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+++ presentation

Operator^ Good day, ladies and gentlemen, and welcome to the Black Hills Corporation Second Quarter 2020 Earnings Conference Call. My name is Liz, and I will be your coordinator for today. (Operator Instructions) As a reminder, this conference is being recorded for replay purposes.

I would now like to turn the presentation over to Mr. Jerome Nichols, Director of Investor Relations of Black Hills Corporation. Please proceed, sir.

Jerome E. Nichols^ Thank you, Liz. Good morning, everyone. Welcome to Black Hills Corporation's Second Quarter 2020 Earnings Conference Call. You can find materials for our earnings call this morning at our website at www.blackhillscorp.com under the Investor Relations heading.

Leading our quarterly earnings discussion today are Linn Evans, President and Chief Executive Officer; and Rich Kinzley, Senior Vice President and Chief Financial Officer.

During our earnings discussion today, some of the 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 and beliefs 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 Form 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.

I will now turn the call over to Linn Evans.

Linden R. Evans^ Thank you, Jerome. Good morning, everyone, and thank you for joining us today.

Turning to Slide 4. Since the onset of the pandemic in the United States almost 5 months ago, our team has continued to execute exceptionally well while adhering to best practices within a rapidly changing landscape. Regardless of the uncertainty we are all facing, we remain more confident than ever in our team, our business model and our strategy. We believe Black Hills is especially well positioned to successfully navigate the pandemic and the journey ahead for a number of reasons.

First, our utilities are comprised of critical infrastructure operated by our team through a customer-focused culture that improves lives with energy for our customers and our communities, while also generating predictable and growing returns for our shareholders. Second, Black Hills operates primarily in states with constructive regulatory environments that support timely recovery mechanisms and reasonable returns. In addition, our operations across 8 states provide geographic and regulatory diversity that reduces risk and provides a greater range of opportunities. Third, our capital allocation plan is balanced. And during the second quarter, we continue to invest free cash flow from operations into organic growth initiatives that will create long-term value. At the same time, we continue to reward our shareholders with a healthy and growing dividend. We are proud of our track record of increasing our annual dividends for the past 50 years. Fourth, we continue to strengthen our balance sheet, reflecting our commitment to maintaining an investment-grade credit rating. And while this is certainly not a complete list, I'll add that we have an experienced, engaged and committed team of leaders across our company dedicated to the long-term success of our business and doing well for all of our stakeholders.

Moving to Slide 6 for an overview of our second quarter results. The strength of our customer-focused strategy was on full display this quarter. We successfully managed through COVID-19 challenges to provide safe, and reliable service to our customers, while also advancing our key strategic initiatives and delivering solid financial results.

First and foremost, the safety of our customers and coworkers has always been a top priority and has become even more critical during this health crisis. We deployed all the safety equipment, protocols and processes recommended by the CDC to keep our coworkers and communities healthy. At the same time, we maintained our relentless focus on reliability to ensure that customers would have the uninterrupted and sufficient power and gas needed during these stay-at-home times, and we delivered.

While we primarily serve rural territories that have been less impacted by this pandemic relative to large urban areas, many of our customers still face new hardships. We remain true to our values to help those with financial difficulties. During the trying times, we have deepened our relationships with our customers and communities through a variety of financial assistance programs and donations to local nonprofits.

During the second quarter, we continued to execute plans that address the long-term needs of our customers while balancing that with our commitment to deliver strong results to shareholders. To that end, our 2020 capital investment plan remains on schedule, and at the same time, we enhanced our strong financial position and delivered solid quarterly results.

At quarter end, our disciplined financial strategy provided us with excellent flexibility, liquidity and access to capital. We further bolstered our liquidity in June with a $400 million debt issuance, taking advantage of the low interest rate environment.

We also delivered solid financial performance in line with our expectations for the second quarter. Rich will cover the earnings drivers and COVID-19 impacts in detail, but at a high level, I am pleased to report that each of our business segments reported better financial results relative to last year's second quarter.

I'm proud of the resilience that our team has demonstrated and our ability to deliver on key initiatives in the face of new challenges. During the quarter, we reached a settlement for the Wygen I FERC application to fulfill a 60-megawatt capacity need for our Wyoming Electric customers. Adding clarity to our long-term outlook, we advanced efforts on utility consolidation and requested recovery of investments in Nebraska. We continued to make progress on responsibly integrating renewable energy into our energy mix for customers in Colorado, South Dakota and Wyoming.

And in Colorado, we are working hard with our communities and regulators. We are encouraged by a favorable vote of confidence from the Pueblo community in May regarding our franchise and the recently announced strategic alignment of our leadership structure in Colorado.

