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P: Operator;;

+++ presentation

Operator^ Good day, ladies and gentlemen, and welcome to the Black Hills Corporation second-quarter 2016 earnings conference call. My name is [Tequeea] and I will be your coordinator for today. (Operator Instructions). As a reminder this conference is being recorded for replay purposes. I would now like to turn the presentation over to Mr. Jerome Nichols, Director of Investor Relations of Black Hills Corporation. Please proceed, sir.

Jerome Nichols^ Thank you, Tequeea. Good morning, everyone, welcome to Black Hills Corporation's second-quarter ~~of~~-2016 earnings conference call. Leading our quarterly earnings discussion today are David Emery, Chairman and Chief Executive Officer, and Rich Kinzley, Senior Vice President and Chief Financial Officer.

During our earnings discussion today some of the comments we make may contain forward-looking statements as defined by the Securities and Exchange Commission and there are a number of uncertainties inherent in such comments. Although we believe that our expectations and beliefs are based on reasonable assumptions, actual results may differ materially.

We direct you to our earnings release, slide 2 of the investor presentation on our website and our most recent Form 10-K and Form 10-Q filed with the Securities and Exchange Commission for a list of some of the factors that could cause future results to differ materially from our expectations. I will now turn the call over to David Emery.

David Emery^ Thank you, Jerome. Good morning, everyone, thanks for joining us today. From an agenda perspective we will follow the same order that we have in previous quarters. I will give a quick overview of the quarter. Rich Kinzley, our CFO, will give a financial update on the quarter. I'll talk about forward strategic issues and then we will open it up for Q&A.

For those of you following on the webcast slide deck, I will be starting on slide 5. We had a great second quarter, really our first full quarter of results that include the SourceGas utilities we acquired in mid February. We met our earnings expectations, made huge progress on the

integration of SourceGas and continued to advance several of our other key growth initiatives.

Highlights in the Electric Utilities: construction continued on Colorado Electric's Peak View Wind Project and the new 40 megawatt natural gas fired turbine at the Pueblo Airport Generating Station. Both of those projects will be in service by year end. On May 3 we filed the rate request related to the new gas turbine and that process is ongoing.

Our South Dakota Electric utility continued construction on a new 144 mile transmission line, that line will go from northeastern Wyoming to Rapid City South Dakota. The first segment, which is in Wyoming, is expected to be in service by year end of this year, yearend 2016. The remaining segment, which is primarily in South Dakota, is expected to be in service in the first half of next year.

During the quarter our Electric Utilities reported some strong commercial and industrial sales driven primarily by good customer load growth. That resulted in several new all-time peak loads at both Colorado Electric and our Wyoming Electric utility.

Moving on to slide 6, Gas Utilities highlights, we continued our strategy of acquiring small utility systems that are in or near our existing service territories by purchasing a small gas pipeline and its customer base in Kansas earlier -- I guess it was last month.

On our cost of service cast initiative, we recently issued a press release announcing our intent to withdraw our initial phase one cost of service gas applications in Wyoming, Iowa, Kansas and South Dakota. Previously in April our application was dismissed by the Colorado Public Utilities Commission and in July our application was denied by the Nebraska PUC.

To remind you, we filed applications for our cost of service gas program in six states last fall. Those applications were intended to request approval for the program in two separate phases. The initial phase was intended only to establish the regulatory framework for the program. With the framework established a phase two would request approval for the inclusion of specific gas reserve properties into the program.

As we worked our way through the process here both Colorado and Nebraska indicated that our phase one applications did not contain sufficient specific information and cost data to support the customer benefits of a cost of service gas program.

It became apparent to us that the regulators were struggling with the concept of approving the phase one application which was a framework only and that by design did not include any specific cost information. So we made the decision to withdraw our remaining applications.

When we decided last year to take our two-phase approach for approval we did it for several reasons, but one of those was due to feedback we received from regulators and staff during our preliminary discussions we held with them prior to making our initial filing. We are currently

evaluating options on how best to proceed including the possibility of filing applications for approval of specific gas reserve property.

