Q2 2026 Black Hills Corporation Earnings Conference Call

Thursday, 6th August 2026

Operator: Thank you for standing by. Welcome to the Q2 2026 Black Hills Corporation earnings conference call. At this time, all participants are in a listen-only mode. Please be advised that today's conference is being recorded. After the speakers' presentation, there will be a question-and-answer session. To ask a question, please press star, one, one on your telephone and wait for your name to be announced. To withdraw your question, please press star, one, one again. I would now like to hand the conference over to your speaker today, Sal Diaz, Director, Investor Relations.

Introduction

Sal Diaz

Director of Investor Relations, Black Hills Corporation

Thank you, operator. Good morning, and welcome to Black Hills Corporation's second quarter 2020 earnings conference call. You can find our earnings release and materials for our call this morning on our website at blackhillscorp.com. Leading our 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 today's earnings discussion, 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 form 10-Q filed with the Securities and Exchange Commission for a list of some of the factors that could cause actual results to differ materially from our expectations.

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

Progress Update

Linn Evans

President and Chief Executive Officer, Black Hills Corporation

Thank you, Sal. Good morning, and thank you all for joining us today. I'll provide a summary of our strategic progress through the first half of the year, including an overview of our large-load demand pipeline and our pending merger with NorthWestern Energy. Kimberly will provide our financial update and Marne will provide our business update, including our continued progress on large-scale opportunities and our ongoing strategic regulatory activities. I'm extremely proud of what our team has already accomplished in the first half of the year, and I'm excited about the opportunities ahead as we deliver results for our stakeholders.

Delivering Results for Stakeholders

Our key achievements for the second quarter are listed on slide 3, and I'll provide remarks on a few of them. We're focused on delivering on our financial commitments, and I'm pleased to report that we continue to be on track to achieve our earnings guidance for the year. We maintained our solid financial position and credit ratings while executing on our nearly $1 billion capital plan for the year to serve the energy needs of our customers. This includes our 99MW

Lange II generation project, which is on schedule to be placed in service later this year in South Dakota. Our team continues to execute on our regulatory agenda. We are advancing on our rate reviews for Arkansas Gas and South Dakota Electric, and we filed a new rate request for Colorado Electric. In South Dakota and Wyoming, we completed the regulatory requirements for new wildfire liability protections as we continue to execute on our wildfire mitigation plan to help ensure the safety of our customers and communities.

We are pleased to serve growing customer demand through our unique and innovative solutions. This is evident in our Wyoming Electric growth, where we have recorded and reliably served 20 consecutive years of increasing peak system loads; a remarkable 183% increase since we acquired the utility in 2005. Our peak of 439MW in July reflects an increase of 16% over last year's peak. Large-load demand is a key driver of this growth, having served Microsoft for more than a decade. Our interruptible blockchain demand also provides additional opportunities for margins as we serve those customers through efficient access to market energy.

High-quality Data Center Pipeline of 3GW+

Looking to the future, we are excited about serving significant large-load demand led by hyperscale data centers. This large-load pipeline is outlined on slide 4. Of more than 3GW of data center opportunities, only 600MW is included in our current plan, driven by both Microsoft's ongoing expansion and Meta's new AI data center, which is slated to begin ramping later this year. In addition, we are currently actively negotiating to serve a pipeline of more than 2.5GW, all of which would be additive to our current plan. As a reminder, we take a cautious approach to what we include in our growth pipeline, restricting it solely to demand subject to non-disclosure agreements and ongoing and active negotiation. This additional growth pipeline includes a 1.8GW data center project. We are continuing to successfully move through advanced stages of negotiations to finalize multiple definitive agreements.

We also see potential for further upside to our 3GW pipeline from both existing and new customers. This potential upside includes Microsoft's recently announced purchase of more than 3,000 acres in Cheyenne for future expansion, among other exploratory customer projects that are in early stages of development. Marne will provide more detail about our large-load progress in her business update.

Merger with NorthWestern Energy Update

Moving to slide 5 for an update on our merger with our friends at NorthWestern Energy. During the second quarter, we received approval from FERC and unanimous approvals of settlements in Nebraska and South Dakota. We are awaiting a decision in Montana as the last approval required for a successful closing. I note that we reached a settlement with many key intervenors in Montana and completed a hearing before the Montana commission in May. Final briefs were submitted on 13th July, which started a 90-day approval time frame with a potential 30-day extension by the commission. This puts us right on track with our initial expectations to close the transaction during the second half of this year.

