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+++ presentation

Operator^ Good day and thank you for standing by. Welcome to the Q4 and Full Year 2023 Black Hills Corporation Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded.

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

Jerome E. Nichols^ Thank you. Good morning, everyone. Welcome to Black Hills Corporation's Fourth Quarter and Full Year 2023 Earnings Conference Call. You can find our earnings release and materials for our 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 Kimberly Nooney, Senior Vice President and Chief Financial Officer. Also attending this morning are Marne Jones, Senior Vice President, Utilities; and Todd Jacobs, Senior Vice President, Growth and Strategy.

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 and thank you all for joining us today. I'll provide an overview of the year. Kimberly will provide our financial update. And Marne and Todd will provide more detail on how we advanced our operational performance and our strategic initiatives.

I'll begin my comments on Slide 3. In addition to our team's core focus of excellent operational performance, we achieved 3 key objectives for the year: delivering on earnings guidance, strengthening our financial position and advancing our strategic growth plan. Most importantly, we continued our relentless focus on delivering safe, reliable and cost-effective energy with another year of excellent reliability. This is never more important than during the severe cold weather our customers experienced over the last several winters, including recent temperatures that were well below 0, a few weeks ago. At 1 point, every customer we serve was persevering through below 0 temperatures. It highlights and reminds us of the criticality of what we do every day and how important our energy services are to our customers and the communities we serve.

On the financial performance front, we delivered earnings above our guidance for the year and made notable progress strengthening our balance sheet as we previously projected. And our team continued to achieve constructive results through our regulatory strategy, filing 2 to 3 rate reviews each year. We flexed our organization and our team worked incredibly hard throughout 2023 to achieve our financial objectives. New rates and customer growth, combined with cost management initiatives and our team delivering on strategic opportunities more than offset the impacts from inflation, interest rates and weather. And Kimberly will speak to this in more detail.

We successfully executed our financing strategy during the year, strengthening our balance sheet and improving our key credit metrics, reducing our debt to total capitalization ratio by 350 basis points. And in January, we increased our dividend for the 54th consecutive year, reflecting our confidence in the future. We meaningfully executed on our strategic growth initiatives during the year. We're advancing our electric resource plans for our Colorado and South Dakota utilities. We're in the final contracting phase for adding 100 megawatts of new renewable generation for our South Dakota electric utility. And in Colorado, we're evaluating bids to add 400 megawatts of renewable resources by year-end 2029.

We're also preparing to file a resource plan for Wyoming Electric later this year, which is required every 3 years. Construction is underway on our Ready Wyoming electric transmission project, which is expected to be completed in multiple phases this year and next year. This is an important project for our customers to help stabilize cost and will provide a foundation for future opportunities. With growing energy demand in Cheyenne, particularly around data centers and blockchain customers, we're evaluating other electric transmission opportunities.

Slide 4 lists our financial outlook. We remain confident in our long-term growth and we continue to expect earnings growth to accelerate throughout our 5-year plan. We're optimistic that recent downward trends in inflation, interest rates and natural gas prices could provide tailwinds during the year. We initiated our 2024 earnings guidance range of $3.80 to $4 per share, which represents 4% growth off our 2023 guidance. Increasing clarity around growth opportunities provides us with confidence that we can grow earnings by 4% to 6% over the planned period. We also anticipate dividend growth to be in line with EPS growth.

We also updated our capital forecast for the 5-year period through 2028. With more clarity around some of the larger strategic initiatives, we added the capital investment for these projects, increasing our 5-year capital forecast by $800 million to $4.3 billion. And Todd will provide additional details in a later slide.

We're providing our scorecard for 2024 on Slide 5, reinitiating a practice we've used in the past to help stakeholders understand our key objectives for the year and to hold ourselves accountable to you, our shareholders. We've listed key milestones and goals for what we call our big 4 strategic objectives of growth and financial performance, operational excellence, transformation and people and culture. We already have a solid start to achieving these objectives and key results or OKRs, as we call them, a term our team has come to know very well over the last year across our entire organization.

