Company Name: Black Hills Corporation (BKH)
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<<Linden Evans, President and Chief Executive Officer>>

Good morning everyone. Welcome to Black Hills Corporation's presentation. This is Linn Evans. I'm the President and Chief Executive Officer of Black Hills Corp. And with me today, but social distancing several miles away is Rich Kinzley, our Senior Vice President and Chief Financial Officer. So we're in two different locations. So bear with us through this presentation please. Thanks for joining us this morning, virtually. You can find our slides if you don't already have them at our website should you have any challenges during the presentation.

I'm going to start on Slide 2. It contains our forward-looking statement. Some of our comments today are forward-looking in nature and there are risks and uncertainties associated with forward expectations. So please review our disclosures along with our most recently filed Form 10-Q and we've also got a Form 10-K filed with the SEC to support an informed investment decision regarding Black Hills Corporation. And again, thank you for joining us.

Moving to Slide 3. Black Hills strategy is a customer-focused, growth-oriented utility company with strong investment outlook and with solid financial position. We're very focused on safety, reliability and responsibly integrating renewable resources into our portfolio mix. Our strategic diversity reduces our risk with electric and natural gas utilities across our Midwest States that we serve and we serve eight different States. To serve our customers' growing needs, we have a strong investment outlook. Our large infrastructure requires significant investment and this large electric and gas footprint provides great growth opportunities for us.

Our solid financial position and liquidity fund our investment program and our disciplined approach to our dividend is illustrated in 2020 marking 50 consecutive years of increases in our current annualized rate. We are well positioned and executing well on our strategy to continue delivering strong long-term total returns. Slide 5 shows our geography and lists some key metrics. We are an integrated, natural gas and electric utility serving 1.3 million customers across eight States. We serve mostly rural areas of the middle part of the country with more stable and consistent and I would argue predictable economies.

Slide 6; executing our strategy makes us ready for our customers' needs and deliver sustainable long-term value growth. Our prior strategic planning and execution positioned us extremely well to respond very aggressively to the current pandemic. We are confident and continue long-term success as we execute on our business continuity response plan through these near-term challenges.

We are investing in our customers' needs for safety, reliability, system resiliency growth in an overall positive customer experience, which is important to us. We are aligning our people, our processes, our technology, and then using analytics to better and more safely serve our customers. Based on the 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 that we're focused on.

Slide 7 further illustrates our large infrastructure that drives our strong investment outlook and the growth opportunities we see ahead of us. Moving to Slide 8, well that displays our earnings diversity. The seasonality of our earnings streams has shown on the left hand of the chart with our gas utilities, primary earnings of course coming in Q1 and Q4, and then our electric utility typically seeing strong demand in the warmer mid-year periods.

The three charts on the right hand side of the slide all show how we are split by states with customers and the rate base for both electric and gas utilities. This distribution by utility type and location provides greater stability, especially amid uncertainty like we're experiencing now. It also delivers complementary seasonality for more consistent and predictable cash flows and earnings and this limits the risk to our consolidated results from one individual area or one state or one business type.

Moving to Slide 9, this slide illustrates the results of executing our customer focused strategy, delivering strong long-term shareholder returns. Slide 10, I'll start with the gas utilities. We continued efforts to consolidate our natural gas utilities within Colorado, Nebraska and Wyoming. In Nebraska, we completed the legal consolidation of two utilities on May 1st of 2020 and we continued to prepare for rate review filings mid-year to consolidate customer rates and recover investments for customers – for the customers in that state.

We are having a constructive dialogue with Nebraska staff regarding the timing of the filing, certainly in light of the ongoing pandemic. In Colorado, the commission recently held an open meeting on the Colorado gas rate review and deliberated the administrative law judges recommended decisions and the exceptions that we and others filed with respect to the ALJs recommended decision.

