Company Name: Black Hills Corp. (BKH)
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<<Linn Evans, President & Chief Executive Officer>>

Well good morning. I have 9:30. So be polite to the next team behind us. We'll get started. And thank you very much for being here this morning. We appreciate your interest in Black Hills. And we're certainly happy to be here.

My name is Lynn Evans, I think I met most all of you. I am a newly minted I guess CEO as of January one for Black Hills Corporation. David Emery has retired as CEO, effective December 31. Most of you probably know David and he and Diana are enjoying some time together. We wish them extremely well obviously.

We have a few of our team members with us. You'll hear from Rich Kinzley in a few minutes after I make some comments. Rich is our CFO. We have Christianne Curran ~~[indiscernible]~~ (0:00:42) she has locked the door and went outside, I guess.

<<Unidentified Analyst>>

She's guiding people in the back row.

<<Linn Evans, President and Chief Executive Officer>>

She's guiding people in the back row. She's our Assistant Treasurer. In the back, we have David Soderquist. He's an analyst, is our Investor Relations team. And Stacey Denke, Stacy is Senior Manager in~~and~~ our Treasury Department. So glad to have the team here with us today as we try to be efficient with our opportunities with you and to others.

We do have forward-looking statements in our presentation, so we ask that you please review all of our materials, all of our investor materials before making an investment in Black Hills Corporation. I'll be making some company strategic overview. We'll talk a little bit about our capital plan, a real strong focus of the organization now. Then Rich is going to give a financial update and then we'll work to take your questions.

This is an important slide that brings forth our investment highlights. I'll spend a couple of minutes talking about this. And by the way, I did lose a wrestling match with my arm with the Rich Kinzley we can debate on who was going to give this presentation. You can tell I lost is the best what I can say there. I had surgery about two and a half weeks ago. So thank you for those who've asked questions about that. I'm recovering well. Looking forward to getting back to normal it’s only about six months.

But we are very customer-focused, growth strategy in our organization. Something that's not unique to us but unique to our culture and unique to the industry is safety is first. That is our top priority. In fact, some of you may have heard, talked to us about what's going on in the Midwest now. We have parts of our service territory in the Black Hills of South Dakota that had 18 inches of snow last night. We lost power at about 3,000 of our sixty some odd thousand customers in that region so~~aw~~ our systems holding up pretty well.

However, we did lose power to Mount Rushmore, which is not something you're really proud of though. We're working feverishly to get that power restored to them. And if you've been to Crazy Horse monument, we lost power to the Southern Black Hills last evening. But today is no exception we always start all of our meetings and all of our gatherings with a safety share. So I won't bore you with great detail about that except to share that our goal in our company is to become the safest utility in the industry. I think it's very important to our culture, it sets us apart in some respects and we're making some progress toward becoming the safest in the industry, as our metrics continue to improve.

It's one of the things that, I think, helps all of our stakeholders that we are performing safely. Our employees appreciate it because we know we're focused on their safety, we care about them, they go home safely every day.

Our customers have the assets, and the resources and our people. They need to ensure that we provide them a safe system. And then our shareholders, when we're focused on safety if we do it right, if we do it the safe way, that means we're doing it the right way the first time. That means we are efficient, so real strong focus of ours.

And other strong focus of ours has been to be focused on the utilities. Some of you've been following us for awhile we did exit our oil and gas business in 2018. So now we have reduced our risk and we are very focused on a customer-centric, growth strategy for our company that revolves around our customers. I'll talk more about that in a few minutes.

Having divested of the E&P company we do have some what we call electric utility related businesses to integrate businesses. We do have power generation. 97% of that generation is on contract to ourselves. So we like the counterparty on the other side of those transactions. In fact, all of the five megawatts of our power generation is contracted to us. We also have a mining organization that's extremely efficient, 98% of what we mine from that organization provides fuel to our onsite mine-mouth generation facilities. So great opportunity for us to provide low cost electricity to our customers.

We're also very focused on a Ready campaign. You saw that on the first slide. That's our new branding mechanism ready to serve our customers, ready to serve their growing needs. We tend to be ready for our customers. We've identified $2.8 billion that we plan to invest over the next five years. I'll drill into that a little bit more in a few minutes.

