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+++ presentation

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

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

Jerome E. Nichols^ Thank you, Daniel. Good morning, everyone. Welcome to Black Hills Corporation's First Quarter 2020 Earnings Conference Call. You can find 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 Rich Kinzley, Senior Vice President and Chief Financial Officer.

During our earnings discussion today, some of the comments we make may contain forward-looking statements as defined by the Securities and Exchange Commission, and there are a number of uncertainties inherent in such comments. Although we believe that our expectations and beliefs are based on reasonable assumptions, actual results may differ materially. We direct you to our earnings release, Slide 2 of the investor presentation on our website and our most recent Form 10-K and Form 10-Q filed with the Securities and Exchange Commission for a list of some of the factors that could cause future results to differ materially from our expectations.

I will now turn the call over to Linn Evans.

Linden R. Evans^ Thank you, Jerome. Good morning, everyone. Thank you for joining us this morning. I anticipate we'll spend quite a bit of time this morning addressing our view of COVID-19 and the pandemic and its impact upon our business. So let me start, please, by acknowledging that our highest priority is the safety and health of our coworkers, our customers, our business partners and the communities that we proudly serve. Our most important assets are our unique Black Hills culture and our people. Sadly, this pandemic is affecting scores of people in some really, I guess, I would describe as unimaginable ways. I truly hope that each of you and your families are healthy and safe, and our sympathies go out to all who are impacted either physically, mentally and financially by this pandemic. Our hearts are certainly with each of you, and I know there will be what we call a post virus.

I especially want to call out the extraordinary dedication and the effort by our first responders and the medical professionals who are on the front lines and caring for those inflicted by this virus. I'm particularly proud of our team's response. We're maintaining safe and reliable delivery of the essential energy our customers depend upon, especially in times like these.

Our team quickly implemented a comprehensive set of well thought-out actions in response to the pandemic, ensuring we are doing everything we can do to help mitigate the spread of the virus simultaneously. We are very fortunate to have no confirmed cases among the Black Hills team. We have had a few coworkers who were treated as if they had the virus a few months ago after having traveled earlier in the year, and I'm pleased to say they have recovered. Also, our service territory has generally reported much fewer positive cases of the virus than the more populated urban areas around the country.

We remain highly engaged and focused on reducing the spread of the virus and especially amongst our coworkers and our customers. Being true to our values as a company and as individuals, we are assisting customers with financial hardship by suspending disconnections and providing payment assistance, and we have also donated to relief efforts in our communities with a particular focus on helping the hungry. We are closely monitoring the situation, and we are fully engaged with our local authorities, health professionals and other industry groups to help guide our continuing response and our business operations as we migrate through this virus.

We've also implemented or changed various protocols, our processes and programs to help ensure we maintain our ability to deliver safe and reliable energy. For example, we are currently sequestering in place some of our mission-critical coworkers, and we are prepared to sequester additional coworkers should conditions warrant doing so in the future. I thank these folks for representing our values and stepping up. By doing so, they're helping us make sure we provide our customers with the critical energy they need to navigate this pandemic and rebuild our local economies.

From a financial perspective, we were well positioned before COVID-19 emerged, and we have strong liquidity to successfully operate our business and fund our capital deployment program. We're also retaining flexibility in our financing plan to take advantage of market conditions should favorable opportunities arise in the near future. And of course, we continue to closely monitor key financial drivers that might impact our sources and uses of capital, such as customer usage, obviously, cash flows, contractor availability and lead times for key materials for our projects.

Moving to Slide 6, and I'll provide an overview of the first quarter. I'm especially proud of our team and how they acted early and decisively in response to the pandemic and provided solid operational and financial execution. Although COVID-19 affected how we serve our customers, it has minimal impact to our earnings and our capital deployment for the first quarter. Rich is going to discuss our forward expectations shortly.

We are in a strong liquidity and financial position. We issued $100 million of equity on February 27 on fulfilling our equity needs for the year. And after taking into account the mild weather impacts during the first quarter, we delivered solid quarterly earnings. Our progress continued on both near-term and long-term strategic initiatives. We finalized the consolidation of 4 natural gas utilities in Wyoming, under a new single statewide rate structure effective March 1. That was an outstanding result that reflects positively on our operations and regulatory teams and a constructive Wyoming regulatory environment that we enjoy there. I really appreciate their willingness to work through the short-term pain and complexity of regulatory consolidation to allow us to continue to improve customer service and improve efficiencies for all of our stakeholders. We also continue to advance our renewable energy solutions for customers in all 3 of our electric utility territories.

