of our unique offerings and the ideal attributes of our service territory as a choice location for our data center operations.

As an example, we are engaged with multiple potential data center customers including a recent announcement by Crusoe and Tallgrass for a data center to be located in Southeast Wyoming. To be clear, this would be additive to the 500 megawatts of data center load in our current 5-year financial forecast. Keeping with our normal practices, we would announce additional details when contracted.

This pipeline of demand will further drive growth in revenues from our innovative tariff using our minimal capital model and create traditional investment opportunities, both of which generate utility-like returns. Marne's comments will address our operational construct and capabilities to serve this tech-driven demand.

With that update, I'll turn it over to Kimberly for our financial update. Kimberly?

Kimberly Nooney^ Thank you, Linn. And good morning, everyone. Echoing Linn's introduction, we had a great quarter, and I'm proud of our team's execution to deliver strong results. The progress we made over the last quarter continues to lay the foundation for success in 2026 and beyond with transformative projects and regulatory progress supporting strong confidence in our ability to deliver on our earnings guidance and long-term growth target.

Slide 8 compares Q2 2025 to Q2 2024.

We delivered \$0.38 per share this quarter compared to \$0.33 per share for the same period last year. New margins more than overcame the impact of higher operating expenses and financing costs to achieve quarterly earnings within our expectations.

We delivered \$0.22 per share of new margins including \$0.17 of new rates and rider recovery. These margins more than offset \$0.05 per share of higher O&M driven by increased insurance premiums and the impact of unplanned outages, \$0.08 per share of

higher financing costs and \$0.04 of higher depreciation expense from new assets placed in service.

Comparing this quarter to Q2 2024, our year-over-year weather impact resulted in \$0.03 of positive weather. When compared to normal, weather drove \$0.04 per share of unfavorability during Q2 2025. Turning to the year-to-date EPS drivers on Slide 9. Earnings per share increased to \$2.24 from \$2.19 for the same period last year.

Our year-to-date margins are benefiting from the successful execution of our regulatory strategy, which delivered \$0.49 of new rates and rider recovery.

Along with weather favorability of \$0.14 driven by very mild weather in the prior year, these benefits more than offset \$0.29 per share of higher O&M, \$0.24 of higher financing costs and \$0.07 of higher depreciation expense. Year-to-date, we experienced approximately \$5 million in additional pretax O&M costs or \$0.06 per share related to unplanned generation outages, which were materially offset by benefits related to these outages recognized in margin and noncontrolling interest. Excluding these unplanned generation outage expenses from O&M, we expect to manage our 2025 O&M costs to a compounded annual growth rate of approximately 3.5% of 2023 O&M expense.

We are reaffirming and expect to achieve our full year earnings guidance. Further details on year-over-year changes can be found in our earnings release and our 10-Q to be filed with the SEC later today.

Slide 10 displays our solid financial position through the lens of credit quality, capital structure and liquidity. Balance sheet strength remains one of our top priorities.

We remain focused on sustaining our FFO to debt target of 14% to 15% and net debt to total capitalization target of 55%, which we maintained during the quarter.

Using our rating agencies' methodologies, we expect to maintain these credit metric targets throughout our long-range financial plan, providing a healthy cushion above our downgrade threshold of 13%.

Our liquidity remained strong at quarter end at more than \$600 million of availability under our revolving credit facility.

We are evaluating timing and refinancing options for our next debt maturity of \$300 million, which is due in January 2026.

We are investing \$1 billion in capital during the year.

And as previously guided, we plan to issue approximately \$215 million to \$235 million of new equity to finance these investments in 2025 and have issued \$65 million of equity year-to-date. The timing of our equity issuances during the year is driven by forecasted cash flow, of which a significant driver is capital investments. Based on the execution of

our strategic projects, we expect to issue equity within our earnings guidance assumption for the remainder of the year.

With several strategic capital projects and regulatory rate reviews driving stronger operating cash flows, our planned annual equity needs in 2026 and beyond are expected to be lower than 2025.

We will continue to fund our accretive growth with the most efficient, cost-effective capital available while maintaining credit quality.

Slide 11 shows our earnings growth trajectory beginning in 2023, along with our 2025 earnings guidance assumptions.

For 2025, we expect EPS to be between \$4 and \$4.20 per share, which at the midpoint represents a 5% increase over 2024 earnings.