Unfortunately, the ALJ recommended denial of regulatory consolidation and our requested rider for safety-related investments. The ALJ also adopted adjustments that would result in a rate decrease that commission accepted nearly all of the ALJ's recommendations except for the return on equity which the commission reduced from 9.5% to two points, excuse me, 9.2%. Of course we are very disappointed in the commission's decision and we're waiting the final order to determine what next steps will be necessary in Colorado while anticipating we may file a new rate review and request for consolidation prior to the end of this year.

Moving to the Electric Utilities and Power Generation, last August, our Wyoming electric utility and our Power Generation segment filed a joint application with FERC and then application requested approval for a new power purchase agreement. On February 21 FERC ordered public hearings for the application and ordered settlement discussions and the hearing is currently being held in abeyance pending the outcome will be ongoing settlement discussions among the parties. We continue to meet with two interveners and first staff supervised by a FERC settlement judge.

We have a real culture of finding common solutions with our stakeholders. And I anticipate being able to do the same in this circumstance, while we're certainly remaining ready and willing to take this matter to hearing if required or if necessary. Construction continues on schedule for our 52.5-megawatt Corriedale wind project. And that project is located near Cheyenne, Wyoming. The project is on track to deliver energy under our – what we call our Renewable Ready program. That's a subscription program for customers in South Dakota and Wyoming. And we think we'll have that project by the end of this year.

We've been closely monitoring the supply chain for the project and of course for other projects, and we've been doing that very closely. And we are currently confident in completing the project on time and on budget.

We're also working to expand our renewable energy generation mix in Colorado through our Renewable Advantage program. We've requested bids for up to 200 megawatts of renewable energy to serve our Colorado electric customers. And we are evaluating those bids with the help of an independent evaluator. And we are on track to submit those recommendations to the commission in June.

The final item I want to note on this slide is that on April the 10, while we were welling through the pandemic, S&P Global Ratings affirmed our BBB+ corporate credit rating. Again, I think, this affirms our strategy of maintaining a solid capital structure and our solid investment grade credit rating.

Slide 11, our highest priority is safety and health of our employees, our customers, our business partners and the communities that we get to serve. In response to the pandemic, our team very quickly implemented a comprehensive set of well thought-out actions to help reduce the spread of the virus and then of course maintain safe and reliable operations on behalf of our customers.

Recognizing our limited time this morning, or this afternoon for some, I'll point you to our three news releases that we did in March, and our first quarter earnings release, and our conference call webcast for more detail, and our response to the pandemic and updates on the impacts to our business.

To summarize we're well positioned both strategically and financially for the ongoing pandemic. Our strategy has positioned us well with strong liquidity. And our long-term financing needs are satisfied to the near term. Our processes have been well stress tested by the pandemic and they all held up extremely well.

Now Rich will cover the financial details of our – the pandemic impacts for Q1 and our forward expectations. And now I'll turn the presentation over to Rich for a financial review. Rich please.

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

Very good, thanks Lin. And I'm going to start on Slide 13. Slide 13 is a waterfall chart illustrating the primary drivers of our earnings results from Q1 2019 to Q1 2020. All amounts on this chart are net of income taxes. At a high level, our electric utilities gross margin was flat to the prior year despite unfavorable weather impacts. Gross margins at our gas utilities benefited from new rates and customer growth, which was largely offset by unfavorable year-over-year weather impacts.

Our non-regulated margin was slightly lower than the prior year, primarily driven by lower tons sold at our Mining segment.

Total O&M increased by less than 2% reflecting solid cost management. Depreciation increased as a result of additional plant and service from our customer focused capital investment program.

Interest expense was relatively flat.

Other income expense was favorable to the prior year, driven by reduced expense for our non-qualified benefit plan due to stock market declines. You can find additional details on Q1 year-over-year changes in our earnings release and in our 10-Q, which were issued two weeks ago.

On Slide 14, we reconciled GAAP earnings to earnings as adjusted to 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 five quarters and demonstrates the seasonality of our earnings. In the first quarter of 2020 we recorded a non-cash pretax impairment of $6.9, equivalent to $0.08 per share after tax related to an investment in a privately held oil and gas company. In the third quarter of 2019 we recorded an impairment related to the same investment. These impairments were both triggered by the significant decline in natural gas futures prices and a deterioration in earnings performance of the third-party company. Our remaining book value in this investment of $1.5 million is our only direct exposure to the oil and gas industry.