Moving to Slide 7. It provides more detail on our first quarter. I'll start with the Gas Utilities. We continued efforts to consolidate Natural Gas Utilities within Colorado, Nebraska and Wyoming, as I mentioned earlier. In Nebraska, we completed the legal consolidation of 2 utilities on January 1, and we continue to prepare for a rate review filing midyear to consolidate customer rates and recover investments for customers in that state. We are having a constructive dialogue with our Nebraska -- with the Nebraska staff regarding the timing of the filing, and we're considering the ongoing pandemic in that decision.

In Colorado, the commission recently held an open meeting on the Colorado gas rate review to consider the administrative law judges recommend the decision and the exceptions that were filed in response to that 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. The commission accepted nearly all of the ALJ's recommendations, except for return on equity, of which the commission reduced from 9.5% to 9.2%. Of course, we are disappointed in the commission's decision, and we're waiting for the final order. When we receive that, then we'll determine what our next steps may be in Colorado.

Moving to the Electric Utilities and Power Generation. Last August, our Wyoming electric utility in our Power Generation segment, filed a joint application with FERC asking for approval of a new power purchase agreement. On February 21, FERC ordered public hearings for that application, and it also ordered settlement discussions. The hearing is now currently held in ~~advance~~abeyance, pending the outcome of the ongoing settlement discussions amongst the parties. Construction continues on schedule for our 52.5 megawatt Corriedale Wind Project near Cheyenne. The project is on track to deliver energy under our Renewable Ready Program for subscription customers in both South Dakota and Wyoming by the end of this year. We've been monitoring the supply chain for this project, and of course, for other projects very closely, and we are currently confident in completing the project on time and on budget.

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

The final item I'd like to note on this page is that on April 10, while we were well into the pandemic, S&P Global Ratings affirmed our BBB corporate credit rating. Again, I think this affirms our objective of maintaining a solid capital structure in our solid investment credit grade ratings.

Now I'll turn it over to Rich for our financial update. Rich?

Richard W. Kinzley^ Very good. Thanks, Linn, and good morning, everyone. I'll start on Slide 9. As Linn noted, 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 than 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 unfavorable weather, our start to 2020 was solid. However, given the combined impact of mild first quarter weather, and ~~un~~anticipated impacts from the pandemic over the remainder of the year, we revised our 2020 earnings guidance range to $3.45 to $3.65 per share on an adjusted basis, a decrease of $0.10 on each end from our prior guidance. I'll discuss our earnings guidance assumptions and anticipated pandemic impacts in more detail on Slide 16 through 18.

On Slide 10, we reconcile GAAP earnings to earnings as adjusted a non-GAAP measure. We do this to isolate special items and communicate earnings that we believe better represent our ongoing performance. This slide displays the last 5 quarters and demonstrates the seasonality of our earnings. In the first quarter of 2020, we recorded a noncash pretax impairment of $6.9 million or $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 price 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.

Slide 11 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 taxes. I'll add more detail by segment on Slide 12, but at a high level, our Electric Utilities gross margin was flat to the prior year despite unfavorable weather impacts. Gross margin in our Gas Utilities benefited from new rates and customer growth, which was largely offset by unfavorable year-over-year weather. Our nonregulated margin was slightly lower than the prior year driven primarily 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 nonqualified benefit plan due to stock market declines.

On Slide 12, segment operating income results for the first quarter are compared to the prior year. I'll make a few comments here, and you can find additional details on Q1 year-over-year changes in gross margin and operating expenses in our earnings release and in our 10-Q that we will file later today.

At our Electric Utilities, operating income for Q1 2020 decreased by $5.3 million compared to Q1 2019. Gross margins were flat compared to the prior year, reflecting higher rider margins and mark-to-market gains on wholesale energy contracts, offset by unfavorable weather and lower off-system power marketing sales. Heating degree days at our Electric Utilities were 4% below normal for the quarter and 11% lower than Q1 2019. Operating expenses increased $5.4 million over Q1 last year due to higher employee costs, expenses related to the municipalization efforts in Pueblo, higher generation expenses due to outage timing and higher depreciation expense.