As Linn mentioned, looking forward, our long-term earnings growth will be driven by new rates and riders on strategic investments like Ready Wyoming, Lange II and the Colorado Clean Energy Plan that will provide long-term benefits to customers, ongoing customer growth we continue to experience within our jurisdictions and data center and blockchain growth opportunities within our footprint.

We believe we are well positioned to achieve the upper half of our long-term EPS growth target of 4% to 6% beginning in 2026.

Slide 12 illustrates our industry-leading dividend track record of 55 consecutive years.

We continue to target a 55% to 65% payout ratio. A dependable and increasing dividend is an important component of our strategy to deliver long-term value for our shareholders.

I will now turn the call over to Marne for a business update.

Marne Jones^ Thank you, Kimberly. And good morning, everyone. Through the first half of the year, our team continued to deliver safe, reliable and cost-effective energy to our 1.35 million customers and made solid progress in executing our strategic priorities.

Operationally, we are particularly excited about the opportunities in serving data centers that Linn highlighted in his remarks. Given we are a vertically integrated utility operating in a franchise service territory with an obligation to serve, we are well positioned to deliver value through both our current minimal capital service model and through a more traditional utility model including investments in generation and transmission.

Moving to Slide 14.

Our 260-mile \$350 million Ready Wyoming transmission project, the largest capital project in our company's history, is on track for completion by year-end. This expansion

strengthens our system by reducing reliance on third-party transmission, enhancing resiliency and increasing access to market energy including renewables.

By building a more interconnected and robust transmission network, we are supporting long-term price stability for our customers and enabling continued growth across our service territory. Approximately \$40 million of project costs placed in service last year are currently being recovered through our Wyoming transmission rider, with the remaining costs to be recovered through the same rider starting in January 2026.

Moving to Slide 15.

We continue to execute on our Colorado Clean Energy plan.

In 2024, we received approval for 350 megawatts of renewable resources to reduce emissions for Colorado customers by 80% by 2030. This includes a utility-owned 100-megawatt solar project, a utility-owned 50-megawatt battery storage project and a 200-megawatt solar power purchase agreement.

In June, we requested a Certificate of Public Convenience and Necessity or CPCN for the battery project and expect approval by year-end, and we continue to negotiate with the developers of the two solar projects.

The utility-owned investments are included in our '26 through '28 capital plan. And as final contracts are signed, we may update our capital plan for any material shifts in timing or costs.

Slide 16 outlines our South Dakota Electric resource plan.

During the second quarter, we received regulatory approval in Wyoming for our Lange II project, a 99-megawatt utility-owned natural gas-fired generation resource located in Rapid City, South Dakota.

We expect to begin construction in the third quarter and place our new resource in service in the second half of 2026.

Slide 17 summarizes our regulatory progress.

We received approval from the Kansas Commission on a constructive black box settlement for new base rates last week. The settlement results in an increase in annual revenue of \$10.8 million with new rates effective tomorrow, August 1. The settlement renews our safety and reliability focused rider and allows for a new insurance cost tracker with deferred accounting treatment.

Additionally, it includes approval for the company to file a capital-only abbreviated case in Q1 of 2026. The abbreviated case will allow us to recover capital placed in service through December 31 of this year based on the black box settlement terms.

Our only active rate review is in Nebraska, where we requested \$35 million of new annual revenue based on a return on equity of 10.5% and a capital structure of approximately 50-50 debt to equity.

Interim rates are effective tomorrow, August 1, and final rates are expected by Q1 of 2026.

Lastly, in the fourth quarter, we are preparing to file a rate review request for Arkansas Gas. This is consistent with our cadence of three to four rate reviews annually.

As we wrap up our call and before I turn it back to Linn, I'll provide an update on wildfire risk mitigation on Slides 18 and 19. Wildfire mitigation begins with the strength of our systems and our decades of experience in proactive prevention. The potential impact of an event in our electric service territories is reduced by the geographic diversity of our high-risk areas and low population density across our broad and mostly rural service territory.

Our industry-leading reliability results in fewer outage events, which in turn lowers the potential for ignitions that may cause a wildfire.

We are proud of our low vegetation caused outage rate of just 3.5% compared to a 20% industry average.

With decades of experience operating in challenging weather environments, our systems are built and maintained to withstand the high winds and severe conditions that can be typical of our region.