The impairments in 2019 and 2020 are not indicative of our ongoing performance and accordingly we reflect them on an as adjusted basis. We delivered solid first quarter financial performance that met our expectations. First quarter EPS as adjusted was $1.59 compared to $1.73 in Q1 2019. Weather was the big driver affecting year-over-year results as last year's first quarter was much colder than normal and this year's first quarter was milder and normal. For Q1 2020 we estimate weather unfavorably impacted EPS by $0.04 compared to normal and by $0.15 compared to Q1 2019. COVID-19 had limited impact on our financial results for Q1.

Despite our solid first quarter, we did revise earnings – 2020 earnings guidance. On Slide 15, we bridged the EPS impacts from our prior guidance to our revised guidance. Due to the mild first quarter weather combined with COVID-19 expectations for the remainder of the year, we reduced guidance by a dime on each end of the range. The revised guidance range includes the $0.04 of unfavorable weather compared to normal during Q1, but it's largely driven by the expected net impacts from COVID-19, which we currently estimate to be between $0.05 to $0.10 per share.

Slide 16 provides details around our revised earnings guidance assumptions aside from the known negative weather in Q1, our forecasted COVID-19 impacts and eliminating any future further equity needs for the remainder of 2020. These assumptions remain consistent with our previously issued guidance.

Slide 17 shows our expected COVID-19 impacts at a high level and I'll give a little more color. We are closely watching our customer usage profiles. At our electric utilities through the end of April, we've seen overall load and usage remain essentially consistent with prior year on a weather normalized basis. Usage at our three electric utilities has varied during March and April, but generally speaking, we've seen residential loads up 5% to 6%, with commercial loads down 5% to 15% depending on the service territory. Industrial usage was down slightly in South Dakota in Colorado, but actually up in Wyoming.

We've been in regular contact with our largest customers, over 200 of them in fact covering both electric and gas. And although there are a few who expect to have reduced usage during 2020, we don't forecast a significant impact from our electric industrial customers overall. For the first couple of weeks of May, we have seen a bit of degradation in our commercial and industrial usage. This is consistent with our expectations in our current guidance. 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 will have more earnings impact than the pickup we get from the residential side.

At our gas utilities were through the heating season and expect the impact to be lower through the off peak seasons of Q3 and three. As most of our natural gas load comes in the first and fourth quarters. Similar to our electric utilities on a weather normalized basis, we've seen overall customer usage remain essentially steady through March and April compared to prior years with increases in residential usage and decreases in commercial usage. We have assumed some overall negative impact through the balance of the year at our gas utilities, but it is minimal compared to our electric utilities.

We're also incurring extra costs in the near-term associated with the pandemic. We've sequestered mission critical employees at two of our generation sites and are ready to do so throughout our electric utilities if the virus spreads more deeply into our territories. There are additional costs we are incurring for personal protective equipment, cleaning supplies and technology to support work-from-home protocols. While we've seen limited delinquencies today, we do expect delinquencies to increase over the coming months.

We're taking proactive steps to work with our customers to assist them in these challenging times. We are partially offsetting these pandemic related costs through savings on travel, training and certain outside services that were planned for 2020. We've slowed hiring and are managing other expenses, as we further leverage our cost saving continuous improvement program. We are tracking COVID-19 related O&M items and are working closely with regulators in our States to determine appropriate treatment for these costs.

Obviously, it's still early in the crisis and it's difficult to predict the duration of the event and the impact it will have on the local economies and customers in our service territories. Our assumption is that the combined effect of loss 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 either positively or negatively as we navigate the remainder of the year.