At our Gas Utilities, operating income for Q1 2020 was flat to Q1 2019. Gross margins increased by $1.6 million, benefiting from new rates, customer growth in our service territories and higher mark-to-market gains on commodity contracts. These benefits were largely offset by unfavorable weather compared to Q1 last year. Heating degree days at our Gas Utilities were 6% below normal for the quarter and 15% lower than Q1 2019. Operating expenses increased by $2 million driven by higher depreciation.

On the bottom half of Slide 12, at our Power Generation segment, operating income decreased $700,000 year-over-year. Revenue was higher in 2020 primarily due to increased generation from our new wind generation assets added last year. Operating expenses increased due to higher depreciation and property taxes from the new wind assets. The primary earnings benefit from these new wind projects comes through reduced income tax expense from federal production tax credits we receive on these projects. These tax credits are below the line and not included in the operating income numbers.

Operating income at our Mining segment decreased by $1.2 million. Current year revenue was lower than the prior year due to a 10% decrease in tons sold due to lower demand at the Wyodak plant and timing of planned outages compared to the prior year.

Slide 13 shows our financial position through the lens of capital structure, credit ratings and financial flexibility. We are in good shape from a debt maturity and liquidity perspective. Our credit ratings remain at BBB+ at both Fitch and S&P and Baa2 at Moody's with a stable outlook at all 3 agencies. We are committed to maintaining our strong investment-grade credit ratings. As Linn mentioned, S&P affirmed our BBB+ 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. On April 30, our liquidity position remained in excess of $460 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 debt 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-cap -- total cap ratio in the mid-50s over the long term.

Slides 14 and 15 show jobless claims and unemployment rates for the states our Electric and Gas Utilities operate in and how they compare to the national averages over the past few months. The graphs illustrate that trends in most of our states are well below 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 coast lines in major metropolitan areas. We are cautiously optimistic that will be the case with this crisis, and we will continue to closely monitor trends in our territories.

With our stable financial position and regional trends in mind, I'll move to Slide 16 to discuss earnings guidance. On this slide, we bridge 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 $0.10 on each end of the range. The revised guidance range includes the $0.04 of unfavorable weather compared to normal during the first quarter, but it's largely driven by the expected net impact from COVID-19, which we are currently estimating to be between $0.05 to $0.10 per share.

Slide 17 provides details around our revised earnings guidance assumptions. Aside from the known negative weather in Q1, our forecasted COVID-19 impacts ~~in~~ and eliminating any further equity needs for the remainder of 2020,~~.~~ These assumptions remain consistent with our previously issued guidance.

Slide 18 shows our expected COVID-19 impacts at a very high level, and I'll give a little more color. We're 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 years on a weather-normalized basis. Again, I'll emphasize that in past major events, our territories tend to be less impacted than the coast lines in major metropolitan areas. That said, we've modeled some customer usage impact for the balance of the year. Usage at our 3 electric utilities has varied during March and April, but generally speaking, we've seen residential loads up 5% to 6% and commercial loads down 5% to 10%, depending on the service territory.

Industrial usage was down slightly in South Dakota and Colorado, but actually up in Colorado. 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 in 2020, we don't forecast a significant impact from our electric industrial customers overall. 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 on the residential side.

At our Gas Utilities, we're through the heating season and expect the impact to be lower through the off-peak season of Q2 and Q3 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's minimal compared to our Electric Utilities.

We're also incurring extra costs in the near-term associated with the pandemic. We have sequestered mission-critical employees at 2 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, technology to support work-from-home protocols and so on. While we've limited -- while we've seen limited delinquencies to date, ~~we do not expect~~ -- 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're partially offsetting these pandemic-related costs through savings on travel, training and certain outside services that were planned for 2020. We've slowed our hiring, and we are closely managing other expenses as we further leverage our cost-saving, continuous improvement program. We're tracking COVID-19-related O&M items, and we're working closely with regulators in our states to determine appropriate treatment of 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 lost 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 (that)~~,~~ 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.