On June 30, we launched our new emergency Public Safety Power Shutoff program, or PSPS, as one component of our broader operational response plan and comprehensive wildfire mitigation plan.

The program involves selectively and proactively deenergizing power lines in high-risk areas as a last resort safety measure under extreme conditions. To our team and stakeholders, I'd like to say thank you for your thoughtful engagement. Delivering dependable energy is a responsibility we take seriously and we remain committed to working collaboratively to balance safety with the need for reliable service. Together, we've developed a program that makes sense in our communities as we execute on our collective priority of safety alongside the need for excellent reliability and resiliency.

We look forward to working with our key stakeholders to further enhance our wildfire mitigation efforts and to align with legislative bodies on the standard of care that improves safety and reduces business risk. Legislation has already been enacted in Wyoming, and we continue to work with utility partners and legislative bodies in 2026 that will advance wildfire safety and prevention in South Dakota and Colorado.

With that, I will now turn the call back to Linn.

Linden Evans^ Thank you, Marne.

Our solid second quarter financially and operationally provides strong confidence in achieving our 2025 guidance and our ability to deliver in the upper half of our long-term EPS CAGR starting next year. Through our robust pipeline of strategic opportunities, we are investing in safely and reliably serving our customers and mitigating risks.

We're successfully and routinely executing on our regulatory plan, and we are innovatively developing customer solutions to enable data center and blockchain load growth. This concludes our prepared remarks, and we're happy to take your questions.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from Chris Ellinghaus with Siebert Williams Shank.

Christopher Ellinghaus^ The industrial growth for the quarter was 19%.

Can you give us any kind of color on how we should anticipate that digital growth to proceed? Is it going to stay in that 20-plus kind of percent range on a linear basis? Or can you give us any color on what the shape looks like?

Marne Jones^ Chris, this is Marne. Thanks for the question.

So yes, on the industrial side of it, so yes, we did see some good growth. And what we have seen in the past is it's not necessarily linear.

We see different ramp rates depending on the type of the data center as well as the type of the blockchain load that's coming on.

So really good growth that we saw this quarter. You noticed that with the peak in Cheyenne and while we expect to continue to see significant growth from data centers as well as blockchain going forward, I don't expect it to be just strictly linear.

Christopher Ellinghaus^ Okay. And Linn, you talked about the new announcements for Wyoming. Was that part of the sort of incremental 500 [megawatts of data center demand] that was in your sort of pipeline? Or was that incremental to what your prior thinking was?

Linden Evans^ Chris, thanks for the question.

It's incremental to our pipeline in total. This is relatively new announcement.

So we're in discussions with the counterparties.

We've, to date, not included anything other than to acknowledge it's part of our pipeline now and we're going to take a very disciplined approach when we have agreements that are executed and signed, then we'll move that into our load forecast and move it into our financial forecast as well perhaps.

Christopher Ellinghaus^ Okay.

So your sort of 1,000 megawatt 10-year sort of outlook, do you expect that, that will sort of get updated over time as you get closer to MOUs or whatever -- even contracts, whatever your comfort level is?

Linden Evans^ Yes. We do, Chris. Thank you for that.

We're cautious. We're conservative. We're very happy with the counterparties that we have agreements with today, that being Microsoft and Meta, watching them continue to grow.

Meta is building their data center now. We're serving the construction load. We have not transitioned to the data center load, but that's coming, as we said in our comments in 2026.

So as these data centers through our unique tariff because we can serve them in many different ways, as Marne pointed out in her prepared remarks, we -- this is a service territory that's franchised to us.

So we can serve it in some very unique ways, and that's why we believe our these kind of customers are coming to us.

It's a great service territory for lots of different reasons including the tariffs that we provide and allow our customers to take advantage of with us. We're very watchful on how it impacts the shareholder, how it impacts our customers, how it impacts our communities. So we're being very disciplined and thoughtful about our counterparties.

Christopher Ellinghaus^ Okay. Great. Kimberly, your insurance expenses were particularly high in the first quarter.

Is the second quarter sort of down to the incremental rate that you expect through the rest of the year?

Kimberly Nooney^ Yes. Thank you, Chris. From an insurance perspective, we renew insurance rates July one through June 30.