Overall, we delivered solid second quarter results while building the foundation for long-term growth. Now 5 months into this health and economic crisis, we are cautiously optimistic that our customers and communities are gradually recovering.

Slide 7 summarizes recent highlights across our business lines, starting with the Gas Utilities. Colorado Gas implemented a small reduction in rates resulting from the February 2019 rate review. We continue to invest to meet the needs of our Colorado customers, and we are planning to file a new rate review this quarter.

On June 1, Nebraska Gas filed a rate review requesting to consolidate customer rates into a single statewide structure and also to align to safety and integrity riders across the consolidated utility. We are requesting $17.3 million in additional annual revenue with a 10% return on equity and 50-50 capital structure to recover investments made to improve our customers' experience. It's been at least 10 years since the legacy Black Hills Energy utility in Nebraska had its last rate review, which reflects solid customer satisfaction and growth and the efficient management that our team brings to work every day.

Our Renewable Advantage program took a critical step forward this quarter. The request for proposals in Colorado benefits customers and further supports our clean energy goals by integrating additional cost-effective renewable energy. This program is made possible due to our investments in reliable and modern natural gas-fired generation, which allows us to add more intermittent renewable energy to our system.

In our 120-day report to the Colorado Public Utilities Commission, the preferred bid is a 200-megawatt solar project to be constructed in Pueblo County, Colorado by 2023. The project goals are to save customers an estimated $66 million over 15 years while providing strong local economic impact and increasing our Colorado renewable nameplate capacity mix to more than 50% by 2024.

Construction on our Corriedale Wind Project in Wyoming remains on schedule and on budget, reflecting our team's strong project management skills regardless of headwinds. The $79 million, 60-megawatt wind energy project is expected to begin serving customers in South Dakota and Wyoming by year-end through our renewable-ready subscription program.

In Wyoming, we are pleased with the settlement agreement that will allow our Wyoming Electric utility to continue serving customers with reliable and cost-effective energy and capacity generated by our Wyoming-based Wygen I power plant through 2032. A FERC judge certified the settlement on July 10, and we anticipate a final decision by year-end with a new contract starting in 2022.

On May 5, the Pueblo, Colorado community resoundingly voted in favor of retaining Black Hills Energy as their electric service provider. We are pleased with this outcome and are working alongside Pueblo for a successful and thriving future.

Moving to corporate. I'll cover some of the highlights that Rich will address in more detail. We filed a new shelf registration and dividend reinvestment and stock repurchase program and renewed our at-the-market equity offering program.

On July 27, our Board approved a quarterly dividend of $0.535. The current annualized rate of $2.14 in 2020 represents 50 consecutive years of dividend increases, one of the longest track records in our industry. We enhanced our strong liquidity position during the quarter and also had our BBB+ corporate credit rating affirmed by S&P.

We ended the quarter with $770 million in liquidity, which demonstrates our strategy of maintaining a solid capital structure and investment-grade credit rating.

And finally for this slide, we aligned our Gas and Electric Utilities management structure in Colorado under a single state leader, Vance Crocker. We also brought Nick Wagner on board in Colorado, who is a former commissioner with the Iowa Utilities Board and served as a 2019 President of NARUC. We are excited to have his leadership skills and regulatory experiences, both in Colorado and company-wide. Vance and Nick will make a great team as we partner with our Colorado stakeholders.

I'll now turn it over to Rich Kinzley for a financial update. Rich?

Richard W. Kinzley^ Thanks, Linn, and good morning, everyone. I'll start on Slide 9.

As Linn noted, we delivered solid financial performance that met our expectations for the quarter. Second quarter EPS as adjusted was $0.33, up from $0.24 last year. All our segments reported higher operating income compared to the same quarter last year driven primarily by new rates at our Gas Utilities and favorable weather at both our Electric and Gas Utilities. We also benefited from earnings on new wind assets at our Power Generation segment, higher tons sold at our Mining segment and lower consolidated operating expenses. We estimate weather favorably impacted EPS by $0.02 compared to normal and by $0.06 compared to Q2 2019. If you'll recall, results at our utilities for the second quarter last year were tempered by unseasonably wet and cool weather conditions.

Results for the second quarter of 2020 included negative COVID impacts of approximately $0.03 per share, in line with our expectations. Net income increased 44% quarter-over-quarter, while EPS increased 37% quarter-over-quarter. The difference driven by dilution from additional common shares outstanding from our equity issuances in 2019 and earlier this year.

With second quarter results meeting our expectations and COVID impacts trending as we expected, we reaffirmed our EPS guidance of $3.45 to $3.65 for 2020. Our earnings guidance assumptions are shown in more detail on Slide (actually slide 41)~~40~~.