As I wrap up my prepared remarks, I'm very pleased with our team's delivery on our strategic objectives. Because of the diligent work of our team, we are truly living out our vision to be the energy partner of choice and our mission of improving life with energy for our 1.4 million electric and natural gas customers across eight states. We are also well positioned in the next phase of growth as we advance our planned merger with NorthWestern Energy.

With that, I'll turn the call over to Kimberly for our financial update.

Financial Update

Kimberly Nooney

Senior Vice President and Chief Financial Officer, Black Hills Corporation

Thank you, Linn, and good morning, everyone. I'm pleased to report strong second quarter earnings, the result of our team's continued focus on execution of our strategic initiatives as we deliver on our financial commitments.

Q2 2026 EPS Drivers Compared to Q2 2025

On slide 7, we provide a bridge for EPS from Q2 2025 to Q2 2026. We delivered GAAP EPS of $0.50, which included $0.04 of merger-related transaction costs. Adjusting for these costs, we reported $0.54 of adjusted EPS for the quarter, compared to $0.38 in Q2 2025. We delivered $0.21 per share of new rates and rider recovery, which more than offset a combined $0.12 of higher financing and depreciation costs. Weather was $0.01 favorable over Q2 2025, despite being $0.03 unfavorable compared to normal. We held O&M flat for the quarter after excluding $0.04 of merger costs. Expense management efforts by our team reduced employee costs by $0.04 per share compared to the same period last year. Financing costs were $0.06 higher, including $0.03 of impact from new shares issued and $0.03 of interest expense, including AFUDC. Depreciation expenses increased by $0.06 as a result of new assets placed in service, including our $350 million Ready Wyoming transmission project placed in service at the end of 2025.

YTD 2026 EPS Drivers Compared to YTD 2025

Slide 8 provides the year-to-date bridge, which tells a similar story of new margins offsetting weather and higher financing and depreciation costs. GAAP EPS was $2.23 for the first half of 2026, which included $0.10 of merger-related transaction costs. Adjusting for these costs, we reported $2.33 of adjusted EPS, compared to $2.24 during the first half of 2025. We delivered $0.45 per share of new rates and rider recovery and $0.11 of lower O&M adjusted for merger costs. These positive drivers of $0.56 more than offset $0.29 of combined higher financing and depreciation costs and $0.18 of weather impact compared to last year. As a result, we are on track to achieve our earnings guidance for the year. 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.

Solid Investment-grade Financial Position

Slide 9 presents our solid financial position through the lens of credit quality, capital structure, and liquidity. We remain focused on maintaining a healthy balance sheet and our stated credit metric targets of 14 to 15% FFO to debt, which is 100 basis points above our downgrade threshold of 13%, and at a better than 55% net debt to total capitalization. Year-to-date, we have issued $50 million of equity under our ATM program to support our capital investment plans. Our next debt maturity is in January 2027, with $400 million of 3.15% notes to be refinanced. We are evaluating refinancing options for later this year. We maintain strong liquidity, with more than $650 million of availability under our revolving credit facility at quarter end.

Financial Outlook

Our financial outlook is listed on slide 10. We reaffirmed our guidance range of $4.25 to $4.45 of adjusted EPS, which represents 6% growth at the midpoint over 2025. New rates and rider recovery from capital projects, large-load demand growth and our solid financial position drive confidence in our ability to deliver in the upper half of our 4 to 6% long-term growth target.

Dividend Track Record

Slide 11 illustrates our industry-leading dividend track record. In January, we increased our dividend, extending our track record of increases to 56 consecutive years in 2026 based on our current annualized dividend. 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.

Business Update

Marne Jones

Senior Vice President and Chief Utility Officer, Black Hills Corporation

Thank you, Kimberly, and good morning, everyone. I will provide an update on our current capital projects, discuss progress on our data center demand pipeline, and finish with a regulatory update.

Lange II Generation Project to Serve South Dakota Electric Resource Needs

Moving to slide 13, our 99MW Lange II generation construction project, which will serve our customers in western South Dakota and northeastern Wyoming, continues on schedule and will be placed in service in the fourth quarter. Last week, the final long-lead piece of equipment, the generation step-up transformer, was safely delivered to the site. Recovery of the Wyoming portion of the project was included in our Wyoming rate review request filed earlier this year, and for the South Dakota portion we recently filed for recovery through the generation rider.

