Black Hills Corporation

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Jerome Nichols: Good afternoon. Welcome to Black Hills Corporation's 2017 Analyst Day, being held at the Hotel Warwick New York in New York City. My name is Jerome Nichols, and I am the Director of Investor Relations for Black Hills.

On behalf of our leadership team, I want to thank all of you – those participating by webcast and, particularly, those of you at the hotel – for taking time out of your busy schedules to spend the afternoon with us. We hope that you find our sessions today informative and helpful.

Our presentation today includes forward-looking information and the use of non-GAAP financial measures. You should refer to Slide 2 of the presentation as well as our filings with the Securities and Exchange Commission for some of the risk factors that could cause future results to differ from our forward-looking statements. Our reconciliation of non-GAAP measures is available in the appendix of our presentation materials.

Slide 3 of our Analyst Day presentation has the meeting agenda. Our format today includes an introduction and strategical review, business and regulatory presentations, and a financial update. We will hold a question-and-answer session at the end of our presentation. Again, as a reminder, if there is something that needs clarification, please ask the question during the presentation. The webcast participants can ask questions through the "chat" feature of their web player.

As a reminder, today's webcast is being recorded, and a transcript and an audio recording will be available after the event at our website, at www.blackhillscorp.com, under the "Investor Relations" tab.

Our first presenter this afternoon is David Emery, Chairman and Chief Executive Officer of Black Hills. Dave?

David Emery: Thanks, Jerome. Welcome, everyone. We're glad you could join us. Thanks for being here for those of you in person, obviously, and those of you joining by the webcast, as well.

We have Analyst Day not every year, but a lot of years – most years, in fact – and generally our intent is kind of two or threefold, however you want to look at it. Really, the large intent is to provide a little deeper understanding of some of our strategies and how we execute those, going forward; give a little bit deeper dive into some of the operational issues, some of the capital spending areas, a few things that we just don't have time to do on regular quarterly earnings calls; and then also give you exposure to a few more members of management through the presentations that aren't always at the conferences and on the webcasts that you see.

Jerome introduced himself and me. In addition to that, today we've got Linn Evans, our President and Chief Operating Officer; Brian Iverson, our Senior Vice President and General Counsel; Rich Kinzley, our Senior Vice President and CFO. We also have a few other people here today. So, Jen Landiss, our Senior Vice President and Chief Human Resources Officer is here; Kimberly Nooney, Vice President and Treasurer; Christiane Curran (ph), who is our new Assistant Treasurer. I think you've been here – what? – less than two weeks, Christiane. Welcome. She's here as well, and then Dave Soderquist, I think who met most of you at the door, is an analyst with our Treasury and IR group.

Black Hills is a customer-focused, growth-oriented utility. We've talked about this a lot over the last several years. But I think the heavy emphasis here is (inaudible). And we'll talk more about that and a lot of you know the story, but it's been a big transition. We said when we completed our SourceGas transaction that we were largely complete with a long multiyear journey to a pure-play utility. And for a lot of reasons, we believe we're there already, and we'll talk about that a little bit more today.

The overview of the company. Most of you are familiar, but there's maybe a few who aren't as familiar. We started in 1883 serving gold mining lode on the electric side in the Black Hills of South Dakota – in Deadwood, South Dakota, essentially – and have been around ever since. A long history, obviously, through that.

Today, we serve about 1.24 million electric and natural gas utility customers, 800 communities in eight separate states. Headquartered in Rapid City, South Dakota, but we do have two other corporate offices that provide corporate functions, in Denver and Papillion, Nebraska. We also have a call center in Fayetteville, Arkansas, which is another corporate function.

We are a utility, as I mentioned earlier. We have two businesses – both power generation and coal mining – that we view as being integral parts of our utility. They're not operated as non-regulated businesses, per se. They are not our utility, but most of their output is sold to our own utilities under long-term contracts approved by the commissions. So, for all practical purposes from a business risk standpoint and earnings standpoint, we view them as part of our utility. They're very integral to the operation of our electric utility.

We've been – and I mentioned this earlier – but we've been on a pretty long journey here for almost 13 years, transforming the company from what used to be an integrated energy company that was about 70%-plus – depending on the metric you wanted to use – non-utility. But now, as I said, we view ourselves being 95-plus-percent utility. That's been a long journey and a very calculated one; very intentional, very deliberate on our part.

Over that period, that 13-year period, we've spent a lot of time and effort on growth activities, such as acquisitions: Cheyenne Light, Aquila, SourceGas, and then these orange bars here are various power plant construction projects. Those were the largest capital spending drivers in our growth over that period. There was a lot of others – more routine CapEx – to continue to serve customer needs, but those were the big drivers.

On the other side, we had a nice slow gradual divestment of our non-utility businesses that weren't part or tied to our utilities: IPP Telecommunications, some of our oil and gas interests, things like that. We've gradually divested those – energy marketing, a critical one – over time.

And importantly, I think we've done that in a very thoughtful manner. So, we haven't thrown up our hands on any of those businesses and just walked away. We've been very thoughtful about how we've gone about those divestitures, captured very good value in all of those. I think energy marketing is a great example. Our shareholders didn't particularly care for that business. It doesn't fit that well with a regulated utility; the unpredictability of earnings. We never really lost any money in (inaudible), but the unpredictability of earnings was a frustration for many. And we were able to hang onto it until the timing was appropriate to divest it for a very good value. And we did that with all our other businesses, as well.

With size comes opportunity. And the growth that we've accomplished in our utilities here over the last decade-plus – that 13-year journey – has really added a lot of size and scale to our utilities. That provides opportunity for the future. We have a lot of customer needs that we will need to meet, going forward, through investments in our system.

Linn will talk about it a little bit later, but at 45,000 miles of gas pipelines that's one of the longer systems in the country; in the top 15, or so, maybe even a little higher than that. So, we have a big system that's going to require a lot of capital to continue investing to meet customer needs.

This is a little different snapshot at that transformation that I discussed earlier, really focusing on where the earnings are coming from in the business over time. And you can see the transition from the utilities being pretty small here and the non-utility businesses being a little bit bigger, and then now where we are with the overwhelming majority of everything being driven by the utilities; the base, IPP, and coal that contribute to our own utilities being very stable piece of that. And the one remaining non-utility piece, being oil and gas which we'll talk about later, is getting down to where it's really pretty negligible. And we are working our way out of that business. Linn will talk more about that in a little bit.

This is a chart we're pretty proud of. We're very focused on total shareholder return and, in particular, long-term shareholder return. Try not to make short-term decisions that don't make sense for the long-term investment thesis in the company. I'm pretty proud of this track record: 12% EPS growth rate in the last eight years; good, solid growth.

There's still periods during there where you'll see somewhat flat earnings. That's not unusual for utilities. And obviously, the smaller you are relative to the size of some of those large projects you undertake along the way, those earnings tend to flatten out for a period or two during large investment cycles. Then, as you earn on those assets, the earnings growth trajectory takes off again. So, that's not an unusual trend. Again, we're focused on the long-term trend. That's what's really important for us (inaudible) shareholders.

This is just a little bit different way to look at our track record here. This focuses more on the five-year track record. But we're very proud of our track record here, especially over the last five years, or so, really earning great returns for shareholders.

Switching to strategy – and this slide shouldn't be new to any of you familiar with the company – but we group our strategy goals into four major buckets, and you see them here: profitable growth, valued service, better every day, and great workplace. All of those really are focused on being an industry leader in everything we do. We do a lot of benchmarking, focus a lot on how we can get better every day, which is obviously one of those key goals. Linn will talk about what we're doing in some of the operations in that respect, plus some of the growth. But all four of those pillars are very critical to our long-term success.

Now with the SourceGas acquisition and integration behind us – and that was done very quickly and very effectively – we're very forward-focused. What's next? What can we do for our shareholders next? That was the title of our annual report this year, and that forward focus on strategy is really a key.

With that, today there's probably three key takeaways that we want to visit in a little more detail with you about today, through both my comments and comments from the other presenters, as well. None of this information really is new. You've heard it all from us before. It might be packaged up a little differently, and we might have a little different emphasis on a couple of things, but there shouldn't be anything in it really new as far as these three key items.

The first one is this delivering top-quartile total shareholder returns. We've always been very focused on total shareholder return. The emphasis, at least in the last several years, we've been able to grow EPS a little faster than we needed to grow the dividend. I'll talk more about that in a little bit. But the emphasis was on the total return, and that continues to be true and heavy emphasis on long term. We don't make short-term decisions that don't make sense over the long haul.

The second one is we are in a period where we're transitioning our earnings and growth drivers, post SourceGas integration. We're now moving forward past that. Integration provided a lot of opportunity for earnings growth through the combination of the two companies, recognizing the synergies that we could capture out of that by integrating very quickly and effectively and, at the same time, really scrutinizing the way we spent capital and focused on capital expenditures and investments in our system with reduced regulatory lag during this period where we were trying to capture some of these savings.

Now, after a couple of years, we're starting to shift away from that, back to the more traditional utility growth model: invest to meet your customers' needs, continue to invest in your system. We will continue to focus on being better every day and efficiency, but we have a lot more aggressive capital spending plans to meet our customers' needs. That will take us back to a more traditional approach, filing for regulatory rate reviews and back to a normal cycle. Transition is going to be a couple-of-year transition as we get back into that more normal mode, if you will. I think both Brian and Linn and even Rich, to some extent, will talk about that a little bit more later.

And then, finally, this service territory and fuel diversity. I think a lot of people don't really recognize the value that brings. People look at it and say, "Eight states, ugh. That's a lot of work, a lot of complexity and everything else." We don't look at it that way. And we'll talk about that a little bit more in a little bit. But I view it as a real big strength. From both a risk mitigation standpoint and the diversity standpoint, it's a strength.

So, diving a little bit deeper into the total shareholder return, here again emphasis on long term. We achieve that through a combination of earnings growth and dividend growth. As I said earlier, the track record on earnings per share growth has been very strong over (inaudible) almost decade. We've been more heavily reliant on EPS growth. We've had great opportunities to invest capital in our system to meet our customer needs, and that's given us great opportunities. We view that as happening in the future, too. But as I said, we're kind of in this transition right now with a little less CapEx transitioning into more to meet those customer needs.