On Slide 10, we reconcile GAAP earnings to earnings as adjusted, a non-GAAP measure. We do this to isolate special items and communicate earnings that we believe better represent our ongoing performance. This slide displays the last 5 quarters and demonstrates the seasonality of our earnings. We didn't experience any special items in the second quarter this year.

Slide 11 is a waterfall chart illustrating the primary drivers of our earnings results from Q2 2019 to Q2 2020. All amounts on this chart are net of income taxes.

I'll add more detail by segment on Slide 12, but at a high level, our Electric Utilities gross margin benefited from favorable weather, which was partially offset by a rider true-up. Gross margin at our Gas Utilities benefited from new rates, favorable weather and mark-to-market gains on gas commodity contracts. We estimate the Electric Utilities margins were negatively impacted from COVID by $1.1 million after-tax due to lower commercial sales, partially offset by higher residential sales. We estimate our gas utility margins were negatively impacted from COVID by approximately $700,000 after-tax.

Our nonregulated margin increased over the prior year due to earnings on new wind assets at our Power Generation segment and higher tons sold at our Mining segment, which was driven by mine-mouth plant outages experienced in Q2 last year. Total O&M decreased over 4% compared to the prior year driven by effective cost management this quarter and certain nonrecurring expenses in the second quarter of the prior year. COVID-related costs from sequestration of essential employees and higher bad debt expense accruals were largely offset by avoided costs related to travel, training and outside services.

Depreciation increased as a result of additional plant placed in service. Interest expense increased due to higher debt balances resulting from new debt issued to fund our capital investment program. Other income expense was unfavorable to the prior year as we had additional expense for our nonqualified benefit plans in the second quarter this year related to strong stock market performance. I'll note that in the first quarter, this was nearly exactly the opposite due to the stock market decreasing substantially at the end of the first quarter.

On Slide 12, segment operating income results for the second quarter are compared to the prior year. I'll make a few comments here, and you can find additional details on Q2 year-over-year changes in gross margin and operating expenses in our earnings release and in our 10-Q that we'll file later today.

At our Electric Utilities, operating income increased by $500,000. Gross margins were flat compared to the prior year with favorable weather offset by a rider true-up and negative COVID impacts I spoke to on the previous slide. Operating expenses decreased $1.7 million due to lower employee expenses and lower generation expenses from planned outages last year. Depreciation was $1.2 million higher due to increased plant and service.

At our Gas Utilities, operating income increased by $9.6 million. Gross margins increased by $8 million, benefiting from new rates, favorable weather, customer growth in our service territories and mark-to-market gains on commodity contracts. These benefits were partially offset by negative COVID impacts on gross margin that I mentioned on the previous slide and lower transport and transmission revenues. Operating expenses had decreased by $4.7 million driven by lower employee costs and lower outside services. Depreciation expense increased $3.1 million as a result of increased plant and service.

On the bottom half of Slide 12, at our Power Generation segment, operating income increased $1.2 million. Revenue was higher in 2020 primarily due to increased production from our new wind generation assets added late last year. Operating expenses increased due to higher depreciation and property taxes from the new wind assets.

As a reminder, the primary earnings benefit from our new wind projects comes through reduced income tax expense from federal production tax credits we receive on these projects. These tax credits are below the line and not included in the operating income numbers. Operating income at our Mining segment increased by $1.8 million as we enjoyed a 29% increase in tons sold due to higher demand at the Wyodak plant as there were extended outages at that plant last year.

Slide 13 shows our financial position through the lens of capital structure, credit ratings and financial flexibility. We are in excellent shape from a debt maturity and liquidity perspective. Our credit ratings remain at BBB+ at both Fitch and S&P and Baa2 at Moody's with a stable outlook at all 3 agencies. On April 10, S&P affirmed our BBB+ rating with a stable outlook. And in February, we issued $100 million of equity to help support our 2020 capital investments. We don't expect to issue any more equity in 2020.

As Linn mentioned earlier, we issued $400 million of 2.5% 10-year notes in June to term out our short-term debt and support our ongoing capital investment program, further enhancing our liquidity position. This debt issuance was a great outcome and provides our customers low-cost debt for the next decade. At quarter end, we had no borrowings on our credit facility, and we don't have any material debt maturities until late 2023.

As of the end of July, we continue to have approximately $730 million of liquidity available from capacity on our revolving credit facility. And we continue to target a debt-to-total-cap ratio in the mid-50s over the longer term.

Slides 14 and 15 show jobless claims and unemployment rates for the states our Electric and Gas Utilities serve and how they compare to the national averages over the past few months. The graphs illustrate that trends in our states are below the national average. Thus far, the pandemic has not impacted our rural service territories as severely as more densely populated regions.