Before I turn the call over to Kimberly, I want to close by addressing the challenges and successes our team and our industry have endured over the last year. It's been far from easy to say the least. But we know addressing challenges head on drives growth and innovation. Navigating the unique macroeconomic factors has driven us to critically evaluate how we do business on a deeper enterprise-wide level. Addressing these challenges together has made us a more resilient team with a stronger financial base and strategic position as we execute on our fundamental business and continually improve our processes and how we conduct our work every day.

Our team has done an excellent job identifying and achieving ways to continuously improve how we serve our stakeholders. I'm extremely encouraged by our team's dedication and commitment to our vision, mission and values. I want to pause today to recognize all we have achieved to position us for long-term success.

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

Kimberly F. Nooney^ Thank you, Linn and good morning, everyone. Before I dive in, I also want to say how pleased I am with our financial results and the strategic progress we achieved during the year, on behalf of our investors.

A year ago, due to the uncertain macroeconomic environment and impacts from winter storms Uri and Elliott, we reset 2023 earnings guidance range to $3.65 to $3.85 per share and our long-term earnings growth target to 4% to 6%. In addition, we committed to strengthening our balance sheet and improving our credit metrics. We also noted that we expected the pressures from the macroeconomic environment to continue in the near term and ease in the long term.

As demonstrated in 2023, our team will continue to be transparent about our objectives and reiterate our commitment to delivering on our short- and long-term financial objectives for all stakeholders. To that point, we delivered 2023 earnings per share of $3.91, which was above our earnings guidance range. We issued $119 million of new equity, we managed our capital expenditures to approximately $600 million and we improved our credit metrics to support a strengthened balance sheet. Slide 7 lists earnings per share compared to the same period last year.

Slide 8 illustrates the drivers of the year-over-year changes in EPS from 2022 to 2023. Results benefited primarily from an increase of $0.63 per share from new rates and customer growth. These drivers offset $0.28 of negative weather and mark-to-market adjustments, $0.18 of increased O&M, $0.10 related to issuance of new shares and $0.09 of higher interest expense. Embedded within our results are savings from our cost management initiatives, interest income from cash balances and other benefits. Weather negatively impacted 2023 earnings by $0.06 per share compared to normal and $0.24 compared to last year. For the year, heating and cooling degree days were down 5% and 31%, respectively, compared to 2022.

As part of our financing plan, we issued 2 million new shares, amounting to $0.10 of EPS impact. During the year, our cash position benefited from stronger-than-planned cash flows from operations and ongoing Winter Storm Uri recovery. Interest income from cash balances helped partially offset increased interest expense resulting from higher interest rates. Additionally, stronger cash flows positioned us to defer approximately $30 million of our planned 2023 equity issuance. Further details on year-over-year changes in operating income can be found in the appendix of our investor presentation, our earnings release and our 10-K to be filed on February 14.

Moving to Slide 9. As promised, we continued to strengthen our balance sheet during the year. Robust cash flows from operations, including recovery of fuel costs from prior winter storms, disciplined capital investment and execution of our financing plan contributed to our success. This ongoing progress is reflected on Slide 10, which displays our financial position through the lens of credit quality, capital structure and liquidity. We remain focused on reducing our debt to total capitalization and improving the key credit metrics to maintain our BBB+ equivalent credit rating.

As the chart shows, our debt to total capitalization structure improved by 350 basis points from 60.8% at year-end 2022 to 57.3% at year-end 2023. We continue to target a long-term debt to total capitalization of 55% and FFO to debt of 14% to 15% to maintain BBB+ credit quality. Our liquidity remains strong, with approximately $90 million of cash at year-end and $750 million of availability under our revolving credit facility. On the debt side, we refinanced $525 million of notes last year. Given strong liquidity in an elevated interest rate environment, we are evaluating options to refinance all or a portion of the $600 million of notes due in August 2024.

Slide 11 displays our industry-leading dividend track record. As Linn mentioned, we recently extended our track record to 54 consecutive years. A dependable and increasing dividend is a component of our strategy for growing long-term value for our shareholders. We anticipate dividend growth to be in line with EPS growth.