So as we talked to last year, we had some pretty significant increases. We just completed our renewals. And what we're seeing is flat year-over-year insurance costs when you compare July 1, 2025 through June 30, 2026. When you compare that period to last year,

we see flat insurance rates, insurance expense going forward. So that will be a nice benefit as we look through the end of 2025 and going into 2026.

Operator^ Our next question comes from Andrew Weisel with Scotiabank.

Andrew Weisel^ My first question for Kimberly. You're pointing to the upper half of the 4% to 6% range starting next year. Can you elaborate on what specifically is driving that? Does it mean more like 5% to 6% each year or on average depending on rate cases? Or is it generally or gradually accelerating as some of the large load customers ramp up? Just help us understand a little bit behind the thinking of that, please.

Kimberly Nooney^ Yes, Andrew, thank you for the question.

So as we've talked about being in the upper end of our growth guidance range of 4% to 6% starting next year, there are actually several drivers that are providing us the confidence to be able to achieve that upper half.

So starting with some of the projects you heard Marne speak to, we have Ready Wyoming, which is a \$350 million transmission investment. That will start full recovery of 1/1/2026. So that's a very beneficial driver.

We have Lange II and Colorado CEP being put into service to some degree in 2026 through 2028. So there's benefits from those specific projects as well.

We continue to see customer growth within our jurisdictions. Arkansas continues to grow. We're seeing growth here in South Dakota, the Front Range of Colorado. Those areas continue to grow as we've talked about in the past. And then as Linn and Marne just talked about from a data center perspective, we are continuing -- Meta ramps up in 2026. And as we look for and are working with additional data centers to the extent that, that load is accelerated or comes to fruition in our 5-year plan, which we expect it to be, that would be additive.

So when we say upper half, it doesn't include the data center growth that I just spoke to. But in general, it's going to be all those capital projects along with regulatory efforts that Marne talked about in Nebraska and Kansas when we get full year rates next year.

So lots of great things happening that give us confidence to support that upper half of our growth range.

Andrew Weisel^ That's very helpful. And I appreciate that you clarified that, that does not include the data center growth including this new customer that you were referring to. So thank you for clarifying that.

My other question was you mentioned some unplanned outages. Can you get a little more specific what happened there? And are those plants back online? And were there any issues that might have impacts looking forward?

Kimberly Nooney^ Yes. I'll let Marne talk about the operational side, and I'll address the financial side.

Marne Jones^ Yes, Andrew. So I'll say all of our generation is up and online and serving customers today. As you know we've had some impacts from some outages over the course of this year. But our generation availability really continues to be in line with industry benchmarks.

Our maintenance schedules are on track. And here, we've had the opportunity recently to really, I think, even mitigate some future risk with some spare turbines as well as a spare combustor. So we've had these, but I think we have hopefully successfully mitigated some of the impacts that we could see going forward. And like I said, all generation is up and running today. So we're very proud of that.

Kimberly Nooney^ Yes. And Andrew, as you think about the financial side, we tried to call out that impact to O&M just because we've provided that earnings guidance run rate. So the \$5 million is going to increase our overall O&M assumption. However within the total financial package, when you look at EPS impact year-to-date, it's immaterial.

And the big drivers are offsets related to noncontrolling interest because one of the outages was related to a facility that is partially owned by a third party. And then we had some negative margin last year that obviously when you're comparing year-over-year became a benefit.

So those items are offsetting the \$5 million of pretax O&M. So when you look at the total O&M rate that we've provided, if you exclude the \$5 million, we are on target to achieve that compounded annual growth rate of 3.5% of O&M off of our 2023. So overall, an immaterial impact.

Andrew Weisel^ Okay. And it sounds like no impact going forward. Is that right?

Kimberly Nooney^ Agreed. And yes, and we've assumed no unplanned outages for the remainder of the year.

Operator^ I would now like to turn the call back over to Linn Evans for any closing remarks.

Linden Evans^ Well thank you very much for your interest in Black Hills and your time today. I want to once again extend my gratefulness to our employee team, our business partners.

We delivered an excellent second quarter that's going to help us through the next several quarters in delivering on our promises to our shareholders, our customers and our communities.

You may hear the rumble in the background, the Sturgis rally starting soon. So if you're in the area on your motorcycle or otherwise, stop by and say hello. And enjoy Black Hills Energy Safe Day.

Thank you again.

Operator^ Thank you. This concludes the conference. Thank you for your participation.

You may now disconnect.