The dividend payout ratio, we've had a lower dividend growth rate compared to our earnings growth rate because we've had the opportunity to reinvest that cash into the business. (inaudible) strong; still do have strong capital investment opportunities. But we haven't needed to rely on the dividend to show total shareholder return for shareholders.

We still target a 50% to 60% payout ratio. That's our goal. That's our objective. Rich will talk about it a little more. Right now, we're very low in that range. It's a great place to be. It gives us flexibility to utilize the dividend to manage our total shareholder return, especially during periods when the EPS growth isn't quite as strong. A great place to be.

Certainly we're very proud of our 47-year consecutive annual dividend increase track record. It's the third longest in the utility industry, one we certainly plan to continue.

One key takeaway, I guess – and we get asked this question a lot – we very intentionally do not publish long-term earnings growth rates. We don't publish long-term dividend growth rates. Very intentional; it's very deliberate. We believe strongly that it's the right thing to do.

Now, we're a little bit of an outlier position. We're focused on total shareholder return. If we put out specific earnings growth rates, we put out specific dividend growth rates, that locks us down on the amount of flexibility we have to really manage our overall performance depending on what happens in the economy, depending on what happens for capital investment opportunities versus the dividend, all of those things. We like having the flexibility to focus on total return and use the two components to our advantage. I believe strongly that when you get too focused on a specific number, you make decisions that you would not otherwise make that aren't good for the long-term health of the business.

Five-year track record. I talked about this a little bit earlier, but this just shows the combination of the two: 12%-plus compounded annual growth rate on EPS, a little under 4% on the dividend. Very strong five-year total shareholder performance compared to all our peers in EEI, certainly S&P utilities, and many other metrics.

Transitioning of our earnings drivers. I talked about this a little bit already. This is a key issue for us right now. Not a new story; we've been talking about it since we bought SourceGas, that we would go through this period where we were more focused on integration and more scrutiny on our capital investment program and then gradually transition back to that more normal utility model.

One of the things, as a reminder, that we liked about the SourceGas opportunity was they had a very large backlog of future system investment opportunities to drive growth. So, the combination of the two we felt like was two utilities that had better-than-average growth opportunities, combine those two together, and that was one of the primary reasons that we went after SourceGas as hard as we did and were successful in buying it. So, as we shift out of this mode over the next couple of years of being more focused on integration, we do have great needs in our systems that we can invest in to drive future earnings growth.

If you think about the logistics of what happens as you go through that, we integrated very quickly and very efficiently. Most of it was done in the first nine, 10 months of our ownership. All the systems, all the offices, all the headquarters buildings – all of that was all done in about a nine- or 10-month time period. It was all part of the strategy: we capture those savings as quickly as we can; we utilize those savings to provide that earnings growth that you saw initially there, focused on capital spending.

Well, if you think about what happens then over time is those savings gradually are eroded by additional capital investments and inflationary forces, except to the extent we can keep refining and getting better and more efficient. But we've known all along that there would be a point, say, two, three, four years out where it would be most challenging to demonstrate larger earnings growth. Again, not a surprise. You go through a period where you're not filing a lot of rate reviews, you're not investing as much capital. You're relying on the savings to provide that. It slows down over time, and then gradually transitions back to that traditional mode. That's where we're at right now.

'18 is going to be one of those years. We have the equity units that convert next year. We're already recognizing some of those, and we're two-plus years out – going into the third year almost – when we get into '18, post acquisition.

The capital spending, we did add this projection in the lower-right corner of this slide, which is Slide 16 for those of you on the webcast, trying to give an indication of what we'll do for capital spending post the three-year period that we typically disclose in our 10-K. That's a $350 million to $450 million recurring CapEx number. That does not include large special projects: pipelines, power generation projects, things like that. It's more routine investments in our system, smaller extensions of lines, different things like that.

It doesn't include any big one-time kind of special projects. We generally always have some of those over time, but we don't include them until we've actually proposed the projects. We never have. We're pretty picky about how we do that. So, generally, that's a pretty conservative number.

The key point there is our system needs are far greater than our DD&A rate, by more than double. So, that's going to help a lot on future growth.

This is more – this slide on 17 is really designed to kind of give you an illustration of sources and uses of cash, absent numbers. It's more of a conceptual slide. But really the point is that between the strong cash flow from our existing operations, plus the equity unit conversion at the end of next year, we can fund this strong capital spending program that we've put out, plus our dividend and anticipated increases in dividend and any of that, without any major debt or equity issuances during the period.

As a reminder, we did renew our at-the-market equity program in August. It is available. We're not really utilizing it, and we told you that we probably wouldn't utilize it in the short run. But it is available if we have additional large projects like a generation project or something. We could use it as needed, and it's available to us.

This slide really illustrates what I was talking about related to fuel and service territory diversity. On the left, really shows the differences in fuel types. So, the top gives you a little seasonality impact of the difference between the trailing 12-month or trailing four quarters on the gas business versus the electric business. The gas side is not unusual for a gas utility. They don't typically make money in the second and third quarters. It's the first and fourth quarters where they typically make all their money, and that's pretty obvious looking at our trailing four quarters here on the gas side. That's a little bit tempered by the electric utilities, which typically do a little bit better, like, in the third quarter; summer months, in particular.

Overall EBITDA, earnings, utility rate base – all of those metrics are roughly 50/50, which we like. Good balance between the two commodities.

On the other side of the slide, the right-hand side of the slide gives you an indication of kind of where the revenue requirement is – current revenue – by state and by fuel. And if you look at those, they range basically from about 6% to 18% of our total regulated revenue. So, no single entity is more than about 18% of that total revenue number. So, again, a very good balance there. If we have regulatory challenges in a single jurisdiction, it's one single jurisdiction, one single utility entity, no more than about 18% of our earnings in one single business.

Customer split is very similar. You see how it's split, there in the lower right. We view it as a strength. Brian will talk about it a little bit more later, but one of the key things is we don't have – only really one – multi-state utility. We operate state by state, which gives us the ability to really manage this risk.

As a lead-in for Linn, really our focus on growing and growing the earnings per share side of the business really is linked to four key objectives. We invest in the customer system, and that's a big driver of what we're doing. And we'll have a lot more discussion about that as we go forward.

The cultivating growth part. The only way we can grow and thrive as a regulated utility in our existing service territories is if those territories also grow and thrive. So, we put a lot of time and effort into cultivating the growth and economic development in the territories that we serve. We're very hands-on in that. We've got some great examples: the Microsoft territory, for example, in our Cheyenne, Wyoming, area. Some of the data center growth we've had there and other businesses like that have really boosted our earnings and provided a lot of growth to those communities, which is key to long-term success.

Efficiency. That gets back to that "better every day" goal. It's something we're always focusing on. Linn will talk a little bit more about some of our key initiatives in that area.

And then, finally, acquisitions. We've got a track record of acquiring a lot of systems over the years, doing it, we believe, very effectively, very efficiently. But we're disciplined. We've done a couple of major acquisitions; we've walked away from more than that; and a couple we were – literally could have purchased but kind of the last minute they got too expensive. We didn't think it was in our best long-term interest to buy those at the time. So, we're disciplined in our approach, but where's it merited we'll be aggressive when we know we can add good long-term shareholder value.

So, with that, I'll turn it over to Linn and let him continue with an operations overview and a little update on our businesses.

Linn Evans: Thank you, David. Good afternoon, and thank you all for being here and thank you for your interest in Black Hills Corporation. It's quite a privilege for me to stand here and be a representative of our 2,800 employees who live out our vision, mission, and values every day. And we really have a special culture of creating value, and I hope I can represent that as well as possible as we go through this presentation and give you some updates with respect to what we're doing from an operations perspective and kind of a general business update.

We've looked at several maps already, and I think let's spend just a few moments on this map, but it does indicate, I believe, in a graphical form that we have converted to a pure-play utility. We have a much broader footprint now. We have, as Dave indicated before – we'll talk about this in other places – we have about 45,000 miles of pipeline now that we maintain and operate, and we have 1.2 gigawatts of generation.

But we have grown quite a bit over the last several years. If you go back to 2004, we began that year with about 62,000 customers, and we've matured pretty rapidly, today serving the 1.2 million customers that we serve, primarily through the Aquila transaction back in 2008 and, of course, SourceGas in 2016.

We also brought with the SourceGas acquisition, we have a new introduction to transmission opportunities and storage facilities that we did have before the transaction.

It's been a very busy two years. Very proud of the team in terms of integration. Within 18 months, we executed the transaction, got approval of the transaction, and completely integrated the transaction. All of our software systems, all of our systems have been completely integrated. We have a lot of processes in the field we're going to talk about where opportunity comes for us to continue to enhance those, however.

Before we get into the business operations – I'm on Slide 22; I'll work to announce that occasionally for those on the webcast and those who may listen to the recording – we thought we'd give you kind of an idea of how the general business environment looks in the areas that we have the opportunity to serve, in kind of the Great Plains/Rocky Mountain region.

We do serve the middle of the country, obviously, in terms of the maps you've seen before. We don't serve the two coasts. And they are different. We don't have the bust and booms you might see on the coasts, especially with maybe some of the booms. But we do experience steady, gradual growth. And we have a slide that we'll present on that to give you more ideas about what our growth looks like. We get that question quite frequently.

We're proactive in terms of the things that we see coming. We have a culture in our organization to serve the customer, the communities, and our shareholders as well as we possibly can. We've done many innovative things in our organization, including some things that we're doing now with respect to workforce management, etc.

We serve a great part of the country with respect to employment. Oftentimes, that's looked to in terms of economic indicators. Six of our primary jurisdictions are in the top quartile with respect to employment, especially in Arkansas; we'll drill into that in a few minutes. The areas of Arkansas we serve are growing incredibly fast, with unemployment at less than 2% in northwest Arkansas.

Again, we oftentimes get the question of, what is our growth and what does our growth look like? And so, we have put two charts on Slide 24 that give you an idea of our growth, both customer count and usage of our products. And these charts are not weather normalized; so, these are actual usage. We've had a little bit warmer weather the last couple of winters. So, you see that has impacted. But it gives you an idea of what kind of growth we're experiencing.