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

Marne M. Jones^ Thank you, Kimberly. I'll start my comments on Slide 13. We delivered solid operational performance in 2023, which has continued into early 2024 as we successfully operated through the latest widespread winter weather events. The critical nature of our electric and natural gas systems and the effectiveness of our team was showcased in January, which brought record-breaking and sustained cold temperatures and wind throughout our service territory, lasting nearly 2 weeks. As an example, we delivered energy for 3 consecutive days of low temperatures that did not get above 0 across our footprint. This included lows of minus 38 degrees in Wyoming to minus 8 in Arkansas.

When winter weather hits the hardest, the reliability of our system is a critical safety need for our customers. I'm humbled by our dedicated operations teams, as they work to keep our customers warm and safe and businesses operating through sustained subzero conditions. Also, in staying true to the nature of our industry, we had the opportunity to provide mutual aid to one of our neighboring gas utilities, assisting them in restoring service during the widespread outage in November.

As we outlined last quarter, this slide illustrates our 2022 reliability. Our combined electric utilities continue to rank in the top quartile across our EEI peers, as reliability remains a priority focus for our teams. During 2023, we recorded our 10th consecutive year of new peak loads at Wyoming Electric, demonstrating the ongoing growth in the region. We also continued to achieve recognition for our support of veterans, as recognized by the U.S. Department of Labor's platinum status for hiring veterans. We're very proud of our veteran colleagues and the skills and perspective they bring to Black Hills Energy.

Moving to Slide 14. As Linn mentioned, the construction of our Ready Wyoming transmission project is underway. The 260-mile electric transmission project is being constructed in multiple phases and is targeted to be completed in 2025. As a reminder, the Ready Wyoming assets will be owned by our Wyoming Electric utility and recovery of the investment is expected through our Wyoming-based transmission rider.

Slide 15 lays out our emissions reduction goals. We are continuing to make progress towards our goal of a 70% emission reduction by 2040 and a 40% by 2030. Our electric resource plans for South Dakota Electric and our Colorado Clean Energy Plan support our progress towards these goals. These emission reduction goals are not dependent on future technology and are achievable through the addition of new renewable generation and the conversion of our coal-fired power plants at the end of their engineered lives. Advancements in cost-effective technology will further accelerate and enhance our achievement of these goals.

Our Net Zero by 2035 natural gas goal is progressing. Last year, we invested over $200 million in integrity programs focused on removing aging and at-risk materials. Additionally, we met our annual target to reduce third-party damages by approximately 10% year-over-year and expanded our voluntary renewable natural gas offering to customers.

Slide 16 is an update on our South Dakota Electric resource plan. We are moving forward on adding 100 megawatts of utility-owned renewable generation for our South Dakota utility. Our team is in the final stages of project contracting and we've added the estimated investment to our 5-year capital plan. We will file a Certificate of Public Convenience and Necessity with the Wyoming Public Service Commission in the second quarter. Construction for the new renewable generation is expected to commence in 2025 with a mid-2026 in-service date.

Moving to Slide 17. In Colorado, we received a strong and diverse response to our Request for Proposal supporting our clean energy plan. We are currently evaluating bids for 400 megawatts of renewable resources and we'll provide our findings via the 120-day report to the Colorado Public Utility Commission in the second quarter. We expect a decision on Phase 2 of our plan in late 2024. The estimated investment for up to 50%

of these renewable resources has been included in our 5-year capital forecast.

In summary, we are delivering strong operational performance and making consistent progress on our mission of improving life with energy by delivering safe, reliable and cost-effective energy, while prudently investing in long-term assets to serve our customers.

With that, I will turn it over to Todd for an update on our regulatory activities and strategy and growth progress.

Todd Jacobs^ Thanks, Marne. I'll start with a regulatory update on Slide 19. We made significant progress on our regulatory plan in 2023 with proposed settlements, commission approvals and new filings in 5 separate rate reviews.