I'll note that in past major events such as the financial crisis a decade ago, our service territories have typically been more stable and more insulated from major economic swings than the coastlines in major metropolitan areas. We remain cautiously optimistic that will be the case with this crisis, and we will continue to closely monitor trends in our territories.

Turning to Slide 16. As I mentioned earlier, COVID impacts are generally trending as we expected. During the second quarter, we estimate electric and gas utility pretax COVID margin impacts of $1.5 million and $900,000, respectively.

Based on what we've experienced thus far through July, we are maintaining our assumption, there will be some customer usage impact for the balance of the year. The net impact we are modeling for the remainder of the year at our electric utilities assumes reduced usage from commercial customers and a few industrials, partially offset by increased residential usage.

At our Gas Utilities, we have assumed some overall negative impact through the balance of the year, mainly from a few industrial transport customers. We incurred extra costs during the second quarter associated with the pandemic and expect additional costs in the near term.

At this time, we are not sequestering any mission-critical employees in any of our locations although we're ready to do so if the virus spreads more deeply into our territories. During the second quarter, we sequestered mission-critical employees at 2 of our generation sites and also generation dispatch and reliability center employees in Rapid City. Sequestration activities ended in mid-July. We're also incurring additional costs for equipment and supplies to keep our coworkers safe. We accrued an additional $1.5 million for bad debt in the second quarter on top of an extra $500,000 in the first quarter as we saw delinquencies increase.

Like all utilities in the U.S., we suspended disconnects throughout the second quarter. We are reinitiating disconnect activities in some of our states in August and expect to do so in all our states during Q3 and into early Q4. We are also taking proactive steps to work with our customers on payment plans to assist them in these challenging times.

During the second quarter, we largely offset the pandemic-related costs through savings on travel, training and certain outside services that were planned for 2020. We've slowed our hiring and are closely managing other expenses. We are tracking COVID-19-related margin and O&M impacts and working closely with regulators in our states to determine appropriate treatment of these costs.

Obviously, the pandemic's not yet over, and it is difficult to predict the duration of the event or the impact it will have on the local economies and customers in our service territories. Our assumption for the earnings impact in 2020 from COVID remains consistent with our Q1 call in May. The expected combined effect of reduced margins and net expenses will impact 2020 pretax operating income by $4 million to $8 million, equivalent to $0.05 to $0.10 of EPS. While we remain optimistic, our territories will be less impacted than other parts of the country. Our assumptions surrounding pandemic impacts on our earnings could change as we navigate the remainder of the year.

Slide 17 illustrates our dividend track record, evidence of our disciplined management through other historic economic events. We're on track to deliver 50 consecutive years of increasing dividends in 2020, and we've grown the dividend at a strong rate in recent years with $0.12 annual increases in 2018 and 2019. While we may go slightly above 60% for a payout ratio in 2020, we maintain our long-term dividend payout ratio target of 50% to 60% of EPS, demonstrating our confidence in our long-term earnings growth prospects.

I'll turn it back to Linn now for his strategic overview.

Linden R. Evans^ Thanks, Rich. Moving to Slide 19. Our operating and business strategies and our solid planning by our teams allowed us to be ready and respond well to this pandemic.

As we work through these near-term challenges, our commitment to our strategy drives success for now and over the long term. We believe our customer-focused strategy will deliver sustainable long-term value growth for customers and shareholders. We are investing in our customers' needs for safety, reliability, resiliency, growth and overall positive experience.

We are aligning our people, our processes, technology and analytics to better and more safely serve our customers. Based on a system needs across our expansive infrastructure, we expect to deliver long-term earnings growth above the utility average. We also expect to realize incremental growth opportunities from generation and other larger projects.

Slide 20 illustrates the strategic diversity of our utility business and the seasonality of our earnings streams. Our geographic and fuel diversity positions us for greater stability amid uncertainty as we work through these headwinds alongside all of our stakeholders.

As Black Hills has grown, we've added value for our customers and shareholders through scale efficiencies and a large geographic footprint, providing diversification of both opportunities and risks. Our mix of electric and natural gas businesses also delivers complementary seasonality for a more consistent and predictable total cash flows and earnings. The value of diversity is especially evident during difficult economic times, differentiating us from other utilities.

While we are certainly not immune from impacts of this pandemic, our fuel diversity and our geographic diversity, coupled with our system scale, translates to greater stability. Fortunately, and while not losing sight of the impacts of COVID-19 on our nation and world, much of our territory has thus far experienced a relatively low incidence of COVID-19 cases. The lower population density of our service territory in the largely rural areas of the country allows for many businesses to be open or operate at reduced levels of operation.