From a big picture standpoint we continue to firmly believe that a utility cost of service gas program will provide customers with long-term gas price stability as well as a reasonable expectation of lower long-term gas costs and also provide opportunities for shareholders. That is truly a win-win situation.

Moving on to slide 7, the continuation of our second-quarter highlights. Our Power Generation segment in April closed the sale of a 49.9% interest in Colorado IPP's 200 megawatt gas-fired generating units in Colorado. We will continue to be the majority owner and operator of that facility.

On the Oil and Gas front, we continue to focus our oil and gas expertise primarily towards supporting our utility cost of service gas programs and away from traditional E&P programs. At the same time we are continue our effort to divest our non-core assets. While it is not material from a financial perspective, we have identified certain non-core assets and those will be sold at an industry auction during the third quarter.

Corporate highlights, just this week we announced that Teresa Taylor will join our Board of Directors, effective September 1. Teresa brings extensive executive and Board experience to Black Hills; we are very excited to have her join our Board. On July 29 we declared a quarterly dividend of \$0.42 per share consistent with prior quarters.

On the personnel front on June 30, Steve Helmers, our Senior Vice President and General Counsel retired from the Company after 15 years in that role. We thank of Steve for the huge part he has played in the Company' success over that time period.

Brian Iverson, who was previously our Senior Vice President of Regulatory and Government Affairs and Assistant General Counsel, has been appointed our Senior Vice President and General Counsel to replace Steve.

Finally on the corporate front, to date our at-the-market equity offering program has been very effective and we have continued to sell shares through the program.

Moving on to slide 8, our SourceGas integration is continuing to go extremely well. We expect to be largely completed with much of that activity by year end. That is a very aggressive but also very achievable goal.

We have already completed much of our integration plan. The most notable recent accomplishment, which was completed over the Fourth of July weekend, was the Arkansas customer conversion to our customer information system, billing and payment systems and the simultaneous deployment of electronic tablet technology to our Arkansas field technicians. This project was a huge accomplishment in literally only 4.5 months post closing of the transaction.

Remaining integration activity is primarily centered around the customer information, billing and payment system conversion for the Colorado, Nebraska and Wyoming customers and the simultaneous deployment of the electronic field tablet technology there as well. We expect that to be done early in the fourth quarter.

Slide 9 is simply a graphical representation of the integration progress through July 15. As you can see overall we are 83% complete with our integration efforts.

Moving on to slide 10. That slide provides a reconciliation of our second-quarter income from continuing operations as adjusted compared to the second quarter of 2015. Rich Kinzley will explain the different variances during his review of our financial performance. Rich, go ahead, please.

Rich Kinzley^ All right. Thanks, Dave, and good morning to everyone on the phone. I'm going to jump right in on slide 12. And on slide 12 we reconcile GAAP earnings to earnings as adjusted which is a non-GAAP measure. We do this to isolate special items and communicate earnings that we believe better represent our ongoing operating performance.

This slide displays the last five quarters and trailing 12 months as of June 30 for each 2016 and 2015. During each of the past five quarters we incurred noncash impairment charges at our Oil and Gas business due to continued low crude oil and natural gas prices.

We also incurred acquisition-related expenses in each of the past five quarters such as advisory fees and financing and other third-party costs associated with the SourceGas acquisition. These noncash impairments and acquisition expenses are not reflective of our ongoing performance and accordingly we reflect them on an as adjusted basis.

Our second-quarter as adjusted EPS was \$0.39 per share compared to \$0.56 per share in the second quarter last year. The second quarter was the first full quarter of results for the combined Company after closing the SourceGas acquisition on February 12.

Comparing Q2 2016 to 2Q 2015 at a high level, operating income increased due to the addition of SourceGas. But net income decreased due to interest expense associated with the additional debt from the acquisition. Increased share count from our equity issuances to help fund the acquisition also impacted quarterly results from an EPS perspective compared to 2015.