We're experiencing, in the bottom-left part of – the graph at the bottom-left part of the Slide 24 indicates how fast, how rapidly both Colorado and Arkansas are growing. We serve the Front Range of Colorado. That's growing very fast.

We're also seeing great load with respect to our electric usage. Unlike other electric utilities in the country, we continue to see customers using more of the electricity, especially in the industrial and the commercials loads. Dave mentioned a few minutes ago Microsoft. Microsoft just committed to spending three-quarters of a billion dollars on data centers in Cheyenne alone. They're on track to make that happen, and we're seeing steady, increased load, frankly, each quarter from Microsoft. In fact, when we bought Wyoming Electric – we used to call that Cheyenne Light, Fuel & Power – when we bought that, our peak load was 159 megawatts back in 2005. Today, that's 249 megawatts, which is pretty significant for such a small utility.

We're also new to Arkansas. We've mentioned that a couple of times. But if you happen to have traveled through northwest Arkansas – which I did last week – you'd be almost shocked and surprised how much dirt is being turned in northwest Arkansas. Very fast growing region of the country. In fact, it's the 22nd fastest-growing area in the United States and predicted to soon be in the top 100 metropolitan areas of the United States. So, we're enjoying great growth there. It's a corporate office for Walmart, Tyson Foods, and J.B. Hunt Trucking. And as I said earlier, about 2% unemployment in that part of the country.

I won't spend much time on this particular slide, but to reemphasize our four buckets of strategies and goals: profitable growth, valued service, better every day, and great workplace. We put these buckets together probably seven or eight – maybe eight, nine – years ago now. We use it as a way of communicating internally to our employee team and externally to you, our shareholders, the communities we serve, and our regulators. It allows us to ensure that our employee team is very well aligned with the interest of our shareholders, our customers, and the communities that we get to serve.

Slide 26. David mentioned the four chevrons, if you will, or the four areas of growth. I will drill into each one of these kind of a one-by-one basis. But investing in customers, as we said before, we have a great opportunity now with 45,000 miles of pipe to continue investing on behalf of our customers, ensuring we have a safe, reliable system. Of course, we have plenty of opportunity to invest on the electric side going, as well.

And then, cultivating that growth. We work very hard at economic development with each of our communities, ensuring they have the lowest price commodities that we can provide them as safely as possible so those communities can grow and we can grow along with them.

And we have great opportunities to enhance efficiency – I'll drill into that – primarily with what we're doing after we acquired SourceGas.

And then, of course, acquisitions, and drill into that a little bit more, as well.

I'd like to point out the top-left part of Slide 27. We've had some very recent opportunities to grow, primarily through generation ads. That's been how we have grown the organization primarily, until we acquired SourceGas and even through that acquisition, was building, constructing, and then rate-basing generation. And we think that's – we're very good at that. It still remains a core structure for us. But we don't have anything right now that we have in our capital forecast with respect to generation – I'll talk about that a bit more later – but we're still hopeful and anticipate that that core strategy and core competency we have will continue to occur.

Slide 28. Strong investment opportunities. And we have slightly updated this particular slide for you. We're now a larger utility system, and we're driving growth through capital investment. This gives you a little bit more detail about the capital we see spending in 2017 through '19, and then beginning to look to the out-years, giving you more insight into how we intend to grow and how we intend to invest on behalf of our customers. You'll note in 2017 through 2019, we have $1.2 billion of capital that we intend to invest. And then if we look at beyond '18 – well, actually, in '18 and '19, it also includes $200 million that we will invest into our pipeline infrastructure. Importantly, we see that $200 million going on for at least the next 10 years, in terms of making sure that we have a reliable, safe system with respect to our pipeline infrastructure. It far exceeds, of course, the DD&A, more than two times.

And again, I've mentioned northwest Arkansas perhaps too many times already, but northwest Arkansas does continue to grow; in fact, growing a little bit faster demand than we anticipated. So, we are spending quite a bit of capital in northwest Arkansas and see that ongoing.

We also are going to be filing perhaps a couple of rate cases this year. We just filed one for the Rocky Mountain Natural Gas transmission pipeline, and we are evaluating other potential rate cases that we may file before the end of this year to help us keep up with our growth and investment that we're making.

Slide 29 begins to drill into some of the investment opportunities. I won't talk in detail about many of them, but it gives you an idea of the things that we are looking at – more than looking at – things that we are executing within Black Hills Corporation as we grow this company. We're very focused on being, I guess, if you will, scrappy. We have employee teams in each state that are driving growth, held responsible for helping us grow as quickly as we possibly can, efficiently as we can. In fact, we have more than 100 employees of our organization who are focused on working through these growth teams.

Some of the best examples of some that we're focused on perhaps the most – of the electric side, especially – are the RTO. I will drill into that in a few more minutes. We see some renewable opportunity, as well. Of course, data centers that are being constructed in Cheyenne are very helpful to us, and interested in how those might be located elsewhere within our jurisdiction.

On the gas side, we have opportunities to enhance reliability, primarily through loops and second feeds into some large communities that we serve. We're working with regulators discussing those opportunities now.

We're very excited about growth in terms of agricultural growth. We serve the middle part of the U.S. I'll drill into that in just a few minutes with some examples with poultry barns, another big opportunity for us in Arkansas, and just general conversions to natural gas.

We also see some virtual pipeline opportunities that are very unique and very interesting with the low natural gas prices, the sustained low natural gas prices, how we can continue to make that available to more communities within our footprint.

Slide 30 is an effort to give you a couple of examples of some things that we have accomplished and are accomplishing, and we are looking at many opportunities like this across the organization. We recently completed a 50-mile pipeline that a transmission company was not willing to build otherwise. So, we were able to convince regulators to let us build that. It allows us to build a pipeline to an underserved community where they now can grow. They couldn't grow as rapidly as they wanted to because they were underserved from a natural gas perspective.

So, by a partnership with the state, a partnership with the community, and a partnership with an anchor tenant, if you will – in this case, it was Nucor Steel – we were able to justify a 50-mile pipeline to now serve that community, and that community now will have sufficient gas that it can continue to grow. We will grow with it. And there's going to be some opportunities along the pipeline route to serve other customers, as well. Very important strategy to us and one that we're looking very closely and examining closely and finding opportunities within our territory.

I mentioned the poultry farms. Quite interesting farms. Highly automated farms, if anybody has ever had a chance to visit one. The barns are kept ideally at about 92 degrees year round. And so, obviously a great opportunity for a gas load. So, we are serving about 2,200 of those poultry barns right now and anticipate the opportunity to serve many more. Relatively low-cost conversion from propane to the natural gas, and the customers are speaking for themselves – actually, we're having customers appear in advertising for us and things of that nature – because they're making more money, their jobs are easier and much more convenient. They don't have to worry about the propane tank running out of propane, if you will. So, it's been a great opportunity for us.

Slide 31, another example of things that we are focused on as a team in terms of how we grow this organization. Nebraska, a very strong agrarian state – Kansas, as well, and others – but we have quite a few irrigation wells in the state of Nebraska. This slide, on Slide 31, depicts about 100,000 crop irrigation wells that we have mapped, and then we run our pipeline system course over that map and we determine where are some of the low-hanging fruit with respect to signing up these farmers and ranchers to convert to natural gas irrigation. Sometimes they use diesel fuel; sometimes they use other fuels that allow us to convince them to convert to natural gas. It's been a great opportunity for us and will be an ongoing opportunity across our territory.

Switching to the electric side, resource planning, a very important part of our business: generation, permitting, construction, operation. It really is a core strategy, core skill that we have, and we have that team fully in place.

In Colorado, we do have an outstanding request for proposals for 60 megawatts of wind. We were able to use one of our affiliates – as we always do – to bid into that project. Those bids have been submitted and are being evaluated by an independent evaluator working along with our team. And then, by the end of the year we anticipate that we will have the commission's decision on what resource would be picked to fulfill that 60-megawatt requirement to meet the renewable portfolio standard in Colorado.

In Wyoming, we have been focused on the potential rate basing, if you will, of Wygen 1. Seventy-six-and-a-half percent of Wygen 1 is owned by our IPP, has been on contract to Cheyenne Light – now Wyoming Electric – for quite some time. We have filed some testimony with the commission, and we'll be filing a resource plan about mid-year. And we'll continue to evaluate the appropriate time and what customer savings might be had if and when we can convert that to a rate-based plant owned by Wyoming Electric.

South Dakota, we continue to look at future generation opportunities. We do have a 50-megawatt base load energy purchase power agreement that will expire at the end of 2023. And as you may recall, in 2014 we did close and retire several of our old coal plants. We retired 82 megawatts, and we've only replaced 55 of that to date. So, we're hopeful that we may have the opportunity to do some more generation opportunity in South Dakota in the near future.

And also, even without mandates in South Dakota and Wyoming for renewables. We do not have a renewable for portfolio standard in those two states, other than a goal or an objective in South Dakota. With dropping renewable prices, we do see an opportunity, we believe, over time in the relatively near future to begin to have renewables in South Dakota and Wyoming. We'll be watching that closely.

Slide 33 gives a little more emphasis on our resource planning and our construction capabilities. We have done 19 projects, over 2,000 megawatts in the last – since 1995. Again, another very core strength that we have. Excellent track record of building on time and on budget. So, we remain very hopeful for opportunities in the future with respect to generation.

Moving into the other chevron, of enhancing efficiency, something that we're quite focused on, especially with the scale that we have today after acquiring SourceGas. We've got between 900 and 1,000 technicians in the field. We have lots of opportunity to assist with getting more efficient there. But we right now have very – we like to own the value stream. We think that is a way of being very efficient in our organization, improving processes. And then having scalable processes, so that when acquisition opportunities come along we can move quickly and with agility and also be relatively aggressive with our bidding, because we have the systems that are in place to acquire efficiently and quickly.

Moving to Slide 35, I affectionately refer to this slide internally with our organization as the NASCAR slide, and you might get the joke. You see all the logos that we have. Those are all the organizations or parts of organizations that we've had the privilege of acquiring over the last 13 years. So, with that, while we have put everybody on the same systems, many of the processes behind those systems remain how they have always used it in that particular community. So, through this process over the last roughly year and a half, we've had five high priorities within our organization that we have been focused on from an operations perspective, and they're listed on the right-hand side of Slide 35.