In early 2023, we received approval of our Wyoming Electric settlement. And in July, we received final commission approval on our Rocky Mountain Natural Gas pipeline settlement. We also reached constructive settlements for our Colorado Gas and Wyoming Gas rate reviews. The Wyoming Gas settlement was approved by the Wyoming Public Service Commission last month, with rates effective February 1. Our proposed Colorado settlement is pending, with a final decision expected late in the first quarter. We appreciated the engagement of the many stakeholders who worked together to settle these cases. Our Arkansas Gas rate review was filed last December and is advancing as planned.

The table on Slide 19 also lists our planned regulatory activity in 2024, which will include 2 new rate review filings in Iowa and Colorado. Our Iowa Gas rate review will be filed during the second quarter and will allow us to implement interim rates effective 10 days after filing, subject to refund. Also in the second quarter, we plan to file a rate review for Colorado Electric. I'd note that our last rate review there was completed in 2016.

The table also provides details for each rate review, including the requested or approved capital structure and ROE, plus the new revenue. To frame our results, I'd note that the 4 rate reviews that have either been approved or are pending final decision, will provide $51 million in total new revenue annually. Our pending Arkansas Gas rate review is requesting $44 million of new annual revenue. The table is also meant to illustrate the pace of our regulatory activity and our plan to file 2 to 3 rate reviews annually.

From a regulatory strategy standpoint, we are focused on maintaining strong regulatory relationships and ensuring cost-effective energy for our customers, all while maintaining a cadence of rate reviews designed to reduce the lag in our revenues and embed inflationary impact in rates. Our regulatory efforts will continue to be a strategic priority and we have a demonstrated history of working with stakeholders to obtain constructive results.

Slide 20 shows our capital investment forecast over our 5-year plan period. We increased our capital plan by $800 million to $4.3 billion, a 23% increase from our prior 5-year plan. The increase includes investment for some of our ongoing strategic initiatives, including renewable generation for South Dakota and Colorado and electric transmission. Several of these projects are currently included in 2026 and the timing may shift as they progress. Beyond 2026, we continue to evaluate potential projects that will be incremental to this plan.

Slide 21 outlines several of our customer-focused initiatives. But I'll focus on our renewable natural gas efforts and then I'll touch on data center and blockchain customers on the next slide. RNG continues to be an area of optimism and opportunity and is a small but growing piece of our business. We operate in agriculture-rich service territories and, therefore, have seen significant RNG project activity, including pipeline and interconnection opportunities.

To leverage this, we formed a small team in late 2022, who have a mix of commercial and engineering expertise. This team's mission is to develop strong projects and drive growth in this expanding market, with an investment thesis focused on long-term offtake agreements and stable revenue streams. We are adding 4 interconnect projects in 2024, which will bring our total to 10 across our service territory.

We are very excited to have just announced last week an acquisition of our first RNG production asset, a biogas production facility at a landfill in Dubuque, Iowa, which has the potential for future production expansion. We continue to evaluate strategic RNG opportunities that could be meaningful for both earnings contribution and that fit our long-term strategy. Before I leave our customer-focused initiatives slide, I'll note that as a management team, we continue to be focused on customer costs, with an aim to be a more effective and efficient energy provider. We have several high-profile internal initiatives to improve processes and systems and to reduce costs.

Moving to Slide 22. In addition to executing on traditional utility capital projects, we want to spend time this quarter discussing data center and blockchain customers, both of which are a growing part of our revenues. We have an innovative and attractive tariff for both data center and blockchain customers that generally require smaller to no capital investment as compared to traditional utility rate base projects, which we refer to as capital-light projects. This is an area that we are enthusiastic about, given the upside potential that it offers to our earnings with little to no capital requirements.

We have served data center customers in Cheyenne for a decade and we recently added a blockchain customer. Cheyenne is a highly attractive location for these customers and we have developed 2 innovative tariffs, the Large Power Contract Service and Blockchain Interruptible Service tariffs, in order to facilitate growth.