I will detail these items more on the following slides, but, as Dave noted, these results generally met our expectations. Given the seasonal nature of natural gas utilities with typically strong results in the first and fourth quarters, and softer results in the second and third quarters, we expected a drop in EPS for the second quarter this year compared to last year.

As I will also note later, we are reaffirming our 2016 full-year guidance for as adjusted EPS of \$2.90 to \$3.10.

Slide 13 displays our second-quarter revenue and operating income. On the left side of the slide you will note that revenue was up approximately 20% in Q2 2016 primarily from the addition of SourceGas. On the right side of the slide you will see a 19% increase in total operating income driven by a nearly \$13 million increase at our Gas Utilities. \$11 million of this increase came from SourceGas.

Mining saw sales drop due to an extended outage at a third-party operated coal plant driving a \$3.3 million decrease in operating income compared to a year ago. Our Electric Utilities and Power Generation segments were essentially flat year-over-year. Oil and Gas operating loss improved compared to Q2 2015 driven by lower general and administrative expenses and lower depletion expense.

The Corporate segment operating loss of \$3.1 million in Q2 2016 was driven by internal labor costs, which supported our SourceGas integration efforts. Excluding the positive impact of the SourceGas acquisition we were basically flat in consolidated operating income compared to Q2 2015. I will discuss each business unit in further detail on the following slides.

Slide 14 displays our second-quarter income statement. Gross margin, operating expenses and DD&A all increased comparing Q2 2016 to Q2 2015 as a result of the SourceGas acquisition. As I noted on the previous slide, operating income before special items increased 19% year-over-year.

Special items include the Oil and Gas asset impairments and acquisition-related costs, as mentioned earlier. These items amounted to \$20.2 million after tax for the quarter or \$0.38 per share. Interest expense increased year-over-year related to increased debt from the acquisition.

The low effective tax rate for the second quarter in 2016 resulted from the removal of pretax income associated with the non-controlling interest from the Colorado IPP sale transaction in April that Dave mentioned earlier. I will talk further about how we account for Colorado IPP in a few minutes.

Finally, you see the 8.4 million diluted share outstanding increase from the previous year resulting primarily from our equity and unit mandatory issuances in November of last year related to the acquisition. We issued 6.3 million common shares in November and the application of the treasury stock method related to the unit mandates added approximately 1.1 million shares to the second-quarter diluted share count.

Additionally, since launching our at-the-market equity offering program in March this year we have sold nearly 1 million shares through the end of Q2. As adjusted EPS for the quarter decreased from \$0.56 to \$0.39 this year. As I noted earlier, this met our expectations. For the quarter, as adjusted EBITDA increased by nearly \$19 million.

The left side of slide 15 displays our Electric Utilities' second-quarter gross margin and operating income. Comparing 2016 to 2015 gross margin was flat due to various small offsetting items. Operating income

increased by \$1.4 million as O&M was \$1 million lower in the second quarter of 2016 compared to 2015 driven by the allocation of central services costs to corporate in 2016 related to SourceGas integration activities.

Comparing Q2 2016 to Q2 2015 at our Gas Utilities on the right side of slide 14 (sic - see slide 15), gross margin increase by approximately \$53 million and operating income increased by nearly \$13 million. The gross margin increase was driven almost entirely from the addition of SourceGas for the full quarter. Weather impacts on gross margin were flat to prior year.

The addition of SourceGas added approximately \$29 million to O&M which was partially offset by the allocation of central service costs to corporate, as I mentioned in the Electric Utilities. Netting these items O&M increased by approximately \$28 million year over year. Depreciation increased \$12 million in 2016 again related to the addition of SourceGas.

Compared to normal weather for the second quarter our Gas Utility gross margins were negatively impacted by an estimated \$800,000 while our Electric Utilities' gross margins were favorably impacted by an estimated \$500,000. So between Gas and Electric it about netted out.