Also, our diverse mix of residential, commercial and industrial demand further tempers total business impact. While short-term business closures impact near-term results, the attributes of many of our large customers, such as data centers, continue to support normal and growing demand levels.

Slide 21 illustrates our large infrastructure. Our expansive electric and natural gas systems require significant investments to maintain, upgrade and modernize to serve our customers. Additionally, our geographic presence across 8 states also delivers a strong base of growth opportunities.

Our capital investment plan is illustrated on Slide 22. Over the next 5 years, our $2.7 billion forecast is focused on projects and initiatives that maintain customer safety and reliability and foster customer growth.

Our planned investment far exceeds depreciation, and the returns on these investments will provide future earnings growth. In 2020, we are on track with all our planned capital projects. We continue to expect a base of at least $375 million in recurring utility capital, primarily for maintaining safety and integrity across our large utility systems and supporting normal customer growth. With many opportunities and projects in the works, that should keep our total capital investment at over $500 million per year for the foreseeable future.

As noted in prior quarters, we take a relatively conservative approach to our capital forecast. We include opportunities we are relatively certain will materialize as represented in our base recurring capital investment expectation, and then we add capital as we gain more clarity and comfort around incremental projects that will support customer growth. We anticipate that additional capital opportunities are likely over the plan period especially in the outer years.

As part of our annual forecasting cycle, we plan to refine and update our current 5-year capital forecast in our third quarter earnings release. And we typically add an additional year in our fourth quarter and full year earnings release.

Slide 23 illustrates our capital plan is utility focused with timely recovery on most of these investments. We continue to add transparency into our capital forecast last quarter, adding detail with the rider-eligible capital category, which was previously included as part of the minimal lag category. As you can see, rider capital is more than 1/3 of our total 5-year forecast. This is driven by our programmatic capital approach that is focused on customer safety, reliability and system integrity.

Slide 24. We remain committed to operational excellence in serving our customers. Our team's safety performance continues to be better than the industry average. We are proud to support the United States Army Reserve and National Guard in our communities. Many of our coworkers and future coworkers provide a valuable sacrifice for our country to defend and protect us at home and abroad, and we are proud to offer them the continued promise of meaningful civilian employment. I signed a statement on behalf of Black Hills Corporation and our team setting forth our commitment to support our veteran coworkers and the mission of the employer support of the guard and reserve.

Slide 25 illustrates the results of executing our customer-focused strategy, delivering strong long-term total shareholder returns.

On Slide 26, you'll find our 2020 scorecard. We publish our major initiative scorecard each year to hold ourselves accountable to you, our shareholders, and to our customers. We group our strategic goals into 4 major categories: profitable growth, valued service, better every day and great workplace, with the overall objective of being an industry leader in all we do.

This quarter, we checked the box on our electric vehicle incentive program, which we rolled out to support and grow the charging infrastructure for electric vehicles.

In closing, we are pleased that our second quarter performance reflects our team's exceptional execution and delivering essential energy to our customers safely and reliably during a challenging time. Our 2020 capital plan is on schedule, and we're developing additional capital opportunities we've identified to generate sustained growth and value creation. Our investment in capital plans are driven by the returns we can generate, not solely growth for the sake of growth.

Finally, we are well positioned to navigate the pandemic with a strong balance sheet and liquidity, ongoing access to capital, dependable and growing cash flows and a dedicated team that is committed to delivering value to our customers and attractive returns to our shareholders.

That concludes our prepared remarks. And Rich and I are happy to respond to questions.

+++ q-and-a

Operator^ (Operator Instructions) Your first question comes from Michael Weinstein with Crédit Suisse.

Michael Weinstein^ Considering the recent consolidation of leadership in Colorado and the Pueblo vote on the franchise situation, maybe you could talk a little bit about how those 2 things have improved or affected the operations there and their relationship with the regulators? And how it might be affecting, for instance, the filing that you have for Renewable Advantage going forward and when the next rate case might eventually come up on the electric side?

Linden R. Evans^ Thanks, Mike. I'll start out by saying thank you to Susan Bailey, who's retiring. She's our VP of Colorado Gas, been doing that job for quite some time, been with us more than 40 years. Just done a fantastic job, so we really appreciate what she's done. And when we -- when she announced her retirement that is coming up this -- early this fall here a couple of weeks actually, we began the process of looking at how we can manage Colorado, holistically, if you will, from lots of different perspectives: how we grow the electric load; how we also grow the gas load, especially in light of force electrification and things of that nature. We determined it would be hopeful if we had a single obvious strategy across that state. And by executing a single strategy with a single leader, I thought we could be more successful.