The LPCS tariff was developed in partnership with one of our early data center customers and is designed to serve growing industrial and data center load, while protecting other customers from risks associated with large-scale capacity additions and further protecting customers from rate impacts. The tariff allows us to tailor solutions to meet the specific and unique needs of data center customers. Under this tariff, we purchase power from the market or we work with the customer to procure specific dedicated resources to serve their load. Eligibility under the tariff requires customers to meet specific capacity requirements. Customers on the LPCS tariff pay a negotiated rate for service, which allows us to generate revenues under this model in lieu of generation investment. Again, hence our use of the term capital light.

Nationally, the demand from data center and blockchain customers is increasing. And in tandem with technology advances, artificial intelligence and cloud services, we see opportunity to serve a growing number of these customers over the long term. We have partnered with these customers, our communities and our state legislators to provide enabling legislation and a welcoming business environment. We were pleased to see Microsoft's expansion to its second and third data centers in Cheyenne in 2023 as well as the addition of a blockchain customer that we expect to grow even more in 2024.

As the demand from these customers grows, their contribution to earnings is also growing. Understandably, due to the confidential nature of these customers' loads, we have less ability to highlight their specific demand and contributions. To help with that issue, we have grouped our data center and blockchain customers together to provide directional earnings contribution estimates. In general, we view the impact from these customers as representing around 5% of our total EPS in the early years of our 5-year plan and continuing to grow to around 10% of total EPS by the end of our 5-year plan. We foresee growing earnings from the stable and long-term customers throughout our plan period and beyond.

As a recap and before I turn it back to Linn, our team made meaningful progress in 2023 in key areas, executing our regulatory plan, developing our strategic growth projects and expanding our blockchain and data center opportunities. All of these efforts are aimed at driving more effective service to our customers and profitable growth for our business.

With that, I'll turn it back to Linn for his final comments.

Linden R. Evans^ Thanks, Todd. Slides 23 and 24 display our last 5 years financial results and the next 5 years' expectations. Over the last 5 years, we have delivered average growth of 10% in rate base, 6% in earnings and 5% in our dividend. While earnings have been relatively strong, EPS growth has reflected macroeconomic conditions.

Looking ahead to the next 5 years, I'm excited about our compelling investment thesis supported by our $4.3 billion capital plan, our growing portfolio of strategic and incremental opportunities, margin expansion and process improvement initiatives.

With that, we're happy to entertain questions.

+++ q-and-a

Operator^ (Operator Instructions) Our first question comes from Anthony Crowdell with Mizuho.

Anthony Christopher Crowdell^ Congrats on a good quarter. Just a couple of quick follow-ups. I guess if I could bounce to Slide 8, just if you could help us out when I'm modeling for 2024. Some nonrecurring items there, just or maybe recurring, if you could help us out on what we should include for 2024 numbers or just directionally maybe for the other segment?

Kimberly F. Nooney^ Good to see you. Yes, as you heard on the call and we're looking back, we had a lot of macroeconomic challenges in the rearview mirror. We think they're behind us. But as you look at the specific '23 numbers and you think about how you need to model for 2024, the way we looked at it and why we specifically, in 2023, guided to the midpoint of our earnings guidance of $3.75 as the base. If you take that $3.91 and you add back weather and mark-to-market and then you take out the 2023 onetime activities, you basically get to that midpoint.

So think about it from that perspective. And then assume that we've embedded what I'd call more inflationary-type rates into our plan. So when you look at O&M, think about average run rate related to CPI of around 3.5%. Think about interest in the current interest rate environment. All of those costs have been embedded into our plan. So when you think about the 4% to 6% growth, that's why we're really confident because we really feel like we've gotten over that macroeconomic environment hump that we had to -- be challenged with for 2023.

Anthony Christopher Crowdell^ Great. And I think you also gave a target on, I believe, debt to total cap of 55%. When do you guys think you'll achieve the target?

Kimberly F. Nooney^ Yes. We're focused on achieving that in 2024.