On slide 16 you see that Power Generation operating income decreased \$400,000 for the second quarter compared to 2015. The main driver here was lower contracted revenue due to a planned Wygen I outage partially offset by annual increases in power purchase agreement prices. O&M and depreciation were comparable to 2015.

Our Power Generation segment includes the Colorado IPP plant, which is contracted to our Colorado Electric utility, plus the Wygen I plant, which is contracted to our Cheyenne Electric utility. Colorado IPP accounts for roughly two-thirds of the operating income in our power generation segment.

I will note here that these numbers represent 100% ownership of Colorado IPP. As we mentioned earlier, we sold a 49.9% interest in that plant in April. We consolidate 100% of Colorado IPP's results in our financial statements and will continue to do that going forward. And then we back out the 49.1% non-controlling interest at the bottom of the income statement.

Moving to the right, our Mining segment had a \$3.3 million decrease in operating income compared to the second quarter in 2015. For the quarter, revenue was down \$5.7 million due to lower tons sold. The tons sold were impacted by coal plant outages. The Wyodak coal plant, which is operated by a third party, had a planned outage of five weeks which was then extended an additional six weeks beyond the plan.

In addition, we had shorter outages at our Wygen I and Wygen III plants. The extended outage at the Wyodak plant impacted the mine's highest margin contract which is a fixed-price contract. This should be a one quarter anomaly and all the plants were back up and running at quarter end.

Moving to Oil and Gas on slide 17, we reduced the operating loss in the second quarter to \$4.1 million excluding a \$26 million asset impairment charge compared to an operating loss of \$7.4 million in Q2 2015 excluding \$95 million of asset impairment charges. Second-quarter volumes sold decreased by 10% as oil production naturally declined from the prior year and we intentionally limited natural gas production volumes given low commodity prices.

Comparing Q2 2016 to Q2 2015, our blended -- our average hedged price received for crude oil decreased by 8%. For natural gas our average hedged price received decreased by 48%. Lower DD&A resulting from previous impairments as well as diligent G&A cost management have helped minimize the operating loss from the segment despite the historically low commodity prices received.

On slide 18 you will see at the end of Q2 our net debt to capitalization ratio was 66.6%, this is down 260 basis points from 69.2% at the end of Q1. The significant reduction in the ratio is due in large part to the cash raised and economic gain from the \$216 million minority interest sale of the Colorado IPP facility in April. Also sales of stock to our at-the-market equity offering program added over \$50 million to equity in the second quarter.

Nevertheless, the ratio remains higher than normal and has resulted from three things: one, the financing of the SourceGas acquisition; two, we have \$299 million of unit mandatories reflected as debt on our balance sheet until the units convert to equity in 2018; and third, the after-tax non-cash oil and gas impairments we have taken over the past six quarters have reduced equity by a total of more than \$180 million.

We are focused on deleveraging the balance sheet as we look ahead. Strong cash flows and earnings from our businesses when combined with the at-the-market equity offering program will support our dividend and disciplined utility focused capital deployment program while assisting us with delevering.

We are committed to maintaining our current solid investment grade credit ratings and our forward forecasted metrics support those ratings. All three rating agencies affirmed their ratings on us in February following the closure of the SourceGas acquisition.

Slide 19 and 20 layout our planned near-term treasury activity and debt maturity schedule. We are evaluating upsizing our existing \$500 million revolver and potentially starting a related commercial paper program. We will continue to utilize the at-the-market equity offering program in 2016 and possibly into 2017. And we have nearly \$1 billion of debt coming due by ~~May~~ mid-2017.

The blue bars on slide 20 represent the SourceGas debt we assumed at closing and provide us with an opportunity to improve on the associated terms given our higher credit ratings and the current low interest rate environment. We are evaluating refinancing alternatives and will likely refinance much or all of the 2017 debt maturities in 2016.

Slide 21 demonstrates our strong track record of growing operating income and EPS. We look forward to continuing to build upon our impressive track record of growing shareholder value as we serve our utility customers safely and reliably.