Slides 18 and 19 show jobless claims and unemployment rates for the States that our electric and gas utilities operate in and how they compare to the national average is over the past few months. The graphs illustrate the trends in most of our States are well 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 and major metropolitan areas. We're cautiously optimistic that will be the case with this crisis and we will continue to closely monitor trends in our territories.

Slide 20 shows our financial position through the lens of capital structure, credit ratings, and financial flexibility. We're in great shape from a debt maturity and liquidity perspective. Our credit ratings remain at BBB plus at both Fitch and S&P and Baa2 at Moody's with a stable outlook at all three agencies. We're committed to maintaining our strong investment grade credit ratings. As Linn mentioned, S&P affirmed our BBB plus rating with a stable outlook on April 10. And in February, we issued $100 million of equity to help support our 2020 capital investments and strengthen our balance sheet. While we will monitor cash flows closely during the pandemic, we don't expect to issue any more equity in 2020. We don't have any material debt maturities until late 2023, and on March 31, we had approximately $468 million of liquidity available from cash on hand and capacity on our revolving credit facility. As of last Friday, our liquidity position remained in excess of $455 million.

We may look to issue an index eligible debt offering later this year, if market conditions are favorable. We would do this issuance to term out our short term debts and support our capital investment program and also further enhance our liquidity position. But we have the flexibility to push that issuance into 2021 given our liquidity position. I'll also note that at March 31, our net debt to capitalization ratio was 57.5%, a 210 basis point improvement from year end. We continue to target a debt to total cap ratio in the mid-50s over the long term.

Slide 19 illustrates our dividend track record evidence of our discipline management through other historic economic events. We're on track to deliver 50 consecutive years of increasing dividends in 2020 and we'd grown the dividend at a strong rate in recent years with $0.12 annual increases in 2018 and 2019, demonstrating our confidence in our future earnings growth potential. 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 Evans, President and Chief Executive Officer>>

Thank you, Rich. On Slide 23, which shows our capital investments plan over the next five years, our $2.7 billion forecast is focused primarily on projects and initiatives that maintain customer safety, customer reliability, and are aimed at fostering customer growth within our territories.

Our forecasted investment far exceeds depreciation, which will in turn result in future earnings growth. In 2020, we're on track to deploy our capital projects after managing through the pandemic now for more than nine weeks, we are not currently experiencing disruptions in contractor or materials availability and lead times for key components and supplies are almost as they were before the pandemic.

We continue to closely monitor and of course we'll adjust if we need to. As noted in prior quarters, we take a relatively conservative approach to our capital forecast. We include opportunities. We are relatively certain that will occur, as representing 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 planned period, especially as we get to the outer years.

Slide 24 illustrates that our capital plan is a utility focused plan, with timely recovery on most of these investments. You'll note that 94% of our five-year capital forecast is in our utilities and 80% of our investments receive timely recovery. We've continued to improve transparency in our capital forecast this quarter, by adding detail with the rider-eligible capital category that you see on the slide, which was previously included as part of the minimal lag category in our prior presentations.

As you can see, rider-recovery capital is more than one-third of our total five-year forecast. This is driven by our programmatic capital approach which is focused on customer safety, reliability and of course system integrity. Excuse me.

Slide 25, depicts our capital forecast for the natural gas utilities by type of spin, such as safety, reliability, integrity, and then growth in general plant. The pie charts on the right show the recovery timing by mechanism and the investment that we've made by states. About 45% of investment is recovered through rider mechanisms, while another 15% of investment is for growth and recovery once the infrastructure is placed in service for our customers.

Slide 26 shows our capital forecast for the electric utilities by the same type of spin category, while the pie charts show the recovery mechanism and investment by each state. Note that recovery is more dependent upon traditional rate reviews than in our gas utilities.

Slide 27 shows that 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 of course supporting normal customer growth.

Slides 28 and 29 show the recurring capital for each utility segment with a little more detailed visibility into the category of each spin, it also shows you what spin makes up the recurring capital investment for each utility segment.