Utility optimization. It kind of goes back to my NASCAR representation. We have hundreds and hundreds of processes in the field that we are picking the best process and then driving that through the organization and finding cost savings through that opportunity, especially with launching of software in the field that automatically dispatches employees as efficiently as possible. We are mining data like crazy right now. I believe to be a good utility operator, you're going to have to really understand data, and we're putting our head around that pretty fastly now.

The customer experience is something we're focused on. We serve a very diverse community, all the way from Cody, Wyoming, to Blytheville, Arkansas. So, lots of different cultures and lots of different ways that people expect to do business with us. So, we're driving the customer experience in terms of making that uniform across the organization, making it easy to do business with us.

Internal financial planning. We want to have excellent forecasting, excellent financial records – especially forecasting – and then make those efficient as possible as we put those together.

Something very interesting about our organization right now – and it's listed as "jurisdictional simplification" – we have at least 17 different tariffs that we are currently managing across our company, represented by the logos. Each one of those came with a different tariff.

For example, in Wyoming, we have five tariffs alone in that one state. So, that creates lots of work internally for our regulatory team in terms of filings and things of that nature and just how we manage the business from a customer service perspective. When a CSR, a customer service representative, answers the phone, he or she has to determine very quickly which of those 17 tariffs they have to apply.

So, our goal is to get that down to maybe one or two, at the most, hopefully, tariffs per state, and we're talking to our regulators about how we can make their work easier and our work easier, as well, through jurisdictional simplification.

And supply chain is very self-evident. We buy more things now across a larger footprint. So, how do we buy them as cheaply as possible and pay for them as inexpensively as possible?

I won't spend much time on Slide 36. But we do have a very – we operate a very efficient fleet of generation units. They're very modern and they're very clean, and we're quite proud of that. Also, we have expanded in the Cheyenne area with the Cheyenne Prairie Generating Station that provides us with a hub for natural gas-fired generation that's very reliable and very cost effective. And so, as we talk about RTOs and things of that nature we're pretty excited about what's happening in Cheyenne.

And then, finally, on this slide, our mine-mouth fuel, which leads me, frankly, to the next slide, Slide 37. I'm very proud of our team in terms of the efficiencies that we have at our mine. Many of you – some of you, at least – have seen the mine. You recognize how efficient it is: we break the coal, essentially; we pick it up; we put it on a conveyor belt; it's taken to the generator; it's burned. It's extremely efficient, and we do not have to have the infrastructure for trainload outs, things of that nature. In fact, we don't even bother to have much of storage. We can barely get through a weekend with the storage that we have right now, because we have a whole coal mine just a few hundred yards away.

So, as you can see from this slide, we deliver a very cost effective price: less than a dollar. We can deliver a million BTUs of thermal coal. So, when you compare that to the average national price – certainly, the price of natural gas – it's a great way for us to serve our customers very cost effectively in a rural area of the country.

Slide 38 addresses our RTO. As each of you I'm sure are aware, FERC has been encouraging utilities to become members of RTOs for quite some time. We have been focused on the RTO possibility for about two years now, and we became a member of the Mountain West Transmission Group. That's about 10 electric utility providers within our region. We have agreed to negotiate together. We're currently negotiating with SPP. We did put out a news release under the Mountain West Transmission Group name not too long ago; refer you to that for more details about the RTO.

But we do see opportunity with the RTO. It should allow us to have a much larger footprint to do other projects even outside of our territories, and then to use our own assets much more efficiently than we have been able to in the past and actually be able to, we believe and hope – otherwise we won't probably enter into an RTO – that we can actually lower our cost to our customers.

Slide 39. We're always focused on a great workplace. We want to be a great place to work. We're very focused on safety. We have improved our safety performance quite dramatically over the last six, seven years. We have a total case incident rate of around 1.1, which is – the national average is around 2.4 to 2.6. So, we're doing quite better than the national average and continue on our trek to become the safest energy company in the industry. That is our goal.

Despite the fact that we've added a lot of people, we continue to improve our safety goal. An interesting metric that we discovered – or I discovered – a few months ago is we do take engagement surveys in our organization, see how engaged our employees are. We measure that very carefully. We had – it's been three years since we had done our last engagement survey. So, we did one in 2014. We usually do them about every 18 months. We decided not to because we had lots of other surveys we were doing and adding people to the organization. So, we did another survey in '17. So, it was three years between surveys.

And then we recognized when we looked at the data that half the people that took the survey in 2017 were not with us in 2014. Half of our people were added in the last three years. So, it's very important in terms of our culture how we manage that.

We're also getting a little bit younger now that Generation Y, commonly referred to as millennials – I think that offends them when we say that; so, we don't say that much – but Generation Y now outnumbers our baby boomers. We are getting younger, and I mentioned our desire and our hunger to manage data. And they're really enjoying working for us.

And so, there's a couple of silver linings in our cloud: (a) we're adding people. We're adding really good people to the organization. That's great. And we're getting a little bit younger. And it's been fun to watch our culture improve by the fact that we're adding younger folks to our organization. Because in this business, the old fellows, the old folks, only brought along the young folks as fast as they wanted to, because all their information was up here. Now that we have all the information in these tablets that we put in everybody's hand, the young folks can learn as fast as they want to. And by the way, guess who's going to the young folks and say, "Which button do I push?" So, we're getting a really neat culture as we mix the ages together very rapidly.

We're also excited about building a new corporate headquarters. I hope you'll come and visit us soon. And about this time next month we start to move in. We will be moving people from five buildings to one building in Rapid City, South Dakota. It's going to be a very modern building that's designed for collaboration, designed for us to be more efficient about how we do work, and we should – we will – lower our cost. We will be more efficient by having the new building.

Slide 40. We mentioned growth through acquisitions. Between this slide and the next slide, we've done quite a bit of growth through acquisitions. We've done about 25-plus I think if you counted some of our acquisitions where maybe they were to 20 to 30 meters – and we do do those. We look for municipals in our territories that are looking to be bought out. We do that very efficiently in Kansas, especially.

But we look for acquisitions that make sense to us. And in fact, we have foregone acquisition opportunities that would not provide adequate customer benefit or shareholder value. We do real integration, and we're very proud of that. We do the real stuff. They're on our systems as fast as we can get them on, and we move forward together. So, we think we're quite good at it and hope to have opportunity to do it in the future. Of course, right now our balance sheet is levered, but maybe by the end of 2018 we can begin the process of considering those more aggressively, if you will.

And Slide 41 is just a summary of some of the acquisitions we've done since 2015, back when we were 62,000 customers.

Oil and gas strategy. Let's spend a few moments on this particular slide. Our business today is very focused on the electric and natural gas utility business. That is our core business. That's where we're highly focused.

We are winding down our last non-core business, and that is our E&P business. We're continuing to progress toward the exit of the traditional business. We're working hard to do this. You can see based on the slide and other comments we've made we plan to be out of non-core properties before the end of 2018. That's consistent with what we have been saying in the past. We are, however, working hard to make that happen as quickly as we can, while still adding and creating value for shareholders.

We are not waiting for oil and gas prices to improve. That is not our strategy. Some people think we're just holding on to it long enough to see if gas prices would come back and then sell, but that is not our intent. Our intent is to exit in a way that makes very good sense for this particular set of assets.

And finally, we have suspended for now any filing of cost of service gas program. We see continuing low natural gas prices, and we understand it doesn't make sense to file that right now. When I say "right now," maybe in the foreseeable future. We shall see.

And with that, I will turn it over to Brian, Senior VP and General Counsel for regulatory update. Brian?

Brian Iverson: Good afternoon, everyone. Thanks for being here.

So, Dave talked a little bit about – this map is familiar; we've got the same cross-hatching with some of the rankings from our – with our regulators. We believe we have a very constructive regulatory environment, and a lot of questions we get around that is, how do you manage that? And as Dave alluded to, this is not one big division of utilities where you've got some conflicting interests. Each of our utilities is, not to get too legal about it, but they're ring-fenced. And so, they're a state-by-state utility. So, they can be cognizant and be managed in accordance with some of maybe the political or the regulatory direction of each of those states.

And so, we manage that through an operations VP that helps drive the operation strategy and coordinates with the regulatory team. There's a regulatory team that's in charge of each of the states. We also have governmental affairs, community affairs people that reach out. And this ties back in to some of the strategies you saw Linn talk about of how we get out into the communities and really find how do we help those communities grow and thrive and how do we help them find energy solutions, whether it be the Microsoft load or any other – the Norfolk situation. How do we find solutions for our customers and our communities out there to help them grow? So, it's really a focus on what we had.

When we talked about jurisdictional simplification, we do serve the eight states. Our intent is not to collapse this all into one big. As I said, it's to really kind of run it state by state. And so, Lin alluded to five. We've got electric utilities and four separate gas utilities in Wyoming, for example. And when you look at that, it makes sense that you would take those four gas utilities, make it simpler for customer service and for tariffs and for our regulators and even for the work that we do from an accounting and a regulatory standpoint, and combine them into as few units as we possibly could. So, one or two gas utilities. There may be some differences in how you view just the distance and location between the two, but we believe we can get some efficiencies and have been talking with our regulators about how do we go about doing that.

But, once again, it would be on a state-by-state basis. We don't intend to form a large utility that would be Colorado/Wyoming or anything like that. So, drive it state by state. And that helps us focus on the strategy, and I think it helps us be successful in the regulatory strategies because we're dealing directly with that state and what their objectives are in regard to energy policy.

Going to kind of a quick regulatory update, one of the items we get asked about quite often is the Colorado Electric rate case. Of course, we were very disappointed with the outcome there. At the end of the day, we got about $7 million out of the $14 million, and there's been different numbers; $1.2 million of new revenue. We actually had a financing rider that has about $5.9 million, as you can see from the slide, that was already included in the rates as we went into that. The primary issue there – there are several issues that we are contesting – the primary issue was the separate capital structure for the new generating unit that we put in to replace the W. N. Clark coal facility that we had closed about two years earlier.

Certainly, our view on this is that the commission's decision is contrary to the law. It really doesn't comply with the Clean Air Clean Jobs Act from Colorado. It also isn't consistent with any previous commission precedence. So, we certainly believe we've got a very strong case here, and we would expect it to be sent back to the commission with instructions to go back and look at the Clean Air Clean Jobs Act and to apply that to the situation.