On slide 22 we reaffirm our 2016 as adjusted EPS guidance of \$2.90 to \$3.10. We are pleased with the progress to date integrating SourceGas, as Dave talked about earlier, while effectively managing all of our businesses.

In addition, we are maintaining our preliminary as adjusted EPS guidance for 2017 of \$3.35 to \$3.65 per share. And integrated and full year of SourceGas results next year will position us for strong earnings growth in 2017 and beyond. I will turn it back to David now for the strategy update.

David Emery^ All right, thank you, Rich. Moving on to slide 24, consistent with the past we continue to group our strategic goals into four major categories, really with the overarching overall objective of being an industry leader in all that we do.

Slide 25, strong capital spending drives our earnings growth. We forecast a total of more than \$1.2 billion of investment from 2016 through 2018, positioning us well to continue our track record of strong earnings growth, as Rich just mentioned.

Slide 26, we continue to make excellent progress constructing the new \$65 million 40 megawatt natural gas turbine for Colorado Electric at the Pueblo Airport Generating Station. Construction is 61% complete and the project will be finished by year end. Notably our safety record is a perfect zero incident rate to date on that project which is something we are very proud of.

Slide 27, related to the new Peak View wind project which will serve our Colorado Electric customers. The developer has erected 28 of the planned 34 wind turbines and we have made a total of \$67 million in progress payments to date. That project will also be completed and in service before the end of the year.

On slide 28, as I mentioned earlier, we continue to believe strongly in the customer and shareholder benefits associated with our proposed cost of service gas program. And also as I stated earlier, we are evaluating our options on how best to proceed, including the possibility of filing new applications for approval of specific gas reserve properties.

Slide 29 highlights our dividend growth track record. We are very proud of our 46 consecutive years of annual dividend increases, one of the longest records in the utility industry and one we hope to continue.

Slide 30 illustrates our current investment grade credit ratings, Rich mentioned this earlier. We are pleased that we maintain our solid investment grade ratings.

Slide 31 demonstrates the focus we place every day on operational excellence and on being a great workplace. We are extremely proud that Forbes recently named Black Hills to America's best mid-sized employer list. And for the third consecutive year Wyoming governor, Matt Mead, honored our Wyodak mine employees with the Governor's Workplace Safety Award.

Finally, slide 32 is our scorecard. This is something that you have seen before; it is our way of holding ourselves accountable to you our shareholders. We will continue to keep this updated related to our progress towards key strategic goals as the year unfolds. That concludes our remarks. We are happy to answer any questions anyone may have.

+++ q-and-a

Operator^ (Operator Instructions). Lasan Johong, Auvila Research Consulting.

Lasan Johong^ Couple of quick questions on the cost of service gas program. There is obviously a tension between price going up and resistance -- or I am sorry, acceptance for the cost service gas program. But -- so the longer you delay this as gas prices move up how do you see this unfolding? Is it favorable, less favorable, do you think the states will be more supportive, less supportive? Especially as acquisition costs go up, how do you see this playing out?

David Emery^ Yes, it is a good question, Lasan. Obviously we are not certain of the answer to that. I mean, we have talked previously and openly about it is kind of the best time to implement a cost of service gas program. But it is also a bad time to implement a cost of service gas program.

Basically prices are very cheap right now which is wonderful for customers if we can get the program started. But it is also possible that when you initiate a program that the long-term price in the program might be slightly over market today because of the low spot prices.

Certainly the recent increase in prices from the low \$2 to the high \$2 range, I think is generally helpful. It is less of a differential between what the long-term cost of the program will be versus current spot prices.

It's certainly our intent to demonstrate to regulators that it is really the long-term price that matters, it is not short-term spot prices. But that is much easier said than done and I think people see the spot price in the paper every day and have a tendency to get focused on that number. But I think that the uptick in prices, the recent uptick in prices is generally favorable to approval of the program.

Lasan Johong^ At what kind of short-term gas price are you willing to say, you know what -- or this is not going to work because our acquisition costs are too high and therefore over the long term it will not benefit our customers?