Anthony Christopher Crowdell^ Okay. And then just lastly, really appreciate the clarity on data centers as it's become a big focus in the industry. Doing it, I guess, you guys are already 10 years plus, seems to maybe be one of the pioneers in this. Just curious when you think about for the rest of the industry, just -- has the power consumption or what's advertised, has that been your experience of what you've seen? And then if I think of the -- you provide maybe potentially $0.10 of earnings contribution -- oh, I'm sorry, 10% of contribution by 2028. If we could just like separate that, is that mainly related to rate base investment? Or is that maybe margin on sales? And I'll jump back in the queue after that.

Linden R. Evans^ Anthony, this is Linn. It's really the latter. These are margins on sales. So what we have done with these particular customers under an approved tariff with our Wyoming Commission is would they -- will they pay us a fee for essentially helping them procure that energy. And that fee represents a lost opportunity, perhaps with respect to generation. So in other words, that fee represents what we would otherwise earn on a generation investment, which really helps us protect our other customers with respect to these loads. And we're really happy with these loads. We like these loads and we really enjoy serving these customers and we see great opportunity as we go forward.

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

Julien Patrick Dumoulin-Smith^ If I can, just on -- just to kick things off back on the earnings front, just really quickly here. Just as you think about the parent refinancing in the '24 here and on the back half here. I know you've alluded to it but what are you assuming there in terms of the guidance, as well as how are you thinking about offsets to O&M, including potential asset sales here? Just to kind of clear that out real quickly.

Kimberly F. Nooney^ Yes, Julien. So refinancings first. We have $600 million coming due in August. We have strong cash flows in the plan that are continuing from Storm Uri, which are about $100 million. So incorporating those in the plan, we're still assessing the amount and I don't want to give too much of a detail here but we're expecting to refinance something less than the $600 million that we have in the plan. I just want to reiterate that we're assuming higher interest rates on that in the plan for 2024. So I guess I'd just ask you to think about it that way with the strong cash flows from Storm Uri being included in that assessment.

Offsets related to O&M, from an earnings guidance perspective, we assume normal weather, no mark-to-market. We have not included any major onetime activities within our earnings guidance. So we're really focused on our ability to run the business going forward and that's really what's demonstrated and illustrated in our financial plan that we've laid out for 2024 and our future growth.

Julien Patrick Dumoulin-Smith^ Got it. So no asset sales -- no property sales or what have you, right?

Kimberly F. Nooney^ Correct. Nothing of material nature that we dealt with this year.

Julien Patrick Dumoulin-Smith^ Wonderful. All right. Excellent. I appreciate it. And then just moving back here to some of the other commentary, just saw the RNG updates here of late. And I'm curious just to understand, what are you reflecting on that front here as you kind of delve into that space, both in the current year and then as you look forward through the plan, how much growth is there potentially reflected in this novel segment?

Todd Jacobs^ Julien, this is Todd. We haven't categorized it. We define it as small but growing part of our overall earnings. We see opportunity in the space. The way that I like to characterize this is that it's really a confluence of opportunity with our geography. We live and operate in very much agriculture-rich areas. We have expertise in this space with -- and the fact that we understand pipelines and gas quality.

And so we've seen a lot of interest. And so what we've done is, we've talked in the past about our interconnect projects, we're growing to 10 in 2024. But what we've seen is further opportunities that we wanted to get a small but dedicated team, really with a really good background on engineering and commercial expertise to go after more interesting and potentially more lucrative projects.

And so what we announced just a couple of weeks ago was an acquisition of our production facility in Dubuque, Iowa. That's our first foray, really into the nonregulated space. We plan to keep it relatively small to start, if we get into more material space, we'll certainly talk about that more publicly. But we do see opportunity. We see a lot of interest in our service territory. We're excited about the business. We think it's a good overall story for removing methane that would have otherwise been released into the atmosphere and putting that into the natural gas system. There's a lot of interest from other utilities and other producers within our service territory for these type of assets. So we see upside in the future but we do see it's small to start but increasing in the future.

Kimberly F. Nooney^ And Julien, the only thing I would add is think about it as utility-like or better returns, even though it's immaterial, just think about it from that perspective.