The second item on there is the South Dakota settlement. I think what this was an example of is really kind of how an acquisition like SourceGas drives benefits to both customers and the shareholders by our ability to go in and propose and have accepted a rate moratorium like that.

And the last slide I have here is just kind of related to a lot of questions around, what are some of the growth drivers and how does that tie into your regulatory strategy? And you heard Dave and Linn both talk about the near-term and longer-term strategies. And so, the focus when we went into the SourceGas acquisition was to find the efficiencies, to look at the business and really evaluate where it was at from an investment perspective, from a system perspective. And we've operated it for a little over a year and a half now, and as we've looked at that we really are getting close to what the original two- to three-year stay-outs that we talked about with regulators.

And as you look at some of the growth – Linn talked about the growth in Arkansas, for example – some of the growth and other things that are going on there are going to drive us back maybe a little sooner in some areas to rate cases, rate reviews. We have a slide there that says over the plan period that we've got we expect to file in as many as 10 of our utilities. And part of that process, too, will be how do we simplify those and kind of join those together with our jurisdictional simplification.

I think Linn mentioned we filed a small rate case, on Tuesday, with Rocky Mountain Natural Gas, the pipeline company, in Colorado. And we've also given the Arkansas commission notice at the end of last month that we'll be filing a case in Arkansas before the end of the year. So, a little more step-up in activity, but it kind of ties back to the customer needs and the investment that we see need to be made in our utilities, going forward.

So, with that, I think that's my slides. Rich? Rich will give you the financial update.

Rich Kinzley: Thanks, Brian. And as the other guys did, I'll say thanks to all of you for your interest in Black Hills and thanks for coming and spending the afternoon with us.

I'm going to jump in, on Slide 48. The left side of the slide just gives you some metrics on the company as of the end of September or the end of June, as noted on there. The right side of the slide demonstrates the balance that Linn and Dave both talked about in terms of how we're about half gas and half electric now. And then you see the strong contributions from mining and power gen which are tied into our utility businesses and the ever-decreasing impact from E&P oil and gas.

Slide 49, kind of our financial strategy. Some high-level things here. At the top you see the total long-term shareholder return. Dave talked about this. That is really our head corporate goal, is long-term shareholder return in the top quartile. And that's a balance of earnings growth and dividend growth. And Dave talked at length about that. So, I won't go into a lot of that. But we have some flexibility relative to the dividend, going forward. Dave mentioned that. I'm going to talk about it a little more on a slide or two. Those are the things we're balancing as we move ahead relative to managing that total shareholder return.

The bottom part of the slide gives you some of our target metrics. We want to be BBB or BBB+, really. We want to get to BBB+ or Baa1 at all three rating agencies. We did lever up to get the SourceGas deal done, but we're working our way through that nicely and I think our metrics improve as we go forward. I'm going to touch on that in a couple of slides. The bottom four metrics really are key financial metrics for our ratings. We believe those metrics to be the kind, if we can hit those targets, that get us to that BBB level, and our forward forecast gets us there. So, that's what we're shooting for over the next 12 to 24 months.

Linn and Dave both talked a lot about CapEx. This is our CapEx slide that we presented with our second quarter earnings release, in early August. You saw then we increased both our electric and gas CapEx from what we had disclosed in the first quarter. Again, this goes back to owning SourceGas for a longer period of time, continuing to evaluate the timing on when the customer needs for additional CapEx were there relative to both growth and integrity on that large pipeline system that Linn and Dave talked about.

You see in '18 and '19 we're spending over $200 million at the gas utilities, and Linn mentioned at least $200 million as we look forward past 2019. We think we can do that for upwards of 10 years in our gas utilities. And then, we'll continue to look for those opportunities at the electric utilities as customer needs present themselves and hopefully some big generation opportunities. I will point out there are no large generation opportunities included in this slide. So, as we move forward, we'll look for those.

One other point I want to make on this slide that we've made in the past, we're pretty conservative in how we put this schedule together typically. We don't include things here unless we're pretty certain they're going to happen. And what's happened in past years is when you get out there three years or three years or more, we identify additional things we need to do. And so, I would expect these numbers to at least hold where they are, if not get larger, as we move forward.

This is just some history on CapEx and DD&A. I'll point to the left side of the slide. You can see a lot of that is some of the generation projects we've built. But generally, we've been well in excess of two, even upwards of three, times depreciation growing rate base at our utilities. On the right side, you see we were spending more than depreciation there, but a lot of that was oil and gas in 2016. We stopped that. And so, that's the explanation of the right side.

The dividend. Dave talked about this. I'm going to expand a little more on it. This chart shows our dividend since we were listed on the New York Stock Exchange in 1980, and you can see we've grown it every year. In fact, we've grown it 47 years, even prior to the beginning of this chart. In the past couple of years, we've increased it more because we are becoming more pure-play utility. Four percent CAGR over the last four to five years and a 6% increase in 2017.

Some have suggested to us we ought to jump that and get our payout ratio a little higher. We've got our stated target now of 50% to 60% payout ratio, and we're at the bottom of that, as you can see on the bottom of this slide. We will continue to evaluate the dividend. We are not going to have some quantum leap to get that payout ratio up. But we don't want to typically go backwards relative to the increase in the dividend from the prior year.

We did have a time back when the recession happened and when we acquired Aquila, back in '08 and '09, where we dropped it from four cents increase a year to two cents. So, I can't crystal ball the future and tell you we wouldn't do that if circumstances required it. But what you are likely to see is that we will continue to grow the dividend at least as much as we did the year before, barring some unusual circumstance, but we're going to grow it in a measured way rather than a big leap. But last year's increase of 10 cents, early this year, that was a step forward toward increasing our payout, and we'll continue to work that as we go forward.

The balance sheet. Obviously, we levered up substantially. We paid for most of SourceGas – over two-thirds of it – with debt. So, that levered us up. We got our debt to total cap up to about two-thirds. Well, in fact, it was up to about 67%, 68% when we first did the acquisition. Our cash flows the last couple of years have covered CapEx and dividends, and retained earnings has grown from our earnings. So, it's started to delever by itself.

The second half of next year our unit mandatory will convert from debt to equity. That's about a 600 basis point swing right there. So, that will get us below 60% by the end of 2018. In fact, we're projecting it to be probably around 58%, again because in addition to the convert our cash flows for the next 12 to 18 months are going to cover the dividend and the CapEx and equity is going to grow with no additional new debt.

Debt maturity schedule, on Slide 54. We've got a very manageable debt maturity schedule. Since we announced the SourceGas acquisition of July 2015, we did really about $4 billion of financing between equity, debt issuances, and renewing our revolver. So, we really got a lot of that cleaned up last year, in 2016, when market conditions were good to get things cleaned up.

We are looking at the 2019 maturities. That will be here before you know it. We're already almost into 2018. So, we're looking at what opportunities we have to get that refinanced and termed out as it makes sense to do so.

Slide 55 is just some of our key financial metrics. On the top half of the slide you see our solid earnings growth and cash flow growth and return growth. On the bottom you can see, because of the levering up for the SourceGas transaction in 2016, our metrics stepped backwards, but you're starting to see the improvement. And again, we forecast that those will continue to improve back toward the targets I showed you a few slides ago.

Rating agencies. We're BBB+ at Fitch and then BAA at S&P and Baa2 at Moody's. All have reaffirmed really within the last year those ratings, with a stable outlook. I already talked about our aspiration to get to BBB+/Baa2, and we'll continue to work with the agencies to demonstrate our story and try to get there.

Lastly, we are reaffirming our 2017 earnings guidance range of $3.45 to $3.60 per share based on the assumptions we issued on August 4 with our second quarter earnings release.

And with that, I'm going to turn it back to Dave to wrap up our formal presentation.

David Emery: All right. Thank you, Rich. I'll just recap a little bit here. A couple of the things we talked about really is the continuation of our long-term focus on total shareholder return. That won't change. That's going to be driven by a good capital investment opportunity in our service territories to meet customer needs that we expect to continue for a long time. We've talked about that.

We haven't scheduled the generation opportunities, but they always seem to come. Linn mentioned renewables in Wyoming and South Dakota historically hasn't been a big focus for us because of the lack of mandates, but we're in an environment now where I think those are going to work pretty well for us. That, combined with the need to replace some long-term resource potential there, as well, that we're working on. So, that's upside opportunity on top of that base $350 million to $450 million capital investment opportunity that we have. A relatively large opportunity.

Dividend growth remains important. We do want to be in the 50% to 60% payout ratio, largely because we believe our earnings per share growth rate will be higher. We're very proud of that 47-year track record of increases of our dividend and certainly plan to continue that as long as we can. It's a key goal for us internally.

And then, the upside of acquisitions. We have been a good, effective acquirer of utilities. We literally have purchased and integrated now 25 systems since 2005. And the steps, regardless of the size of those utilities, the steps that you have to go through to combine customer service data bases, accounting systems, all those processes are largely similar regardless of size. And I think we've gotten very, very good at it, as evidenced by the SourceGas acquisition. To be fully integrated – all systems processes, labor contracts, benefits programs, accounting systems, everything – in 10 months is really pretty spectacular, and we're very proud of our team for being able to do that. So, there is opportunity with continued consolidation in the industry.

As we've said before, in the short run, probably until later next year, it would be hard for us to become competitive for a large opportunity right now. It doesn't mean we can't be, but it would have to be a pretty special opportunity. We can't lever up as much as we levered up with SourceGas if we had to do it today, and that would make being competitive a little more challenging.

That being said, there's always a lot of opportunity, and we've had a few of these. Cheyenne Light is a good example of maybe acquiring smaller pieces of other company service territories, continued focus on municipal acquisitions, things like that. We could easily do those any time, and we're working on those all the time. So, we expect that to continue.

Again, we don't want to grow for the sake of getting bigger; we want to grow for the sake of adding value for shareholders. And that long-term value focus is key to us. If we don't believe we can do an acquisition and honor that principle, we don't do it and we walk away. And we've demonstrated that pretty consistently over the years. On the other hand, we've done a lot of acquisitions and we view it as a key opportunity for us, going forward, but it's not part of those capital forecasts that we talked about.