David Emery^ Yes, that is a tough one because, again, I hate to peg a long-term decision to a short-term gas price. It is our take that we need a good long-term price probably at least in the mid- to maybe mid- to upper-\$3 range is probably reasonable when you look at a life of well price. In that range that is a very effective price from our perspective.

Now again, what is the impact on the regulators' decision-making process when they look at spot prices that are lower than that? That one is a difficult one for me to opine on.

Lasan Johong^ Okay, that is fair enough. I think that is probably a good view. You talked about selling non-core Oil and Gas assets. Can you give us some more color on which assets you are talking about?

David Emery^ Well, we will as we get that done. Basically what we have said is that we certainly want to retain the Piceance basin, that is our crown jewel property, if you will, and has by far the best value and is a very, very good long-term asset. A lot of the other properties are not as core to us.

Powder River basin is one that we think still has some value, we would like to retain it for a while at least. But most of the rest of our properties are things that we are generally evaluating divestiture of.

Right now we are focused on primarily non-operated properties that are scattered throughout the Rocky Mountain region. We have a package of those that will be put up on an industry auction kind of later this month. Hopefully we will get that done this quarter. And then we will continue to work on some of those properties, the ones that aren't included in this first round of auctions.

Lasan Johong^ You said the (multiple speakers) million?

David Emery^ What is that?

Lasan Johong^ You said the Piceance and the Vermillion are kind of still --?

David Emery^ The Piceance and the Powder are really the two primary assets --.

Lasan Johong^ Oh, the Powder River Basin?

David Emery^ Yes. And the Powder is mainly oil prices are depressed right now, it probably doesn't make a lot of sense to fire sale our properties there, they are very good properties. And then the Piceance I already talked about. The remaining stuff, again, most of that is non-operated small working interest and scattered wells, literally hundreds of properties (multiple speakers).

Lasan Johong^ No, no, I understand [the value proposition here]. Any surprises on the SourceGas acquisition either positive or negative?

David Emery^ No, I don't think so. I think we are maybe slightly ahead of schedule on the acquisition integration overall. From our internal schedule standpoint I think we feel very good about it, we are making great progress. Not really finding anything we would deem as being unforeseen, if you will. So, real positive, we are right on schedule and things are looking great.

Lasan Johong^ Excellent. My last question is the interest expense savings for 2017, if Black Hills refinances all the SourceGas debt, how much would that save shareholders -- I don't know, either in whole dollars, earnings per share or whatever metric you would like to talk about?

Rich Kinzley^ Yes, that will depend, this is Rich, Lasan. It will depend on what tenors we refinance that with. And we are working with our banks and looking at whether we do short-term variable-rate debt, 10-year, 30-year, whatever, we are looking at all of the options. So, until we get that sorted out it is difficult to put a number on that.

Lasan Johong^ Oh, I see. I thought you had already had some discussion, had some idea about terming out the debts. But --.

Rich Kinzley^ We have a general idea what direction we want to go, but until we get it done.

Lasan Johong^ I got you. Thank you very much. That is it for me.

Operator^ Insoo Kim, RBC Capital Markets.

Insoo Kim^ Just going back to cost of service gas. What is your rough timeline for a decision on the next steps? And then if you are deciding to make a combined filing do you see your own ~~technical difficulty~~ Mancos assets or other third-party properties as more likely at this point?

David Emery^ I would say we are still evaluating that. I think we are considering which properties would be best to include in a combined filing, if you will. And that -- certainly that decision will influence the timing of what we do. Obviously we would like to get it done as soon as possible, but we want to make sure we do a really good job with it and make a very good decision. So, it is tough to peg down an exact time right now.

Insoo Kim^ Got it. And ultimately I guess if the cost of service gas doesn't seem likely to be approved is the ultimate move to also go ahead and ~~time(inaudible)~~ a sale of the Piceance assets as well as the other non-core assets that you are selling next quarter?

David Emery^ Yes, that is something we will have to decide when the time comes. We have told you publicly that we really don't intend to participate in what I would call a traditional oil and gas business anymore. We made that decision several quarters ago and we have been gradually heading that direction.