Slide 19 illustrates our dividend track record, evidence of our disciplined management through other historic economic events. We're on track to deliver 50 consecutive years of increasing dividends in 2020, and we've grown the dividend at a strong rate in recent years with $0.12 annual increases in 2018 and 2019, demonstrating our confidence in our future earnings growth potential. While we may go slightly above the 60% payout ratio for 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.

With that, I'll turn it back to Linn.

Linden R. Evans^ Thank you, Rich. I'm on Slide 21. Our operating and business strategies and our team's solid planning allowed us to be ready, and we responded, I think, very well to the pandemic. Our commitment to our strategy drives success for now and for the long term while we work through these near-term challenges. We believe our community focus -- excuse me, our customer-focused strategy will deliver sustainable long-term value growth for both our customers and our shareholders. We are investing in our customers' needs for safety, reliability, resiliency, growth and an overall positive customer experience. We are aligning our people, our processes, our technologies and the analytics to better and more safely serve our customers and 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 along the way.

Slide 22 illustrates the strategic diversity of our utility business and the seasonality of our earnings streams. Our geographic and fuel diversity positions us for greater stability during uncertainty as we work through these headwinds alongside all of our stakeholders. As Black Hills has grown, we've added value for our customers and shareholders through efficiency of scale and a large geographic territory, providing diversification for opportunities to invest. Our mix of Electric and Natural Gas businesses also delivers complementary seasonality from more consistent and predictable total cash flows and earnings.

The value of diversity is especially evident during difficult economic times, which differentiates us from other utilities. While we're certainly not immune from the impacts of this pandemic, our fuel diversity and our geographic diversity, coupled with our system scale provide us greater stability. Fortunately, and while certainly not losing sight of the impacts of COVID-19 on our nation, much of our territory is currently experiencing a relatively low incidence of COVID-19 cases. The lower population density of our service territory in our largely rural jurisdictions allows for many businesses to have remained open or perhaps reduced levels of operation over the past few months. Also, our diverse mix of residential, commercial and industrial demand further tempers total business impact caused by things like pandemics. While short-term businesses -- business closures impact near-term results, the attributes of many of our large customers, such as the data centers, will~~e~~ continue to support our growing demand levels through this pandemic.

Slide 23 illustrates, again, our large infrastructure. Our expansive electric and natural gas systems require significant investment to maintain, upgrade and modernize to serve our customers. And in addition, our geographic presence across 8 states also delivers a strong base of growth opportunities.

Our capital investment plan is illustrated on Slide 24. Over the next 5 years, our $2.7 billion forecast is focused primarily on projects and initiatives that maintain customer safety and reliability and will foster customer growth. Our forecasted investment far exceeds depreciation, which will result in future earnings growth. In 2020, we are on track to deploy our planned capital projects. After managing through the pandemic now for more than 2 months, we are not currently experiencing disruptions in the availability of contractors or materials and lead times for key components and supplies remain largely uninterrupted. We are closely monitoring our supply chains, and we can and will adjust, if necessary, but for now, our capital deployment is remarkably on track. We continue to expect a base of at least $375 million in recurring utility capital, primarily for maintaining safety and integrity across our large utility systems and supporting normal customer growth.

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

Moving to Slide 25. This illustrates our capital plan is utility focused with timely recovery on most of these investments. You'll note that 94% of our 5-year capital forecast is in our utilities with 80% of these investments getting timely recovery, which is up from 78% previously. We've continued to improve transparency into our capital forecast this quarter, adding detail with a rider-eligible capital category, which was previously included as part of the minimal lag category. As you can see, rider capital is more than 1/3 of our total 5-year forecast, and this is driven by our programmatic capital approach, which is focused on customer safety, reliability and system integrity.

Moving to Slide 26. We are focused on operational excellence in serving our customers. Our team's safety performance continues to be better than the utility average. On the right side of this slide, we were recently recognized as one of the Easiest Utilities to Do Business With, scoring the top 20% of utilities under a Customer Effort Index. This achievement recognized that we are meeting or exceeding customer expectations, and the recognition helps confirm our success ~~and~~ in our goal to transform the customer experience that we've been working on for the past several years.

Slide 27 illustrates results of executing our customer-focused strategy, delivering strong long-term total shareholder returns.