And real important part of our growth strategy and who we are for our shareholders is our dividend. We have increased our dividend for 49 consecutive years. You may hear me repeat that a couple of times this morning. But we are paying a dividend, annualized dividend of $2.02. And as Rich, and I and others talk about, we don't want to be the management team that does not continue to increase that dividend.

Very focused on investment grade credit ratings. Good credit ratings from all three of the credit rating agencies, we enjoy right now. So in short, we have a very customer-focused strategy executing for long-term benefit for shareholders.

For those on the webcast try to remember to talk about slide numbers, we are Slide 6. A quick snapshot of who we are as an organization. We serve eight Midwestern states. We have 1.27 million ~~in~~and growing customers. We serve 823 communities. We serve a lot of rural America, but we also serve some early, relatively large communities like Lincoln, Nebraska, et cetera. The orange indicates our natural gas LDCs. The dark gray is our electric utilities. As you can tell, we served from the Rocky Mountain region in the West and Cody, Wyoming, to the Mississippi Valleys in both Iowa to the farthest extent in the southeast down to Blytheville to Arkansas. So good growing territories.

Our strategic objectives are put into in our goals, we put into four different buckets on the left hand side of the slide. We focus on profitable growth, we focus on valued service, we're focusing on the customer, we focus on better every day and then having a great workplace, which includes our goals with respect to safety. Our strategy is to grow earnings through investment and customer-oriented investment on behalf of our customers. I will be talking about capital in a few further slides. And then of course, as I said before, we're focused on that dividend with the targeting of 50% to 60% payout ratio, which combined together we believe and are executing towards delivering strong shareholder – returns to our shareholders

This is a graph that we have graphic on Slide 8 excuse me, that we use to really communicate our strategy both internally and externally. Very customer oriented strategy. We work to align our people, the processes that we use, our technology and then data analytics to understand our customers, understand how we can grow, and then making sure we have a safe and highly integrity, highly reliable system. We're working hard to know our customers. They are making it easy to do business with us. And I would argue particularly within our natural gas side of the business. Our electric customers, 99.999% of times use electricity. They don't always have to choose natural gas. We want to make it very easy to do business with us.

And then understanding our customers, what they need and what they want. And then being there before they know what they want. Very focused on saturation by being treating our customers correctly. We're very focused on what we call in our neck of the woods, 100% saturation of burner tips. Our goals have a burner tip in every new residence, every new building built within our service territory, a big, hairy, lofty, goal, the one that we're always striving toward.

Renewable energy has been a good focus of ours, of late both on renewable natural gas and on the electric side of the business. I'll talk more about that. And then we have unique territories that have allowed us to attract data centers and blockchain, especially in Wyoming. We have some very particular characteristics about our service territory and the politics and legislation has been passed, making it attractive for data centers and blockchain miners to locate within our territory.

And then we're always focused on the safety of our system through what we call programmatic integrity investment programs. I'll talk again more about the capital investing there and then continually modernizing our grid both in electric and the gas side.

I'll spend a couple of moments on Slide 9 just addressing some things we have going on right now, or something that we're really enjoying quite proud of is what we call our Renewable Ready program. It's a voluntary renewable program on the electric side in both South Dakota and Wyoming. We have filed for tariffs to allow us to rate base a 40 megawatt system, a wind farm that we call Corriedale that's a $57 million investment, we're advancing through the regulatory process there. It's aimed at our top 600 customers that they could choose to contract directly with us and subscribe for up to 50% of their energy needs over periods of five to 25 years. We've had a very strong demand for that. Anticipate no problem whatsoever of fully subscribing that 40 megawatts although it's a win, win, win situation for us. A load is not shed away from our system, which helps our low income customers by making sure that we have the low income customers covered with the service charges we provide – we get from our larger customers, but also allows them to have renewable energy that they desire, because neither in Wyoming, nor South Dakota do we have an RPS.

So it's a way for us to fill that growing customer demand. We finished it – or plan to – we're progressing on some projects, we plan to finish this fall. Our South Dakota transmission line is on budget and on scheduled to finish this fall. Busch Ranch II wind farm, we have started construction with respected that, that's a 60 megawatt wind farm that will serve Colorado Electric that will help us fulfill our requirement of 30% renewables by 2020. So we'll bring that online to fulfill that requirement.