If we are unable to transition to a cost of service gas program certainly that is going to affect our long-term decision on what we do with those properties. The Piceance basin, like I said, is really kind of our crown jewel property and it is one that we believe has a huge, huge value, whether that is for customers and shareholders or in the future just shareholders only.

So I think we would have to consider carefully the timing that we might choose to divest at if we cannot include it in cost of service gas. But we haven't had a lot of detailed discussion on that because long-term hopefully we can integrate some of that into cost of service gas. It may not be in our initial filings but it's certainly the direction we believe is best for customers long-term. It is a world-class shale gas asset. We really like it.

Insoo Kim^ Right, right. Okay, and turning to SourceGas. With over 80% of integration complete, what percentage of the expected I guess run rate synergies have been realized year to date? Or have most of them not been realized yet and we will see that at the back half of this year and into the first half of next year?

David Emery^ Yes, an exact percentage is kind of hard to pinpoint, but I would say it is important to remember a couple things. One, we have made a lot of staffing changes and done all of that. So, some of those starting to show up. But we also have a lot of people that are still continuing on transition services agreements. We are still running multiple systems, things like that.

So, there are some pretty big expenses that are still there that really are contingent on us finishing up the conversion of our systems and getting everyone on the same customer information, billing and payment processing systems. That is set to occur hopefully early in the fourth quarter.

Once that is done I think you will see pretty quickly the full realization of the rest of the synergies. And certainly by the fourth quarter I think those numbers are going to start showing up. And then by first quarter essentially all of them will be included in our results.

Insoo Kim^ Okay, understood. And then finally, for the guidance for this year, I know the first quarter had some more one-time tax benefits at Oil and Gas as well as at the Corporate level. Was that mostly accounted for or expected when you gave your initial guidance? So, I guess in other words, like for your guidance that you reiterated, like does that include those tax benefits or is it more (multiple speakers)?

David Emery^ It included those, yes, we expected those.

Insoo Kim^ Okay. Understood. Got it. That is all I had, thank you very much.

Operator^ Chris Turnure, JPMorgan.

Chris Turnure^ I was wondering if you guys had given an underlying amount of equity issuance for 2016 specifically and 2017 specifically that underlies your guidance.

Rich Kinzley^ Yes, it is in the guidance we put out back in February. But this year the range is \$80 million to \$120 million. Next year the range was I believe -- I would have to go back and look, it might be \$60 million to \$100 million.

David Emery^ Was it [200] total (multiple speakers).

Rich Kinzley^ 200, yes.

Chris Turnure^ Okay, and then kind of with the \$60 million that you've done year to date kind of how are you thinking about the number in 2016 within the range?

Rich Kinzley^ Well, it depends on how much equity we issue in the third and fourth quarter obviously. But I would say it is -- we are certainly feeling comfortable we are going to get to the middle point of the range. And I wouldn't think we would exceed the top end.

Chris Turnure^ Okay. And then more of a strategic question, you are building I think the Peak View project right now in Colorado. A lot of your peers, whether small or mid cap, are submitting proposals to build new wind to take advantage of the PTC and try to get at least some capital deployed by year end.

Are there any other opportunities there for you guys, whether it is another project in Colorado or elsewhere, to do that where you would have the kind of regulatory recovery mechanism that would allow you to maintain your ~~(inaudible)~~ stayout strategy with general rate cases?

David Emery^ Yes. The only other project that we have specifically identified is we filed a resource plan in Colorado and that identifies another shortfall for us to meet the renewable standard there by 2020, which is a 30% standard. We are projecting I think it is a 60 megawatt additional need there in a couple years.

So, it is not going to be something that through the resource planning process that we could accelerate and be able to start really in 2016. But it certainly is a project that is going to be needed to meet the standard there.

With at least the current planned phase out of the PTCs we would like to start it sooner rather than later just because that will benefit customers if we can keep those costs down. So, we are going to be working our way through that regulatory approval process there on our resource plan.