We are in this period of transition from an earnings perspective and what's driving the growth from acquisition now into back to traditional utility growth model. That's a couple-of-year process here as we start filing rate cases, as both Linn and Brian talked about. We're just at the beginning of that. By the time you work your way through the rate case process, it's mid- to late-year before any of that really starts coming home, which again gets us to that three-year-plus kind of post acquisition. When we bought SourceGas, we said we'll probably be filing rate cases in that three- to five-year window is when we're going to have to start having results from rate cases, and that's about where we're at.

A couple of states – Arkansas being one, and Brian talked about it – I would view as a pleasant surprise that we're filing earlier than we thought we would, because it's driven by customer growth in the system and it's been stronger. We touted Arkansas as a great territory when we bought it. It's been as good or better – better, frankly – than we thought. So, that's a nice problem to have.

But we're in the middle of this transition, which will be a little different from an earnings standpoint and where those earnings are coming from and the growth rates of those.

Finally, the credit ratings and credit metrics, they will continue to improve, as Rich highlighted for you, really setting us up again to have a great balance sheet to continue to grow and thrive, going forward. We're making excellent progress, really right on plan – probably even a little ahead of plan – for kind of delevering post SourceGas.

And as Rich said earlier, we completed a lot of our 2017 financing – refinancings, primarily – in '16 and took advantage of some pretty good rate opportunities to get that done and get it locked in. So, we're sitting really good from a debt maturity standpoint. The balance sheet is continuing to get better. We're really looking forward to executing our strategy, and we've got a lot of great things going.

So, that concludes our remarks. We'd be happy to entertain questions. As Jerome said, when you have a question we'll have you raise your hand so we can get you on the microphone for those on the webcast. I think the webcast can submit their questions via the "chat" feature. And we'll try to make sure if those questions don't get asked here live, we will try to ask a couple of them as we go through.

So, thank you.

Jerome Nichols: So, again, when you ask your questions if you would first start with your name and the company for the webcast participants, that would be much appreciated.

Questions?

Andy Levi: Hi. Good afternoon. It's Andy Levi, from Avon Capital/Millennium. Just on Slide 14, just a couple of questions. You say "achieve long-term EPS top quartile of the utility industry." So, I'm just – I guess the first question is what's the top quartile? What's the definition of that in your eyes?

David Emery: In what regard?

Andy Levi: Growth rate.

David Emery: Well, that depends on – obviously, it depends on the time. If you look at that number today – this is an estimate – but it's probably in that 7%-ish range, give or take.

Andy Levi: Okay. So, 7%. And then...

David Emery: That changes over time, however.

Andy Levi: Seven percent is a good number. Second question is, what base are you going to be growing off of when you give '18 guidance? Or, just growth rate, in general. You're going to give '18 guidance on the third quarter call, but when we say 7% growth, is that off of '16...

David Emery: We didn't say 7% growth. We said we would have long-term growth rates in the top quartile of the industry.

Andy Levi: Well, whatever that growth...

David Emery: It doesn't pin down to a particular year. If you look at that growth chart that we showed the 2008, and '09, and beyond, you go back a few years and forward a few years. We want to be in that top quartile. And again, that gets back to my point on the specific numbers: it drives decisions that lead you to meet a specific number in a very specific time period that isn't necessarily in the best long-term interest of shareholder value.

Andy Levi: And then, I'll ask one more question and let somebody else go. Then on the CapEx slide, where you have $350 million to $450 million in the outer years, I guess that will be more solidified when you give your guidance on the third quarter call. But just to make sure I understood what you said, so the $350 million to $450 million is kind of your range, but there could be upside to that based on whether it's generation or some other things maybe – you did talk about that. Just to clear, kind of that's your – I won't call it base CapEx, because there's growth to it. But that's kind of the minimum as far as...

David Emery: Examples of items that are specifically not included in that, Andy, would be generation projects, some of the big pipeline projects – like, Linn talked about that northeast Nebraska line. Those types of opportunities are not included in that forecast.

Jerome Nichols: Just as a reminder, for those on the webcast you can ask questions through the "chat" feature of your web player.

Mike Weinstein: Hi. Mike Weinstein, from Credit Suisse. Just to follow up on Andy's question, so the $350 million to $450 million, what's the difference in the range? What's the low end versus the high end? What would you – what kinds of projects are in the high end that aren't in the low end?

David Emery: A couple of examples might be some of our electric transmission projects maybe that we anticipate. Rich, you got any others you can think of? Linn? That's the one that pops into my head.

Rich Kinzley: Maybe another way to think about it, guys, is we talked about at least $200 million a year in the gas utilities for the next 10 years, or whatever. And on the electric side, probably just the ongoing required integrity and normal kind of projects is in that $100 million-plus range. So, that gets you to the bottom end of the range, basically. And then, you're going to have special projects come up. And then, on top of smaller – $10 million, $20 million transmission or whatever kind of projects – there are going to be some big ones.

We include them in this schedule, going forward, as we get them identified and know we're going to do them, but we know there's probably more from the bottom end of that $350 million. Things are going to come up that are going to allow it to be higher. It could be higher than $450 million in some years, if we get a big generation project or something. But that's a range we're comfortable with when you think beyond 2019.

Mike Weinstein: Also, in the beginning of the slide deck you talked about slower earnings growth in the beginning and then speeding up later and accelerating. The acceleration, is that related to the ramping up of rate filings? Is it related more to that than it is – because the CapEx forecast is sort of flattish for 2019, going forward. So, just what are the drivers of accelerating earnings growth?

David Emery: Well, it's really the two things I talked about. One is the gradually erosion, if you will, of the savings achieved through the rapid integration. If you don't do rate filings over time, to the extent that you can't offset all of your inflationary forces with savings – which it gets hard to do after that initial savings burst – that causes a gradual decrease in earnings in those territories. So, during that and we're investing a little less CapEx in the short run – hopefully, a little bit more of it is recoverable through riders, but it's still a little bit less CapEx – and then the need to file that next rate review. So, largely driven by those two things.

Lasan Johong: Lasan Johong, Auvila Research Consulting. I was under the impression that the cost of service gas program was over and, therefore, Black Hills would look to monetize the Mancos shale play, which conservatively estimated would be about $1 billion in a sale situation. Would that not be a good financing vehicle for future acquisitions which would allow you to be very competitive in bidding for the your next utility? And the next question is, would you prefer an electric or a gas utility acquisition?

David Emery: I won't comment on what I think the value of the Mancos is. But the odds – and Linn mentioned it – the odds of getting approval for a cost of service gas program right now when gas prices are cheap is pretty low. When customers are squealing about the size of their bills, it's much easier to get attention from regulators for new and more innovative programs. When they're not, it's very difficult to get their attention for new and innovative programs. That's just the reality of the situation.

And so, we don't believe that that's probably practical, and Linn said certainly for the foreseeable future. So, then it's how best do we convert that asset into shareholder value – to your point, Lasan – and we're exploring several options now as to how best to accomplish that. And is there an alternative that might at least make it available down the road as an option? I don't know, but we're working on it.

I think over the course of the next three to four months we'll have a lot more information we can share about what options we're pursuing for the rest of the wind-down of that business as we get a little farther down the road. We're still exploring multiple options right now and not really comfortable talking about any of them at this point.

Lasan Johong: (inaudible)

David Emery: Well, if the choice was that simple...(laughter) I don't think it's quite that simple. If you could sell for a value that would and exchange – if you could exchange an E&P property and finance a utility acquisition of a similar size, that would be kind of a no-brainer. We did that in 2008. We sold $840 million worth of IPP plants, and we bought $940 million worth of utilities on the next business day. So, we did that once. I don't think this situation is quite that simple. If it were, that would be great, but it's not.

Jerome Nichols: I think we have a question from the "chat" feature here. So, Chris Ellinghaus is asking the question, "How much of the approximately $200 million of CapEx per year pipeline integrity is covered by current recovery mechanisms?"

Rich Kinzley: Well, I think if you look at that CapEx chart on 50, it gives you a directional idea relative to that, on the minimal lag in the growth relative to the amount going forward. After that, I think certainly we're going to focus on things that are either rider or growth oriented whenever that's possible. But there's a lot of integrity work we need to do, and that's going to necessitate rate reviews.

(inaudible) So, that's either associated with a rider or there will be a rate review shortly thereafter. So, growth pays for itself. And the other, of course, would end up being captured in a general rate review, as well.

Insoo Kim: Insoo Kim, from RBC Capital Markets. In terms of the potential power generation projects for the future, I know – I think on Slide 32 you guys laid out or state the different (inaudible) that you guys have. Are you able to frame about what the scale of potential future capacity could be, perhaps through 2022? And then, maybe as an add-on, then South Dakota I know you guys have the rate case moratorium until 2023. Does that exclude potential major power generation projects that you may do before that?

David Emery: The last part of the question is I think anything that we would want to do in South Dakota it wouldn't preclude us from going ahead with those generation projects. How we would deal with them on a rate perspective would be a different situation. We'd have to evaluate the size of the investment, what it is, talk to the commission about the timing.

The size is tough to say right now. We've got a couple of different things going on. A lot of growth in our Wyoming utility, which is why we're getting ready to do that resource plan. We tried to give you a couple of numbers on the South Dakota system just as kind of a guidepost, if you will, that we're going to lose a 50-megawatt PPA and we already didn't replace about 30 megawatts of generation we retired, and that doesn't include any load growth. So, we tried to at least give you a sense that we could add a unit perhaps to one of our gas-fired facilities.

Insoo Kim: And just a follow-up on what's your strategy on organic growth versus and/or M&A, going forward. When you're looking for achieving that top-quartile performance on a total basis and maybe on an EPS basis, going forward, are you able to achieve that purely through your organic opportunities? Or, do you think you'll need a combination of both to do that?

David Emery: We should be able to achieve a big portion of it through the organic opportunities. We will need to convert some of our bigger project ideas into realities, the ones that we said are upside opportunities that aren't in that schedule today, whether those are generation projects, some of those pipelines that Linn talked about, some of those things. It's probably going to take at least a couple of those once in a while to be done.