High-quality Data Center Pipeline of 3GW+

Slide 14 provides an update on our data center pipeline, which exceeds 3GW of potential load. Of that total, approximately 600MW is included in our financial plan through 2030, primarily driven by Microsoft and Meta. We have successfully served Microsoft's hyperscale data center growth for more than a decade, primarily through market energy procurement. Meta's AI data center in Cheyenne continues to progress as expected, and we anticipate customer load beginning to ramp later this year. We are well positioned to serve these customers through a combination of market energy and contracted resources, requiring minimal incremental capital investment. As demand grows beyond the 600MW currently included in our plan, we would expect additional generation and transmission investments to support future load growth. Beyond the load included in our financial plan, we continue to make positive progress with high-quality counterparties to enable plans for more than 2.5GW of additional large load opportunities in Wyoming.

One of the most significant opportunities in our pipeline is the 1.8GW project we have discussed previously. We are in advanced negotiations for a series of commercial agreements that would support a diversified portfolio of resources to reliably serve this customer's needs. As noted last quarter, we executed a generation reservation agreement with the prospective customer for company-owned generation. The agreement includes customer-funded milestone payments supporting the procurement of long-lead generation equipment that would ultimately serve as part of the broader resource portfolio for the project. The agreement has been extended through 31st August and provides for up to $377 million of refundable customer advances. The reservation agreement is intended to transition to a long-term generation facilities agreement, under which company-owned generation would be one component of the overall resource portfolio serving the project. While this represents only one of several agreements necessary to finalize the service model, we continue to make encouraging progress across all workstreams and remain optimistic about achieving definitive agreements during the third quarter.

As we've discussed previously, projects of this scale and complexity require coordination among multiple parties and interconnected contractual agreements. Throughout this process, we remain focused on a consistent set of principles: maintaining system reliability and resiliency; appropriately managing operational and financial risk; and ensuring existing retail customers are protected as we pursue large-load growth opportunities. Consistent with those principles, last month in Wyoming we requested a large customer transmission cost adjustment mechanism (LCTCAM). The tariff is designed to directly recover transmission-related investments and expenses from the large-load customers benefiting from those facilities. We expect the LCTCAM to become effective in January 2027. Together, the commercial agreements we are negotiating and the regulatory mechanisms we are pursuing are designed to ensure that large-load customers bear the costs associated with serving their load and do not adversely impact existing retail customers. This approach aligns with Governor Gordon's executive order titled 'Data Centers the Wyoming Way', which aligns with our long-standing commitment to create long-term value for customers, communities and shareholders.

Regulatory Progress

Moving to a regulatory update on slide 15. We continue to effectively execute on our regulatory plan, with a cadence of three to four rate reviews per year across our eight-state service territory. In June, we received approval for our abbreviated rate review in Kansas, with new rates effective 1st July. Our Arkansas Gas rate review is currently in the final stages of rebuttal testimony, and a hearing is set for 20th August. We also continue to advance the rate reviews for South Dakota Electric, with interim rates effective 18th August in South Dakota. During the second quarter, we filed a new rate review request for Colorado Electric. We requested $26.7 million of new annual revenue, based on a 10.5% ROE and a capital structure of 49% debt and 51% equity.

Wyoming Integrated Resource Plan (IRP)

Slide 16 outlines our integrated resource plan in Wyoming, which we submitted on June 30th . The plan is focused on serving the capacity needs of our non-LPCS customers using a 20-year planning horizon. Our plan outlines a near-term capacity need of 95MW, which we recommend serving through a mix of natural gas generation, battery storage, and market energy purchases.

It's been a busy and rewarding quarter. Before I conclude my remarks and turn the call back to Linn, I want to recognize our team for their relentless commitment to safely and reliably serving our 1.4 million customers each and every day. Their dedication is the foundation of everything we accomplish. It is their focus, expertise, and commitment to excellence that enables us to continue delivering for our customers while advancing the strategic priorities that support long-term value for our stakeholders. To our team, thank you for everything you do to make that possible.

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

Conclusion

Linn Evans

President and Chief Executive Officer, Black Hills Corporation

Thank you, Marne. As I believe you can tell, we made strong progress through the first half of 2026 on our customer-focused strategy. We delivered solid earnings, continued to advance our regulatory plan and growth initiatives, including our large-load customer opportunities. Black Hills offers a compelling long-term value proposition driven by our customer-focused growth, competitive yield, and significant upside opportunities. Additionally, we have received six of seven approvals required to complete our planned merger with NorthWestern Energy. We look forward to delivering an even brighter energy future to all our stakeholders, with the advantages and opportunities as a larger electric and natural gas utility company. Thank you for your interest and your trust in the Black Hills team as we partner to grow long-term value for our customers and stakeholders. This concludes our prepared remarks, and we're happy to take your questions.

Q&A

Operator: Thank you. As a reminder, to ask a question please press, star, one, one on your telephone and wait for your name to be announced. To withdraw your question, please press star, one, one again. One moment for questions.