That was coupled with another decision to bring on a former commissioner from the IUB, the Iowa Utilities Board, Nick Gartner, as our VP of Colorado Regulatory Policy in Colorado. So you have the opportunity to be, frankly, cost-neutral in terms of adding an officer as one was retiring. That was another consideration for us. We're always looking at how we keep our costs as low as we possibly can for customers. And so a combination of those 2 leaders in that state, I think, are going to help us a great deal as we focus on continuing our partnership and our relationship, both with the commission, the staff, the OCC and, of course, with the customers that we have the opportunity to serve.

You acknowledged -- you pointed out, we get a kind of shot in the arm, if you will, with respect to the franchise vote in Pueblo. Real pleased with that. We're very thankful to those customers. They voted in record numbers and turned out in record numbers and then voted overwhelmingly to keep us as the provider. So all that's working together in a positive way.

We, as you know, finished a rate review in Colorado Gas not too long ago, walked away with a slight reduction in rates there for Colorado Gas. Part of the order from the commission was that we refiled our rider request that we had in our previous filing. So following their request, we are filing for that rider review asking for that rider. Along with that, we have invested quite a bit of capital that we have yet to put into, if you will, a rate review. And so we're going to combine that rider request with a rate review, and we plan to file that later this quarter.

So all in all, we're pleased with where Colorado is going. We're working very hard to partner with our customers, partner with all of our stakeholders, especially the commissions and the staff and the OCC in Colorado. And frankly, I'm very excited for the future. I think we're off to a great start with Colorado currently. Hopefully, that's responsive to your question, Mike.

Michael Weinstein^ Maybe along the same lines, you guys used to say that you expect above-average earnings growth over the long term. And obviously, the COVID-19 situation adds a lot of uncertainty, and it's hard to make predictions like that. But aside from COVID-19, is that still -- do you still see that going forward, above-average earnings growth?

Linden R. Evans^ We ~~can~~ do, Mike. Yes, we're still executing our -- sorry to interrupt you. We're executing our strategy in that regard, yes. Our capital investment for this year is on track. Projects are on track this year, particularly at Corriedale, one that's acknowledged there. So we still see our growth trajectory in spite of COVID-19 as something that's going to happen.

Our territories, despite COVID-19, continue to grow. We're on a record pace, once again, in the front range of Colorado and Northwest Arkansas as examples with record meter sets this year. So we continue to see migration to our territories. And frankly, at least some theory that COVID-19 might increase or accelerate that growth for us, as some people may want to leave the more urban populated areas and move to the rural -- excuse me, the rural territories that we currently serve. We're hearing information and seeing facts about people buying homes site unseen within our service territories, which is something we've not seen in the past. We remain confident in that our growth story still remains intact despite COVID-19, and COVID might actually help us accelerate that in some respect.

Michael Weinstein^ One last question for me. Can you talk maybe about some of the opportunities that you see ahead for those 1 to 2 projects a year that are not in the current forward capital plan? And I know that you always have something on tap. Maybe not ready to announce yet, but maybe just give us kind of an indication of what things are on the radar, what types of projects might be additive to the current capital plan at some point in the future?

Linden R. Evans^ Yes. Thanks, Mike. One thing we're looking at very closely is renewable generation, our renewable-ready program. The subscription program we had in South Dakota and Wyoming was very popular. We have that essentially done, and those subscriptions are complete. So we have customers who are interested in more renewables, and so we're working with those customers and how we might cost effectively expand, for example, the renewable-ready program.

We're looking at opportunities with respect to RNG, renewable natural gas. We serve a lot of the ranch and farm territory, as you know, across our territories and still partnering with the opportunity, both with landfills and with agricultural livestock, feed lots and things of that nature. We're examining those.

We have some transmission opportunities, both on the electric and the gas side, opportunities for us to improve reliability and frankly, lower some costs for our customers. Looking also at grid enhancements, the smart grid. We kind of haven't heard a lot about that, but maybe of late, but how do we make a smarter grid. We have 100% AMI across our electric utilities. How do we continue to take advantage of that or reliability for our customers and enhance both the reliability and the experience that the customers have.

And then importantly, it's working to attract -- continue to attract those loads to our service territory. Very focused on the agricultural loads, what we call alternative agriculture. Frankly, that's the marijuana load we hear about in Southern Colorado, lots of opportunity there. And also the -- which is the poultry industry, especially in Arkansas and even in Nebraska now. Data centers continue to be a focus for us. In the blockchain, haven't heard a lot about blockchain lately, but we still get inquiries, especially into Wyoming, which has been working hard to be attractive to blockchain loads.

And then over the next quarter, you'll start to hear from us about ESG, obviously something very important to our industry. All our dollars that we invest are essentially ESG dollars. But we will be announcing, we hope by the next time we do our call, for ESG-oriented goals and things of that nature and investments that may occur around that.