Greg Reiss: Hi. Greg Reiss, with Millennium. A quick question on the E&P segment. It's about a 10- to 15-cents drag in this year's guidance. As you kind of progress in the unwind of the non-core businesses there, looking into 2018, is that expected to remain the same, improve? Kind of any sort of guidance you could give on that?

Rich Kinzley: Well, we haven't given any guidance on '18 yet.

Greg Reiss: Maybe just a rough...

Rich Kinzley: Our normal policy would be to do that when we issue third quarter earnings in early November. So, I guess we just haven't commented on that.

David Emery: The only thing we've really said on that business is as we've divested properties we've continued to right-size the business. And we've made the comment that that number continues to get smaller with time, but we haven't given a specific number for '18.

Marcelo Domeniconi: Hi. (inaudible), from TIAA Private Placements Group. I just had a quick question in terms of adding new capacity. Can you discuss a little bit more the considerations you'd make between adding a gas-fired plant in comparison to maybe some renewable projects?

Deleted: Unidentified Participant

Rich Kinzley: Some of the first things we would look at, of course, would be the customer impact on rates and costs. Renewables are beginning to (inaudible) cost effective in our part of the country. We do serve some territories that renewables could do quite well in. So, it really boils down, in my opinion at least, into the cost that it would cost to the customers and how that would be driven in terms of that would be one of the biggest drivers in our decision process.

David Emery: The other factor that's a bit of an unknown is kind of the RTO impacts. We believe – and Linn covered that – our competitive fuel costs of our fleet, where our fleet is located, whether that's gas or coal or a couple of the renewable pieces we have, we believe that most of our facilities are going to be very competitive in an RTO environment. And I think the ability to dispatch facilities within the RTO will impact some of that decision making process a little bit.

We think on the whole it's probably going to create a few more opportunities for us than be a negative, but until you get the RTO formed – and get (inaudible) to hopefully SPP, is what we've announced we're trying to do – the dust hasn't settled on that one, yet. But we believe there's some good opportunity there.

Marcelo Domeniconi: : And in terms of renewables, mostly looking at wind? Or is there any hydro?

Deleted: Unidentified Participant

David Emery: There's no hydro, really, opportunity in our territory. We've got a one-megawatt kind of run in a river kind of a hydro facility we buy some energy from, but there's very little opportunity. So, it's wind and solar.

Rich Kinzley: I think one other thing to point out in the CapEx schedule, we've not included anything for any generation projects, and we did issue this summer, as most of you know, in Colorado an RFP for up to 60 megawatts of wind or solar, and we bid into that. That process is ongoing. So, that's an opportunity, as well.

Chris Turnure: Hi. Chris Turnure, J.P. Morgan. Rich, I think you talked about the dividend pretty clearly and what your expectations are in the near term there. But Dave, you were also saying that total shareholder return is your focus and in a year when the EPS is not maybe growing at the rate where it would on the long term you want to make shareholders kind of whole there. So, what's holding you back in the near term? You have a lot of payout headroom, according to my calculations, even if you're not growing that much in '18. Why not go higher and then kind of risk not having the consistency of dividend growth that maybe shareholders don't value as much, or at least certain shareholders don't value as much?

David Emery: I can give you my opinion. Rich or anyone else can chime in. I think there's a happy medium in there somewhere, Chris, and it's how aggressive do you want to get. We don't like the idea of a real unpredictable dividend increase, kind of a ping-pong, if you will. We don't like that. We like the consistency standpoint.

That being said, you're correct: there's quite a bit of room in what we could do. And we know that we can utilize that to manage total shareholder return and at least indicated that we're willing to do that a little bit last year. We didn't go anywhere near bright to the 60%, as you know, and probably won't get real aggressive with it. But we certainly have a lot of room, and there is a happy medium somewhere.

Rich Kinzley: Well, and as I said earlier, I think it's going to be measured. We do like our long-term capital opportunities. And so, we don't want to get out in front of our skis with the dividend just to get that payout ratio up and then regret it two or three years down the road. So, there's opportunity to grow it, probably be relatively measured.

Jerome Nichols: We have a question on the webcast from a Paul Patterson that's asking – the question is, "Would you consider an M&A transaction that would cause near-term EPS dilution?"

David Emery: It certainly would not be our preference. That's not something that we would do as a rule. Never say "never," I guess. But if it was an extraordinary opportunity that had a lot of follow-on investment, like an electric utility that needed generation, could you stomach a few cents of dilution for a year, or so, knowing that you were going to follow on with a lot of additional investment and show a big earnings growth benefit of that? Maybe. But we're not – historically, we've been pretty adamant about not wanting acquisitions to be dilutive.

But again, never say "never," I don't think. You could dream up a scenario where you might be willing to take a year or so of a small amount of dilution if you really believed that the benefits were worth I, but that would be an extraordinary circumstance probably.

Julien Dumoulin-Smith: Julien Dumoulin-Smith, Bank of America Merrill Lynch. I wanted to follow up on the CapEx discussion a little bit, just to quantify sort of the piecemeal conversation about generation and pipeline opportunities. If I'm hearing you, you had this $350 million to $450 million range, but in addition to that you've got the 50 megs of renewables that are out for RFP right now; sorry, 60. In addition to that, you've got something on the order of at least 100 megawatts of gas generation potential in, I think you said, South Dakota. And then, separately, there's (inaudible) further renewable. But again, I just want to try to sum it all up over this five-year window here. And then maybe throw in the pipelines, as well. So, what's sort of the possible pipeline opportunities (inaudible)?

David Emery: The generation side, we didn't give you a specific number on the 100, but we gave you the couple of numbers on South Dakota. We generally manage the generation for Wyoming and South Dakota jointly. We dispatch it jointly, anyway; they're not owned jointly. Well, one of them is: Cheyenne Prairie is. But we generally manage those together. And we didn't talk specifically about the Wyoming Electric load, other than it's growing pretty strong. So, I think there's a pretty good opportunity to add some base load capacity there.

The generation side, if you look at our Wyoming and South Dakota systems, we only have about probably 4%, or so, energy in the South Dakota and Wyoming system from renewables. And we do have a couple of peakers that are a little more expensive to operate in that business. And so, there's an opportunity to add some renewables in those two territories that at least would be needle movers. They'd be of a sufficient size that they can (inaudible).

Julien Dumoulin-Smith: Got it. And then on the pipeline side, anything sort of discreet and chunky to follow?

David Emery: We're looking at lots of opportunities that are similar to the Norfolk transaction.

Julien Dumoulin-Smith: Got it.

David Emery: We have a pretty long list that we're pursuing. They're not all going to come true, but hopefully we have enough in the fire that some of them will come (inaudible).

Julien Dumoulin-Smith: And just in terms of trackers, etc., I'd be curious – obviously Arkansas has some legislation going back. Is there an ability to take advantage of that and/or in other jurisdictions to implement more rate trackers, broadly, I suppose, as you kind of think about this new higher level of investment? How do you deal with the lag side of the problem?

Brian Iverson: We do have a pretty good slate of trackers. In some cases, they have periods of five years and you have to renew them and go through that process. So, that's another dragging factor as you look at commencing a rate review process and what's going to happen. They won't all happen at once because some have different mechanisms around the integrity and whatnot. Some expire at different times. But I think if you look at our sheet – I don't know if we include it in here, but it's been in our – it's in the appendix here – we do have a pretty healthy slate of trackers on both the gas and the electric side.

Julien Dumoulin-Smith: Got it. So, maybe punchline is you're still looking at filing rate cases in certain jurisdictions, but you shouldn't expect rate cases across the full monty of your various service territories precisely because the bulk of this additional capital that you're spending is still covered under the trackers.

David Emery: It depends on the time horizon. I think Brian said in the five-year period we expect as many as 10 rate cases, out of 17 utilities.

Brian Iverson: Right.

Julien Dumoulin-Smith: Is there an ability to sort of alleviate some of those in the future with new (inaudible)? Or, is that not really (inaudible)?

Brian Iverson: There is a possibility. You look at – there's mechanisms, any kind of weather normalizations, formula rates, or things like that you can propose. It's really kind of getting to a regulatory strategy that you want to go with and live with.

Julien Dumoulin-Smith: Got it. And then last question here, just on the Wygen side. How's that process moving in the rate base (inaudible)? Any kind of (inaudible)?

Brian Iverson: I think the next step of that is the resource plan that we would file for the middle of next year, some time in probably the second quarter.

Jerome Nichols: All right. So, while we're waiting for the microphone to get around here, I have back-to-back questions, actually, from Noah and Hema at Nuveen, both on E&P. The question is, "Is there some way to think about how much of the 10- to 15-cent drag this year is associated with the non-core assets versus core?" And number two, "As you think about the core assets, which is the more important key consideration: profitability or just breakeven?"

David Emery: I don't think we have a breakout on what's core and what's non-core. I would say we have properties in both categories that are making money and we have properties in both categories that are losing money. So, I don't think you can make a blanket statement about that.

Clearly, we have a lot of non-core properties that they're non-core for a reason: they don't make much, if anything, and they take a lot of time and effort to manage and maintain. That's why they're the first ones to go. And so, we have cleaned up some of that already.

The second part of the question?

Jerome Nichols: On your core assets for E&P, is there a key consideration between (inaudible)?

David Emery: I think – even when you look at the core assets today, I would say the amount of income that they would generate, especially in a current price environment – $50 oil and $3 gas – isn't meaningful enough to have a significant impact on the decision making. It's going to be more about the timing of what we would choose to do with those properties and who would get them, who would be a potential buyer, or whatever, of those assets, rather than, "Well, this one is making a little bit more money than this one." It's not going to be material to that decision process.

Andy Levi: Hi. It's Andy Levi again. So, just one more question on the oil and gas. It seems to take a lot of question, I guess, for people to ask because I guess there's a lot of interest in it. But would it be fair to say – because I guess from what's been explained to me is that with $3 gas – and I think you said it yourself – kind of rate basing gas doesn't work, and you've done a good job in eliminating your non-core assets, and you have your core assets that at least parts of them creating a drag which had been stated for '17 of 10 to 15 cents – we're not sure, because we're not given '18 guidance yet, whether that's still going to be the case or whether it will be less – but would it be fair to say, whatever happens, the goal is that by '19 that drag, whether it's rate-based gas/not rate-based gas, whether you sell the assets for a good price – $1 billion; that would be wonderful, but probably not realistic – but whatever that number is that by '19 that drag will be gone? So, if we're trying to forecast your earnings and whatever those earnings are that by '19 we should kind of eliminate that from our model?