First question comes from Andrew Weisel with Scotiabank. You may proceed.

Andrew Weisel (Scotiabank): Thanks. Good morning, everybody.

Kimberly Nooney: Good morning, Andrew.

Andrew Weisel: I want to first ask about the big 1.8GW data center opportunity. There was obviously a big change in June and some confusion about how that all went down. I know you continue to refer to it as their project and not your project, but a few questions. So, first, does Crusoe exiting have any implications for the status of your negotiations? Second, any impact on the customer that made those cash deposits? I guess you mentioned that it was extended and maybe a little bit more came, but if you could talk about those conversations. And then, third, do you see Crusoe exiting as slowing down the process, accelerating it, or not having much impact overall from your perspective? Thank you.

Linn Evans: Good morning, Andrew. This is Linn. Thank you for those questions. We appreciate them. I would say, at at the highest level, the exit of Crusoe has not had any impact on the negotiations. In fact, it's been important to us from essentially day one to ensure that we're negotiating with the hyperscale end user. That's who we have negotiated with and are negotiating with today. And those negotiations, as we've indicated in our prepared remarks, are going well. They're on track. They are complicated agreements, multiple agreements that we're putting together with multiple parties. And so, this quarter again, we're saying we want to do it right, not just fast. We are looking at finishing these agreements by the end of the quarter. We're on track to do that. If we don't do it by the end of the quarter, ask the shareholders to certainly not panic in any way. That just simply means that we're continuing to get the right agreements in place in the right way, with the right risk and the right rewards, if you will, for each entity, including ourselves, our customers and our shareholders. So we've seen no delay because of the Crusoe exits, in summary.

Andrew Weisel: Okay, great. That's very helpful and very clear. So you mentioned that one hopefully by the end of this quarter. You also in the slides talk about the 75MW data center opportunity that you expect in the third quarter. Is that – that's unrelated? Is that a different customer, and could that lead to a broader deal? Or should we think of that as sort of a one-time opportunity?

Linn Evans: Thank you, Andrew. That 75MW is a different customer from the 1.8GW project we've been talking about. It's part of our 2.5GW pipeline that we've been referring to. And so that particular project is advancing nicely, so we thought we'd bring it forward this quarter.

Andrew Weisel: Okay. Very good. And lastly, on Montana, congrats on the partial settlement. Maybe if you could just elaborate a little bit there. You know, if you could give a little more detail on the status and timing there, how that partial settlement might bode well for getting to an overall approval, and your thoughts on timing overall. I know you're talking about year-end, but if you could maybe get a little more specific there, that'd be great. Thank you.

Linn Evans: Thank you. Andrew, this is Linn again. You are correct. We received – we were able to achieve settlements with multiple parties. My recollection is about five different parties that we were able to settle with, including the Consumer Counsel, you know, things of that nature. The only two entities that we did not settle with had a real strong environmental perspective, primarily focusing on data centers and things of that nature. We did not achieve settlements with them. But I think the good news about the settlements that we did receive, it gives a nice map, if you will, in terms of how the commission could go about considering the arguments and the issues with respect to the merger and find a path forward to approve it. As to the timing, we had the hearing, as we said in our opening remarks, in May. We filed briefs. Those briefs all were filed by July 13, which then triggered the 90-day timeline, which – in which the commission, we hope, will make its decision. And it also has 30 days that it could extend itself. So that puts us mid-October. Now, they could decide any day, of course, but we're thinking maybe mid-October, but if not mid-October, by mid-November we may receive a decision from Montana.

Andrew Weisel: Okay. Very good. Thanks so much.

Linn Evans: Thank you, Andrew.

Operator: Thank you. And as a reminder, to ask a question please press star, one, one on your telephone. One moment for questions.

I'm not showing any further questions at this time. I would now like to turn the call back over to Linn Evans for any closing remarks.

Linn Evans: Well, thank you very much. We appreciate your interest in Black Hills Energy – Black Hills Corporation. You let us off easy today with the questions. I guess we'll say we appreciate that as well. But I want to close by saying thank you to our team. It's been fantastic to watch all the progress with our large load. It's been fantastic to watch how we operate the business day to day, with four rate reviews ongoing and doing well. And then the merger has been really rewarding to watch teams from both NorthWestern and Black Hills work so collaboratively to build something greater than either company today. So thank you for your interest. Have a Black Hills Energy safe day. The motorcycle rally in Sturgis starts tomorrow, so if you happen to be in the Sturgis area, stop by and say hello. Take care.

Operator: Thank you. This concludes the conference. Thank you for your participation. You may now disconnect.

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