And then as I pointed out in some of our comments, Rich did as well, that we've got a very expansive infrastructure. We've got about 6,500 miles of pipeline that we'd like to replace. It's just a matter how quickly we replace it in terms of customer rates and regulatory oversight. And then we've got about 160,000 meters that are at risk that we'd like to continue to replace. So that kind of captures the pie, I think, comprehensively the things that we're looking at, Mike.

Operator^ Our next question comes from Julien Dumoulin-Smith with Bank of America.

Julien Patrick Dumoulin-Smith^ So if I can just start with the COVID impacts here. If I heard right, $0.03 of impact from COVID in the quarter. If I go back to my notes, for the first quarter here, you guys talked, I think, about initially reducing your guidance range by 5 to 10 for the -- $0.05 to $0.10 for the cumulative remainder of the year. How are you thinking about that $0.03 versus the $0.05 to $0.10 overall that you talked about just a quarter ago? It seems, at least from my perspective, that you're trending certainly in the better end of that range. And maybe the subsequent question is, what does that mean also for your overall '20 guidance as well if I can?

Richard W. Kinzley^ Yes. This is Rich, Julien. Obviously, if you assume the similar trend through the next 2 quarters, that would put us towards the upper end of that $0.05 and $0.10 range. But even in July, as we look at load information, we're seeing improvement from what we saw in May and June. So it is trending as we expect. We do expect the impact to lessen as the year goes. So hopefully, we can head toward the better end of that range, but we're sticking with the $0.05 and $0.10. If you think at the midpoint of that, it's supportive of the midpoint of the guidance we put out earlier this year.

Linden R. Evans^ Given what we know year-to-date and not know what's coming in the future, we feel like we're down the middle of the fairway right now with respect to our forecast, Julien.

Richard W. Kinzley^ That'd be both COVID and full year guidance. Yes.

Julien Patrick Dumoulin-Smith^ Yes. Understood. Okay. Fair enough. We'll connect with you later in the year on that one. Sorry to bring up again. I just want to understand, and maybe you're not ready to talk too much about this. I don't know that there was a filing, I believe even this morning from Dyno Nobel here, can you comment a little bit about their efforts to bring this back ~~(inaudible)~~in state-~~-~~level review in terms of the total capacity side? I mean, basically, how would you frame that decision? And I know you can’t speak on their~~(inaudible)~~ behalf of -- on their behalf, but perhaps give some context perhaps behind that in the process that we follow subsequently at the same level there.

Linden R. Evans^ Yes. Thanks, Julien. Appreciate you raising that. Yes, on Monday, well, as you pointed out, just for the sake of the audience, Dyno Nobel did file a notice to withdraw or set aside the settlement, and they did that late last week. Over the weekend and late Friday and into Monday, we spent time with Dyno Nobel. And we have let them -- through our discussions with them, they have recently filed. You may not have seen it, but on Monday, they filed ~~(inaudible)~~a notice to withdraw their motion to set aside the settlement. And then we also filed a concurrence, which supports that motion to withdraw. And so now where we think we are now, we'll have to wait 15 days and see if anybody files any other comments, and then that settlement would remain uncontested, and we think we're back on track for the commission FERC to approve the settlement perhaps late this quarter, certainly by the end of this year is what we believe.

So not sure if you saw that most recent filing where Dyno Nobel withdrew that. We understand their filing to be centered around another large industrial customer that we serve in Cheyenne, a refinery that's going to temporarily close and then reopen as a renewable diesel of fuel refinery, which bodes well for future of that plant, I believe, in terms of its longevity as a customer.

We're not sure about what their load might be on the other side of that retooling, if you will. And so Dyno Nobel raised this question, while we agree with the price that we've settled, maybe there's an issue around the quantity that, that other customer there for refinery will consume.

And so we have agreed that ~~as~~ is a state issue before the Wyoming commission. And that's where that argument or where that should be considered. So that's kind of the technical or the legal area, if you will.

And on the operations side, we just very recently set another peak load in Cheyenne, indicating we do have growing loads there. So kind of no matter what might happen to this other customer in terms of reduced load, we continue to set peaks kind of each winter and each summer, if you will. So we're serving a very growing territory there.

So maybe that answers your question with respect to what's happened, where we are and where we think we're going.

Julien Patrick Dumoulin-Smith^ Sorry, one clarification because indeed, in the filing from this morning, I believe, Dyno, they referenced a state-level Wyoming PSC effort. I just want to understand that. But I think bigger point that you're trying to leave us with is you recently set a peak load despite having this larger customer mid-retooling on this renewable diesel. Is that a fair way to frame this? And maybe that's a back-end of way of addressing simply this PSC bucket that seems to be coming up?