And then Slide 28, you'll see our 2020 scorecard. We publish our major initiative scorecard every year to hold ourselves accountable to you, our shareholders and to our customers. And we group our strategic goals into 4 major categories: profitable growth, valued service, better every day and a great workplace.

So let me recap by saying, I think we had a very successful quarter operationally, financially and strategically, except for mild weather that impacted earnings, especially when we compare the weather we experienced during this quarter to first quarter of last year. I'm very proud of how our team quickly adapted and responded to the impacts of COVID-19. Our team stepped up, and we ensured we continue to serve our customers both safely and reliably. Importantly, we also maintain our strong financial position and kept our capital investment program on track. Looking forward, we've already seen states and local communities start to reopen their economies, and we'll make sure we have the energy available to support those efforts.

That concludes our prepared remarks, and we're happy to entertain questions.

+++ q-and-a

Operator^ (Operator Instructions) Your first question comes from Julien Dumoulin-Smith with Bank of America.

Ryan Greenwald^ This is actually Ryan Greenwald on for Julien. So maybe if we could start with Colorado. Obviously, a lot going on there. As we're waiting for the written order from the Colorado gas hearing, how are you guys kind of thinking about your options here, whether it be an RRR or to file another rate case? And then can you provide a bit more granularity around the impact of CapEx and your embedded recovery assumptions?

Linden R. Evans^ In terms of the rate review, Ryan, we are -- as we said before, we're waiting for that decision. It would be important for us to read the decision. As I review the ALJ decision, which I haven't reviewed for a couple of months now, there was some indication that there were just too many issues that we're trying to resolve at once with consolidation or rate review and things of that nature. So I think it's going to be very important to see the actual written order, how -- if -- whether or not the commission tries to lay out maybe a path for us, if you will. So we'll take that into consideration.

And as you indicated, we have several options. We have what's called RRR in Colorado. I won't get the acronym right, but it's kind of a review of an opportunity to go back to the commission and ask them~~[SM]~~ to reconsider their decision. That's one option. Another decision -- option could be to appeal through a court and then, of course, as you indicated already, Ryan, a third option is perhaps to file another rate review, which we would only do after we've, again, read the commission's order, see what kind of path they may lay before us. Talk with, of course, with the OCC, Office of Consumer Counsel, and certainly staff in that state as well and then determine what might be best steps going forward.

With respect to the capital, we are investing capital that we think is prudent for the customers' safety and reliability. We will certainly watch that capital closely. But it is capital that we continue to intend to invest in the state of Colorado, which is a growing state for us.

Ryan Greenwald^ Got it. And then in terms of your recovery assumptions there, are you guys assuming that becomes rider eligible?

Richard W. Kinzley^ This is Rich, Ryan. The -- one of the denials that the ALJ made and that was approved is the rider. So until we get that mechanism in place, it wouldn't move to rider eligible.

Linden R. Evans^ It's true.

Ryan Greenwald^ Fair enough. And then could you just touch on your early expectations in terms of your ability to participate in the renewables? And then as well as any early thoughts on the ~~play blow~~Pueblo (Colorado) vote today?

Linden R. Evans^ We did receive very solid bids in the Renewable Advantage RFP. The bids were relatively, I would say, low bids. So we expect opportunity to save money on behalf of customers. At this point, we don't anticipate that we -- personally, our company will participate in adding those renewables. But then again, we have not seen the final report.

Ryan Greenwald^ Got it. And then in terms of ~~play blow~~Pueblo, any early thoughts that are things that you're hearing today?

Linden R. Evans^ Yes, early thoughts. Well, today is the day of the final vote. We have heard that lots strong turnout. It's a mail-in ballot, so ballots have been mailed in. We understand very strong interest in it. We are hopeful for a decision that allows us to continue to serve those customers as we have for the past 12 years into the foreseeable future. So in the next 24 hours, perhaps, maybe 48, we'll have an answer to that question. So much more to come there.

Ryan Greenwald^ Got it. And then just lastly, in terms of Wygen timing for resolution here. I know settlement discussions have been going on for a while here. So just in terms of timing, and then your latest ~~spots~~thoughtws-on options if you're not able to reach a constructive resolution.