Todd Jacobs^ Yes. And the only other thing I'd add to that is that we want to maintain a very solid investment thesis, Julien, where we're looking at long-term offtakes reliable revenues and really staying away from commodity risk. So it's utility-like but we do want greater upside.

Julien Patrick Dumoulin-Smith^ Right. So it's fairly contracted RNG assets that you're looking at?

Todd Jacobs^ Yes. Correct.

Linden R. Evans^ Indeed, that's correct.

Julien Patrick Dumoulin-Smith^ Excellent. Yes. Wonderful. Excellent. And then just clarifying the data center commentary and the tariff commentary. Just -- so basically going from 5% to 10% EPS contribution through the forecast period implies about 1% of the growth here, per annum is driven by this tariff and associated load. How do you think about the mix between Bitcoin and data centers? And specifically within that, how do you think about the sort of the reliability characteristics that are being offered? Is there some potential to effectively upsell these customers over time into more firm products, considering, I suppose, historically, we've talked more about coin customers with you guys, if you will, versus more of the data center types?

Todd Jacobs^ Yes. What I can say is that we have been very selective about the customers that we've chosen. We actually -- just given the demand from blockchain customers, a couple of years ago, we actually did a reverse RFP. And so we were very selective about who we chose, somebody with a good operational background, somebody who is financially sound. We've had a lot of success with that customer and I would say that they would say the same about us.

They have access to market energy. We have quite a few protections for our customers, in the sense we talk about the concept of capital light, meaning that the customer makes those investments in infrastructure and to serve that load and then we offer access to the market. So it's really that idea of access to the market for those customers.

So we see -- with particularly the customers that we've chosen, as being solid customers with long-term agreements. And again, they found it beneficial the way we set up these contracts as well. I hope that answered your question, Julien.

Julien Patrick Dumoulin-Smith^ Yes. Fair enough. Great, guys. Appreciate it. Best of luck.

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

Andrew Marc Weisel^ First question, just to clarify, does the 2024 EPS guidance reflect the freezing cold January weather?

Kimberly F. Nooney^ We, in our earnings guidance, assume normal weather and so note that upside, downside that will be part of our 2024 numbers.

Andrew Marc Weisel^ Okay. Great. Good start there then. Next, you mentioned the potential for EPS to -- EPS growth to accelerate over the years. Did you mean that as sort of a gradually accelerating outlook? Or will it be lumpy? Specifically, I'm looking at the CapEx spike in 2026. I imagine that would drive strong growth in 2027. Am I right there?

Kimberly F. Nooney^ Actually, it will drive strong growth in 2026 and forward when you think about the overall capital plan. So what we've said is our growth will be 4% in the front of the plan, accelerating over time and you can see that as a result of the capital investments that we've outlined.

Andrew Marc Weisel^ Okay. Great. And then the third one, if I may. FFO to debt, I know you've been pretty clear about the targeted 14% to 15%. What was the actual for 2023? And do you -- is that target a good range for 2024?

Kimberly F. Nooney^ Absolutely, Andrew. So we're still targeting the 14% to 15% as we noted. With Moody's, we have -- we're in excess of that. For S&P, we're closer to the 13% and we'll be marching to the 14%. And then with Fitch, when you include the Storm Uri, cash flows were around 5 to 5.2x for their FFO adjusted leverage.

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

Linden R. Evans^ Well, thank you very much, Josh and thank you for your interest in Black Hills and those who dialed in this morning. We really appreciate you.

I also want to say thank you to my 2,900 coworkers. You are the heart and soul of what we do every day. Thank you so much for how well you represented us last year and all that we accomplished in 2023. Thank you.

I'm also very proud of the fuels that we produce and sell. Without the gas that we have distributed to our customers in January, life would have been much, much (technical difficulty) across our 8 states. So I'm just very proud of that fuel that we produce and how well our baseload electric generation held up as well to keep our customers with lights and with heat. So thank you to our team.

So again, well done and thank you. But I ask that you please enjoy a Black Hills Energy safe day. We'll look forward to catching up with you next quarter. Take care.

Operator^ Thank you for your participation. You may now disconnect.