A strong focus of ours internally, especially and with our regulators is what we call our jurisdiction simplification, or on this slide we call it legal consolidation. Through the years we've acquired a number of utilities in Colorado, Nebraska and Wyoming, all of whom have different tariffs and different requirements about how we serve those customers. So in Colorado we have already received approval to consolidate those two entities in Colorado. And we have thereafter filed a rate case now to balance the rates across those – sort of those customers in Colorado. We've also filed for legal consolidation in Wyoming and Nebraska. Once those are approved then we will follow behind with rate cases that we will file.

Wyoming is a pretty good example. We have four LDCs in Wyoming. So you can imagine the training that we have to do behind the scenes with our customer service teams as they manage through four tariffs. Sometimes it depends on what side of the street you live on as to which tariff we have to apply. So internal consistencies, improving customer service, making us more efficient is going to be helpful. Also, our regulators appear to be quite happy about this because it's a lot less regulatory filings that we will have to make in those states. For example, in Wyoming, you could argue three quarters of our filings go away once we have consolidated though, so strong focus. I've already mentioned the dividend, very strong focus on that and we're being very conscious of our credit ratings through our at-the-market equity issuance so we did issued $20 million of equity very efficiently in last quarter.

Slide 10, we're very focused on shareholder return. We think we are delivering strong results for our shareholders. We're particularly proud of our 10 year total shareholder return as evidenced by this slide.

Let me talk about some of the capital opportunities that we foresee and I am on Slide 12, but through the years, through our transactions of the last decade to 15 years we have developed a significant system on the gas side and upon the electric. We now have 46,000 miles of pipe and we have over 9,000 miles of transmission system. So this gives us a lot of opportunities for diverse opportunities for investment, both on gas and the electric, essentially about 50:50 gas and electric when it comes to our earning metrics.

And we also have more opportunities for improving reliability and growth as you see how the system is we interconnect the system. And then of course by having added these customers over the years we are finding ourselves much more efficient in how we serve those customers in the cost that requires us to serve those customers.

Slide 13, drilling into our capital, this is our current view of $2.8 billion of investment this year through 2023. The green carets that you see there are a way of indicating that we do intend and believe we will add other capital investment opportunities as we go forward. We're relatively conservative in how we bring forward capital. We feel confident we're going to actually invest that capital. We have other projects part in the – within the pipeline that we are considering and as we get closer to realizing those projects will come to fruition then we began to add those into our capital forecast.

This is our way of indicating growth opportunities to you. And you can see that our capital investment far exceeds our depreciation which we believe will drive earnings. Other than capital investing, which is depicted on Slide 14, over 90% of our capital in the next five years is going to be invested into our natural gas and our electric utilities. And then interestingly, 70% of that capital will be recovered within a less than a year. And with the growth capital, we see that being kind of instantly recovered. As you can tell from the pie chart on the left, the majority of our investments over the next five year is going to be within our natural gas utilities.

And then Slide 15, I've referenced this a little bit before in terms of our capital approach. This helps us and helps you as our investors and stakeholders understand that beyond 2023, we currently see a kind of recurring investment in both our electric and the gas utilities, about $375 million a year, just ongoing, necessary investment. Once again, this does not include larger pipeline projects, generation projects that we are identifying that we have not begun to bake into these forecasts until we get closer in time until we will experience those opportunities. So with that, I'm going to turn it over to Rich, who's going to walk us through the financial update.

<<Rich Kinzley, Senior Vice President and Chief Financial Officer>>

Thank you, Linn. Good morning. I'll start on Slide 17. We had a very strong first quarter of $1.73 adjusted EPS compared to $1.63 last year, both years we enjoyed strong miserable weather as it may have been to live through. Last year we estimated about $0.05 contribution in that $1.63 and in this year about $0.12 in the $1.73.

We did increased our share count by 11% last November when we converted the unit mandatory that helped us finance SourceGas, so that makes the increase in EPS even more impressive that we had a 6% increase given the additional dilution from the additional share count. Given the good first quarter, we did increase~~d~~ our 2019 guidance by $0.05 on each end of the range, so our guidance is now three $3.40 to $3.60 share for this year. And we reaffirmed next year’s guidance of $3.50 to $3.80 per share.