Linden R. Evans^ Yes. Thank you for that question. We are in negotiations now. So I think I should be very cautious in what we say. We want those negotiations to continue to go well and to proceed. So we are involved in those. And with all the parties, including a judge assigned by FERC, who is overseeing the settlement discussions, we're in active participation in that. So I think that's probably all I should say, except the fact that we're watching that very closely, and we have options on the other side that we may need to pursue if we aren't able to reach a settlement beyond that. I probably shouldn't speak much more to that question.

Operator^ Our next question comes from Andres Sheppard with Crédit Suisse.

Michael Weinstein^ Actually, this is Mike Weinstein speaking. Could you talk a little bit about the Nebraska rate filing? What's that going to -- what's that kind of focus on this summer?

Linden R. Evans^ That rate filing will focus primarily upon the recovery investments that we had made over the last several years. It's been a number of years since we filed the case in Nebraska. So we've invested quite a bit of capital over the years with respect to -- there to support customer growth. It also focuses on consolidating the 2 utilities into 1 single utility. Tariffs and rates is similar to what we have accomplished now in Wyoming and are trying to do in Colorado. So what will be the focus there? We have said for several quarters that we intend to file that case mid this year - with the pandemic,~~.~~ We continue to visit with staff at Nebraska. And I understand those conversations continue to be productive. However, we've not made a final decision as to when we would file. I would say that as a company and as a team, the filing is largely, I understand, prepared, and so it's a matter of timing when we may file that particular case being sensitive to our customers in Nebraska and what's good for the business as well.

Michael Weinstein^ Got it. Understood. And maybe you could talk a little bit about the guidance. Right now, guidance assumes that electric and gas usage will recover after the second quarter throughout the year. What happens if the impact on the second quarter does not improve, and we continue to have more of an extended period of pandemic response throughout the year-end? How much more would you -- how much more would your guidance be affected?

Linden R. Evans^ Good question, Mike. And let me respond kind of at a high level, and I'll ask Rich to talk about our scenario planning. As Rich indicated in his comments, we've done a lot of scenario planning. In fact, we've spoken to over 200 of our largest customers across our territories, gauging in different industries, recognizing and trying to gauge how they're feeling, what they're doing, what their response has been to the pandemic and other things that have been caused by the pandemic like oil -- low oil prices. Now we don't serve the oil and gas industry directly, but we serve ethanol plants and things of that nature as an example. So we've done quite a bit of scenario planning. We have AMI on the electric side of our business. We watched that essentially daily. We're 100% AMI, essentially on the electric side, so we get reports essentially daily in what we're seeing there. And I think, as importantly, we're listening to our utility peers across the territories, paying attention to what they've seen on the coast. And then as we get closer to home, what we're all experiencing, if you will.

So we, very early on the pandemic, put our team very focused on preparing different scenarios under which we might operate. We have -- we're not epidemiologists, as everybody well knows. And while we listen to them, we've not tried to predict, is there going to be a rebound and things of that nature. We've essentially said we anticipate and we are watching closely the loads. We anticipate that 5% to 10% load decline (commercial load) as we go forward. And then what we did is not to kind of have a real early rebound. We think we'll stay kind of low in this through the second and third quarters with the idea that we may begin to emerge in the fourth quarter. So I would like the analogy I have used of kind of take the middle of the fairway, if you will, pardon the sports analogy, with how we've approached our scenario planning. And maybe Rich, you can give a little more detail about that, please.

Richard W. Kinzley^ Yes. I think Linn gave a very good overview there. One thing, just to clarify, he said 5% to 10% reduction. That's on the commercial load. We do expect residential load to at least partially, if not fully completely offset that on the upside. That's really what we've seen in March and April on the more optimistic side is that overall load really has been pretty flat to prior years on a weather-normalized basis. Now our scenario planning, we looked at a variety of different scenarios. I think Linn's analogy of middle of the road is probably the best one. We do expect some impact as we continue through the second quarter. Certainly continuing well into the third quarter and then a slow rebound as we get through the year. That's kind of how we've framed it up.