Slide 30 indicates that our capital and investment program is driven by our risk-assessment of our assets. The slide summarizes our capital investment by asset type versus investment need. And in general, our electric utilities are focused on replacing aging infrastructure while hardening and modernizing our systems. On the gas side, we are focused on replacing at-risk materials and modernizing to maintain improved system integrity.

Moving to Slide 32, the disclosure of company's performance on ESG issues is becoming more important to a variety of our stakeholders, including investors and credit rating agencies. So we continue to make progress in 2019 and we are dedicating more resources toward this effort in 2020 and beyond. We continue to reduce our carbon footprint by building more renewable generation supported by natural gas generation. We added 140 megawatts of renewable carbon free wind energy to our generation portfolio in 2019 and we are working to add another 52.5 megawatts by the end of this year.

We are also working through the request for proposals process for our Renewable Advantage Program for our Colorado Electric Utility. This program will potentially add up to 200 megawatts of new renewable energy in Colorado by 2023. We are equally focused, of course, on the social and the governance components of ESG. As an example, at the April Shareholder Meeting, we announced an Independent Chairman of our Board, splitting the Chairman and the CEO roles. We're committed to expanding our ESG reporting to better communicate our story through industry standardized methodology. We are improving lives with energy, and we are working to tell our story better through the lens of ESG.

Let me move to Slide 33, which shows our total megawatts produced by type of generation and our carbon reduction trends since 2005. We continue to add more renewable generation, as I said earlier, and natural gas generation to support the intermittent nature of them and solar generation assets.

Slide 34 depicts our generation mix by fuel type, by Electric Utility and Power Generation segment and by state as well. The chart show we continue to add renewable generation to our mix, which is supporting our trends toward lowering our carbon emissions. It's worth noting that even at today's low renewable energy pricing supported by generous taxpayer subsidies. We've produced power from our coal-fired power plants at prices much lower than the lowest renewable prices. And our coal-fired power plants provide critical capacity while the renewables provide very little capacity.

Slides 35 and 36 provide details on our Renewable Ready program for our South Dakota and our Wyoming customers, and then the Renewable Advantage program we have in Colorado. These programs have been well received and are advancing for Colorado, expect to file the 120-day report to the Colorado Commission in June with our recommendations.

Slide 37 provides a summary on governance mostly as it relates to our Board of Directors and our leadership team focusing on diversity.

And then moving to Slide 38 and last slide, we are focused on operational excellence and how we serve our customers. I was never been more important than now during this pandemic. The more people are staying home, of course naturally than ever before. Our team safety performance continues to be better than the utility industry average and we are striving to become the safest utility in the country.

On the right hand side of the slide, we were recently recognized as one of the easiest utilities to do business with scoring in the top 20% of utilities under our customer effort index, so very proud of our efforts there and showing results. This achievement is recognized as meeting or exceeding customer expectations and helps us confirm our success and our goal to transform the customer experience.

So let me quickly recap, please. We had a very successful first quarter, operationally, financially and strategically except for mild winter weather that impacted earnings, especially when compared to the first quarter of last year. I'm very proud of how our team quickly adapted and responded to the impacts of the COVID-19 pandemic to ensure we are safely and reliably serving our customers.

Importantly, we were also – we also maintained our strong financial position and kept our capital investment program on track. Looking forward, we've seen states and local communities reopening their economy. So we're excited about that and watching that carefully and we'll do our parts and helping our communities reopen while focusing on health and safety of our customers and our employee team.

So that concludes our prepared remarks and we're happy to entertain questions.

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

Yeah. I think those, this is Rich again, Linn. I think those are to be submitted via keyboard and we don't see any yet. Maybe we ought to just wait just a few minutes there, 30 seconds here to see if anything shows up or nothing yet. Just pause for a moment.

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

I don't see anything on my dashboard. Any questions? Anybody else have questions on that you missing?

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

We're not seeing anything here either.

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

Okay. Well, thank you very much for your participation and your interest in Black Hills Corporation. We greatly appreciate your time today and have a safe and very well day. Thanks very much. Take care.