I have a follow-up on something else.

David Emery: We've said it's our goal to kind of get through this process and we specifically mentioned the non-core assets. But really, we need to determine what we're going to do with that business and we need to figure it out fairly quickly. Certainly, by the end of '18 we would expect to have that decision all done and communicated and hopefully implemented. I think Linn said we're trying hard to accelerate that process. It's front and center as a focus area for us right now. We want to get it resolved. If we can move much quicker than that, we're going to. It's just sometimes those transactions are hard to predict from a timing perspective.

Andy Levi: So, is it fair to say by '19, whatever the case is, your goal – again, it may not happen but your goal – is to eliminate that drag? Is that fair?

David Emery: That would be fair.

Rich Kinzley: I think one other important thing to note, there, our cost allocation manuals require us to allocate cost to all our businesses, our corporate costs. And part of that 10- to 15-cent drag is corporate costs being allocated to oil and gas that will be reallocated to the other (inaudible).

Andy Levi: And just so in the short run until you can go through a rate case and reallocate it. Can you quantify how much that is?

Rich Kinzley: We haven't disclosed it. We may provide some more color around that when we give guidance for '18. We're discussing that.

Andy Levi: Okay. And then, have you hired bankers or a bank to sell whatever's remaining?

David Emery: We haven't announced anything.

Andy Levi: (inaudible) that you haven't or you just haven't disclosed that?

Brian Iverson: We're just not going to comment.

David Emery: We're just not going to comment. (laughter)

Andy Levi: (laughter) I just wanted to understand the "no" part.

And then, the last question, just back to the CapEx at $350 million to $450 million and the delivered top-quartile long-term total shareholder returns. The question I asked earlier where we threw out that 7% number, which is not your guidance, but 7% as the definition of the top-quartile growth. The $350 million to $450 million kind of gets you there, and then anything above that gets you kind of above top quartile? Or, is that not a way to look at it?

David Emery: Well, I think I answered that question. I think it was Insoo, or somebody asked that question. Basically what we said is that should get us most of the way there, but we're probably going to need to have another project or two periodically come up in order to consistently meet that, whether that's a generation project once in a while, a couple of these pipeline projects, whatever. It will get us a long way there but probably not all the way on a consistent year-after-year (inaudible). We need to turn some of these other ideas into projects, which historically we have a very good track record of doing. But they're not on a list today.

Jerome Nichols: All right. Any further questions? Insoo?

And again, while we're waiting for Insoo, for those on the webcast if you have any further questions, please use your "chat" feature.

Insoo Kim: A question on the Wyodak, the coal contract. I know there's a price reopener in July of 2019. How do we think about what that price is currently and what that potential adjustment price gap could be? And I'm assuming that difference would factor into whether you guys tried to, I guess – well, I don't know. Does that factor into whether you rate base that plant from the power gen to the utility?

David Emery: You're talking two different plants. So, the Wyodak plant is the one that's operated by Pacific.

Insoo Kim: I'm sorry. Right. Apologies.

David Emery: So, the price reopener wouldn't have any impact on that decision at all.

Insoo Kim: Right. But in terms of the price...

David Emery: The way that price reopener is structured – and this was done back in 2001 – is that it allows us to keep the full location advantage, the value of the location advantage of the mine in the coal contract. So, there's one piece of three that is market based. And it's a – six-month? 12-month? – rolling average. It's in our disclosures, I think. But I think it's a 12-month rolling average of the price of Powder River Basin 8,400 BTU coal with a BTU adjustment. And then there's an avoided cost of a coal unloading facility that they would have to construct and amortize over the remaining life of the plant to bring coal from another source. And there's an avoided rail cost that they would have to incur if they brought coal from another plant. And those three are added together to determine that coal price.

While a couple of those factors have been going up in price, markets changed a little and it fluctuates a little, but it's hard to envision a scenario where that's going to be radically different. It's not going to be a huge number one way or the other, I don't think. It's hard to say, but it's three components. So, it's not just the market price of coal that's important.

Lasan Johong: Brian, I assume that after joining the RTO that Black Hills is now receiving a 50 basis point boost from joining the RTO that the FERC authorizes?

Brian Iverson: As far as the transmission tariffs?

Lasan Johong: ROE. Yes, transmission tariffs.

Brian Iverson: I don't know that I would make an assumption like that. I think FERC is reevaluating all of those ROEs, but certainly we do have a formula rate tariff in our South Dakota Electric. And then we've got stated rates in both Colorado and for Wyoming Electric. Those probably won't change in the near term.

Lasan Johong: Even after you join SPP or if you join SPP?

Brian Iverson: That's correct.

David Emery: The South Dakota one, which is the largest, is already under a FERC tariff, Lasan.

Brian Iverson: It's a formula rate.

Lasan Johong: Okay. I'm trying to circle a square here, David. My understanding is that Black Hills has enough capacity to double its utility customer base in terms of its systems and back office and all those other things you need to have a smooth integration. But you also mentioned that there was another ton of money being put into new systems and new IT stuff that you need to boost into SourceGas acquisition. So, I'm kind of trying to figure out if I'm missing something or what the link is between being able to double the capacity of your customer base without additional investment but yet you're making investments in SourceGas systems. Thank you.

David Emery: Let me answer part of that, and then I'll have Linn answer part of that. So, there's two issues there, Lasan. The base systems – so, accounting, customer information, HR, all those systems – we have a lot of capacity to scale those up. And basically that's what we've done. We installed and made all those conversions to those systems post our integration and acquisition of Aquila in 2008 and created this scalable platform that we can continue to bolt additional utilities on.

I think that some of the system investment you're talking about is the deployment of the field technology, and I'll let Linn talk about what we're doing there. We're expanding that and doing a lot more work.

Linn Evans: Good question, Lasan. We have evaluated all the field technology software based on current O&M reductions that we get from it. So, it essentially pays for itself. Our objective behind it is we do not have to have rate cases necessarily to get a return on that capital. The reduction in costs that we get get the return on the capital for us.

Jerome Nichols: All right. Before we go to the next question here, I have one from the "chat" feature, is they said, "At this time, do you have any idea about timing on when you would either resume the cost of service gas program or abandon the program completely?"

David Emery: I think that answer is kind of the same as the one with Andy here, in that we'll have that all done kind of in the time frame we already discussed.

Jerome Nichols: Mike, did you have another question? You're good? Okay.

Any additional questions?

Final call on the webcast if anybody has any questions.

David Emami: Hi. David Emami, from Verition. I just had a quick question on tax reform and how it might impact you guys, and what are your views after seeing the initial blueprint?

Rich Kinzley: I don't know that the initial blueprint is a whole lot different than what was initially thrown out, and we had evaluated that. There's enough moving pieces and parts there that until the details are actually spelled out it's really difficult to say what tax reform might do for us. Obviously, a lower corporate rate would be beneficial for customers. We've got impacts on rate base. Things like non-deductibility of interest, of course, are very interesting to us. That's a difficult one. Immediate expensing of CapEx is another big one.

Those things are all moving in different directions. So, I don't know that we have formed an opinion until we really see the details as to what tax reform is going to do to our customers and our shareholders.

Certainly, we've been very involved at EEI and AGA. We've got folks on both those task force that are trying to get input into the lawmakers as they draft the bill. But I think it's still – even though we have a rough framework, I think it's a little too early to say what the impacts are.

What would you add to that, Dave?

David Emery: Rich mentioned we've got our tax folks heavily involved in that. We've done a lot of modeling, the capability to model a lot of what-ifs very quickly. And we've been trying to do that to just make sure we're supportive of the industry positions that EEI and AGA are taking and some of the lobbying efforts. And we did that, convinced ourself that, indeed, we'll support those lobbying initiatives, and we have. I've participated in some of the CEO meetings. We've met with a lot of our congressional delegation and have been supportive of the EEI/AGA efforts.

The biggest thing that you saw in the blueprint that came out is there's kind of this asterisk behind deductibility of interest. For a utility, that's a big deal. And there's a lot of discussions going on around that. So, that versus the expensing of CapEx, those are kind of the two big moving pieces that until we see specific bill language, really difficult to know what the impact is going to be.

Unidentified Audience Member: (inaudible)

Rich Kinzley: In part.

Brian Iverson: On the coal, about half of it flows through...

David Emery: You want to restate the question?

Brian Iverson: The question was about the tax effect on our non-regulated businesses. So, on the coal mine, about half of that is a cost-plus utility type of mechanism. So, about half of it would flow through. And on the IPP...

David Emery: And the IPP has a government (inaudible).

Brian Iverson: Right. There's a governmental impositions clauses in our IPP. So, you'd have to see kind of where those ended up at the end of the day.

Jerome Nichols: All right. We have an additional question from our webcast participants. This is from Noah, from Nuveen, again. He's asking, "Do you anticipate that utility net income growth will track the underlying rate base growth?" And also, "Should this be relatively smooth when taken into account the CapEx recovered via riders and also continued cost efficiencies, etc.?"

David Emery: That's a hard one to answer. I think it's really a timing issue. So, the riders are one thing, but the other CapEx it really depends on when you make the investment versus when you file a rate case and when the rate case becomes effective. So, as I showed on that earnings slide, you can see some kind of lumpy earnings behavior even with relatively consistent CapEx, depending on the timing of all that. So, it's hard to draw a direct correlation, I think.

Rich Kinzley: I think one thing that's maybe a little different from our history to what we see looking forward is the fact that we do have this relatively consistent gas CapEx. That will probably have a little more regular rate review routine associated with it, where in the past we had some huge generation projects. So, a little difference there. But I think the way Dave answered the question is generally right: it's hard to draw a straight line between the CapEx and rate-based growth and EPS growth.

Jerome Nichols: Any final questions?

Final, final call.

All right. Well, on behalf of the leadership team here at Black Hills, we want to thank you very much for your attendance today. That concludes our webcast for the 2017 Black Hills Analyst Day. Thank you very much.