Linden R. Evans^ That is correct, Julien. Yes. You strung those pearls together nicely. We'll see what happens in front of the commission over time.

We intend to -- we've been asked to file an IRP or electric resource -- integrated resource plan in Wyoming later next year. We may not file that next year, might seek -- might have some conversations with our commission to postpone that a bit to kind of see what happens with this customer. So we'll work closely with commission staff about the best way to approach our integrated resource plan as we go forward.

But again, as you pointed out, we are setting record peaks. We do have customers that are growing. Frankly, COVID is helping them grow because of the services they provide.

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

Andrew Marc Weisel^ My questions were all asked and answered.

Linden R. Evans^ Okay. Good, Andrew. How are you? Hope you're doing well.

Operator^ Our next question comes from Brian Russo with Sidoti.

Brian J. Russo^ Yes. Most of my questions were also asked and answered. But just curious, the settlement in Colorado for incremental bad debt (technical difficulty)

Linden R. Evans^ Sorry, Brian, you were breaking up. We couldn't understand your question.

Richard W. Kinzley^ All we heard was settlement in Colorado for bad debt.

Brian J. Russo^ Correct. Who is part of that settlement?

Linden R. Evans^ Good question. It's...

Richard W. Kinzley^ Yes. It's (inaudible)..

Linden R. Evans^ It's Atmos, ~~(inaudible~~) Excel, CNG, Black Hills, of course, the commission trial staff and the Colorado office and consumer accounts or the OCC. So those were the ones we signed on to.

Brian J. Russo^ Okay. Got it. And then the $400 million of 2.5% 10-year debt that you raised in the second quarter, is that going to be used to pay off short-term debt or just to finance the capital budget?

Richard W. Kinzley^ Yes. We used our revolving credit facility and CP program. At the time we did that debt was at about $350 million. So we've paid that off and had some excess cash at the end of the quarter.

Operator^ (Operator Instructions) Your next question comes from Brandon Lee with Mizuho.

Wayne Lee^ A quick question. Yes. Can we get a little bit of clarity on the equity needs? I know you don't need any this year, but is this something that you're -- are you looking to raise equity next year?

Richard W. Kinzley^ Yes. What I've said in the past on that, Brandon, is with the currently disclosed CapEx, we probably need $25 million to $50 million of equity next year. And then thereafter, probably little in the way of equity needs, again, based on the disclosed CapEx. But as Linn noted in his comments, we're likely to add to that CapEx as we approach those years, given some of the opportunities we have. And as we add capital to the -- what we've disclosed, we will likely need, say, $0.25 to $0.30 on the dollar of equity to help fund that additional CapEx. Makes sense?

Wayne Lee^ Yes. Sure. And then another quick question. Once you guys start disconnects, do you believe that the bad debt expense will decline?

Linden R. Evans^ That'd be the plan, Brandon. We started -- we've always communicated with our customers through this whole pandemic about helping them pay their bills, finding ways for them to find agencies to help and things of that nature, making that as easy as we can for our customers. And so yes, we started communicating in the last couple of weeks about reinitiating our nondisconnects for nonpay, things of that nature. We've had -- we've been walking hand-in-hand with our regulators with respect to that as well. And so we have their backing, if you will, this time to start that process once again.

So yes, I think next couple of weeks, next month or 2, bad debt will begin to go -- begin to decrease because we'll put our normal processes and procedures back in place. And of course, really continue to work hard with our customers in terms of helping them pay their bills. As an example, we've donated more than $600,000 from our shareholders into helping our customers pay their bills, working very closely with agencies, helping our customers find easy ways to contact them and work with them. So it's going to be an all of the above kind of approach being especially aggressive with helping them find ways to pay those bills.

Operator^ With no further questions, I will return the call back to Linn Evans for closing remarks.

Linden R. Evans^ Thank you, Liz. Again, thanks to everyone for joining us this morning. We really appreciate your interest in Black Hills, and I just want to express my -- extreme proud for my coworkers and how well we performed this past quarter and frankly, the last 5 to 6 months as we worked through this pandemic. They've done a fantastic job of serving our customers and keeping our customers safe and keeping ourselves safe, and very proud of our team and how they continue to execute. Our 2020 capital plan remains on schedule, and our treasury team has done a fantastic job with their balance sheet and making sure we have liquidity to execute our strategy.

Again I'll remind you that both Rich and I are always available to answer any questions you got -- may have. And so please have great day, and stay safe and stay well. Thank you.

Operator^ Thank you for your participation in today's conference. This concludes the presentation. You may now disconnect.