Linden R. Evans^ In our territories, the authorities got ahead of, if you will, the curve on the pandemic as we all try to flatten the curve. And so largely, in our territories, not discounting anyone who has been ill, certainly not at all. But we've had relatively low positive cases for the virus, except for, you could argue, Arkansas and some in Colorado. But other states relatively, relatively unimpacted. So it's been more of an economic impact as we have intentionally closed our economies. And because of the rural nature, a lot of our businesses have been able to continue just at a slower pace, if you will. And now with the official reopening, it's going to be very interesting over the next week or 2 to see what happens within our territories, Mike. So hopefully, that helps you.

Michael Weinstein^ All right. Is it fair to say, though, that your guidance doesn't include any reduction in gas load, right, because that would be a fourth quarter issue and you're kind of assuming mostly a recovery by that.

Richard W. Kinzley^ ~~Linden R. Evans^~~ Yes, I think that's fair.

Richard W. Kinzley^ We do anticipate some minor impact on the gas side in the second and third quarter and probably a little bit in the fourth quarter, but I think the way you said it is fair. It's that we're coming back by the fourth quarter and by year-end.

Michael Weinstein^ Okay. What kind of timing do you have internally for achieving the midpoint of that 50% to 60% dividend payout ratio? Is that -- how many years out?

Richard W. Kinzley^ We haven't disclosed that. I think a better way to think about that. Obviously, we haven't disclosed anything beyond 2020 yet in terms of earnings guidance. So I won't answer that directly. I'll just reiterate what I said in my script, our long-term earnings growth prospects support that payout ratio.

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

Brian J. Russo^ A lot of my questions have been asked and answered. But just curious, the $14 million to $15 million of PTCs in your guidance, how much of that was used in the first quarter?

Richard W. Kinzley^ Well, it comes through the actual production of those credits. The actual megawatt hours generated that produce those credits occurs evenly through the year. But with FIN 18 tax accounting, we actually have to recognize those kinds of things proportionally to our pretax income generated in each quarter. So we really recognized about 44% of those in the first quarter. Does that make sense? The full year's expected production -- 44% of the full year's expected production tax credits.

Brian J. Russo^ Okay, great. And then the $0.05 to $0.10 of COVID-related headwinds, could you break that down at all between what's sales related versus what might be net expenses?

Richard W. Kinzley^ We have intentionally not done that. I mean, obviously, we have internal models that get us there. But we're intentionally not doing that because we're throwing darts on both loads, bad debts and all those kinds of things. People that -- we've looked at all the other calls from all the other utilities. And in our opinion, real detailed disclosures, ~~our~~ are guesses is at best. We're just too early in the pandemic. So we've chosen to frame it up in that bucketed approach.

Brian J. Russo^ Got it. Understood. And then the debt-to-cap -- net debt to cap. Obviously, it's come down a little bit. I would imagine it's because of the $100 million of equity offering completed in February. When we look through the next couple of years, how long do you think it's going to take for you to get into that mid- or low 50% to 60% range?

Richard W. Kinzley^ Yes. We want to get to the mid-50s. It should take a couple more years. Obviously, the $100 million equity issuance in the first quarter helped. And then just the fact that our first quarter is one of our biggest -- is our biggest earnings quarter contributes to retained earnings beyond the dividend paid out. So that really drove that 210 basis point reduction. But to answer your question, it's going to take 2, 3 more years to get where we want to be.

Brian J. Russo^ Got it. And just on the Mining segment, the 10% decline in first quarter volumes year-over-year. Is -- and I understand the planned out time and the planned outages. What about the Wyodak plant? Is that just due to a reduction in demand for electricity? Just trying to get a feel for -- should we be expecting that kind of volume reduction throughout the year?

Linden R. Evans^ Those reductions are primarily related to the fact that there have been so much wind has been constructed in the state of Wyoming. So it's dispatched first. And so the lack of transmission or transmission constraints oftentimes can put the Wyodak in a position where it's not operating at full capacity. So we'll see how that goes going forward. It's a little less with the -- it's less of a reflection on the demand for electricity as it is a reflection on the increase of renewables in the state of Wyoming.

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

Linden R. Evans^ Thank you, Daniel. Again, thank you to everyone for joining us today on our call. Please continue to stay safe and be well, and we'll look forward to actually seeing everyone face-to-face as soon as we can. So thanks so much for joining us today.

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