Linn already mentioned our credit ratings. On Slide 18, you can see S&P and Fitch have us at BBB+ with a stable outlook. Moody's at Baa2 with stable outlook, so good strong investment credit grade ratings. You see on the right side of Slide 18, our debt-to-total cap, the big improvement from the end of the third quarter in 2018 to the end of the year, again was a unit mandatory conversion. So it was $299 million of financing that came in from converting those units. We paid down debt and recognized that much more equity. So that's the big improvement there.

And then in the first quarter again, reducing that further from almost 59% under 58% that is the result of obviously strong earnings in the first quarter and good cash flows, it allowed us to pay down some short-term debt. And then as Linn mentioned, we issued 20 million of equity on our At-the-Market equity program in the first quarter as well. So that probably will tweet back up a little bit as the year goes along, given our strong capital investment this year, but we're targeting mid-50s like a 55% debt-to-total cap as we look out a few years.

We have strong liquidity with our $750 million revolver availability. We used our Commercial Paper program to help with short-term cash flow needs, you can see the orange line on the bottom left in terms of how much we've used over the past year on the revolver. So we've got ample liquidity. We also have a $250 million accordion feature on that up to $1 billion. And then on the right, you see our very manageable debt maturity schedule. We do have some maturities coming up in 2020 that we're looking at options for what to do with that as we finish this year out.

Slide 20 demonstrates kind of the diversity we have, from a number of perspectives. On the left, far left, you see our operating income, the electric utilities being in orange and the gas in black or grey. Obviously the gas utilities earn~~are in~~ most of their money during the winter. In the fourth quarter and in the first quarter the electric utilities little more evenly spread through the year. So we like that diversity and then the charts on in the middle and on the right show our diversity across our states. I think some folks view us as a little complex given the number of states we’re in~~friend~~, but we like that diversity, no one state – any kind of bad outcome in a state can really hurt us given the diversity we have across the states. And we have good constructive jurisdictions also.

And then finally on the far right, you can see right now we're about 50:50, a little heavier to gas on our rate base and certainly leaning that way a little further as Linn showed on our forward~~afford~~ CapEx it's a little weighted toward the gas side. Lynn also mentioned our dividend. We're very proud of this track record. Our payout ratio target is 50% to 60%, we're a little closer to the top-end of that right now. Our intent is not to decrease the amount of increase the last couple of years. We've done $0.12 annual increases or $0.03 quarterly increases. We've done that in the fourth quarter with our third quarter earnings released in the last couple of years. So we've got a bit of a pattern established there. But the 50% to 60% target remains. And even with those increases, looking forward, we think we can grow earnings to the extent that we'll keep that well within that range.

Slide 22 is just a demonstration of our solid results over the last few years it’s a result of our focus on our utility and customer strategy. I think the chart speaks for itself relative to returns and rate based growth, earnings growth and dividend growth.

Lastly, this is a Slide 23 is our scorecard. We produce this each year to keep ourselves accountable to our shareholders and lay forth that things were going to get done at the beginning of the year and check the boxes as we go. So, the first box in the upper left is checked and one other I see, but we'll work our way through that list as a year goes. With that we'll be happy to entertain – one last thing, we did produce our corporate responsibility report last year. It's on our website, we’ve recently updated that and so you can go on our website and have a look at that.

With that, we'll take any questions you may have.

Q&A

<A – Rich Kinzley>: Amy, you said you were going to ask me about ice cream.

<Q>: [Question Inaudible]

<A – Rich Kinzley>: I'm boring. I like vanilla, although they sort of some sea salt caramel the other night for dessert that was quite good. Yes, it was nice enough to share. Other – go ahead.

<Q>: [Question Inaudible]

<A>: We – yes, for those on the webcast, the question was on our Renewable Ready program in South Dakota and Wyoming, is it approved by both states?

We're working our way through that process right now. We did having conversations with both commissions in Wyoming, we will do CPCN related to that as the year goes along, where we're at really on that program right now is getting subscriptions from customers that are may be interested. We pulled kind of our top largest 600 customers across South Dakota and Wyoming, very strong response. So we don't expect to have problems getting there across the finish line.

<Q>: Do you have a timeline?

<A>: Yes. It's a targeted to be constructed in 2020 and in service by the end of next year. Yes. Other questions?

<<Rich Kinzley, Senior Vice President and Chief Financial Officer>>

Well, we certainly appreciate your interest. Thanks for listening in on the webcast and thanks to everybody in the room. Enjoy the rest of the conference. Thank you.