Chris Turnure^ Okay, great. That is all I had, thanks.

Operator^ Brian Chin, Bank of America.

Brian Chin^ I think this is a question geared more towards Rich. Just going to the quarterly EPS numbers on slide 12. If you look at the net income numbers down at the bottom over the trailing 12 months, I am assuming that that is pro forma for the sale of the Colorado IPP, is that right?

Rich Kinzley^ Well, yes, that sale was done in April of 2016, so the second-quarter results in 2016 take that into account.

Brian Chin^ Okay, so --.

Rich Kinzley^ Non-controlling interest I guess is backed out to get to the as adjusted \$0.39.

Brian Chin^ Okay, okay. So that means when we are looking at the prior quarters that non-controlling interest is still (multiple speakers).

Rich Kinzley^ It was in -- yes, it was in there. The results for that 49.9% were included in the previous numbers and aren't in Q2.

Brian Chin^ Okay, got you. In addition to that -- so if I wanted to look at these quarterly backward looking numbers as a proxy for how to think about the quarterly allocation of your earnings going forward, I would assume that that non-controlling interest sale adjustment is something I would want to consider. Also the tax benefits that you captured on the first quarter is probably another factor I would consider.

Are there any other factors that I should consider? And do you think it makes sense that we should be looking at this as a general starting point for the quarterly seasonal allocation of earnings going forward?

Rich Kinzley^ Yes, you are hitting on a good point there, Brian. With the addition of the SourceGas utilities we're going to have more operating income by a long shot in the first and fourth quarter and we are going to have more operating income in the second and third quarter, but not to the extent that it is going to fully offset the additional interest and shares.

But in the first and fourth quarter it is going to. That is where the accretion is going to come from is in the first and fourth quarter. So, I think you do kind of need to rethink about how you are allocating the quarterly earnings.

David Emery^ The seasonality will become even more dramatic with a much larger gas utility in the first and fourth quarter.

Rich Kinzley^ Right.

Brian Chin^ Yes, I suspect that that is part of the reason why there was a little bit of a disconnect between second-quarter results here versus what you guys actually reported. And particularly since you didn't change guidance I think there is a little bit of a seasonal allocation issue here that we all need to think about. But thank you, that is very helpful.

Operator^ (Operator Instructions). Joe Zhou([Andy Levi](#)), Avon Capital Advisors.

Andy Levi^ Hey, guys, it is actually Andy Levi, how are you doing?

Rich Kinzley^ Good.

David Emery^ Good.

Andy Levi^ One thing I want to go over with you because I'm still a little confused. Obviously we like the story a lot and the stock has done very well. But just back on the E&P, and I think I have asked this in the past both in meetings and with you guys. But with kind of the rate-based gas, whether it is with you guys or just in general, kind of losing its popularity or flavor -- it kind of was like the flavor of the month.

I am not really understanding what you would hold onto your E&P business at all especially if you are correct on your Permian basin assessment and there is value there. Because if you kind of look at -- you go out to 2018 or something and say after you got the shares and all that or [19] and the drag on E&P is maybe let's say \$0.15 a share and you put a utility multiple on that \$0.15, right, because it would be \$0.15 of higher earnings, it is like \$2.50 of value to stock.

And I can't see how you would get that same value from rate basing the gas. Maybe I am wrong, but it is quite a bit of earnings. So could you just kind of reconcile that? I'm just trying to understand -- try to make me understand and maybe some others why you wouldn't just get rid of it all at this point?

(Multiple speakers) especially -- well, hold on, one more thing -- especially since that is your business. I mean you are a utility, you bought SourceGas. The rest of your business is very stable earnings. And I am just really not understanding why you would hold onto this business at this point. I mean this is a good story. It is a great story, but you are kind of -- half this call is about your small E&P business, it's just it is kind of dumb.

David Emery^ I think you kind of hit it on the head is that we are a utility we are a much bigger utility and even heavier on the [gas](#) side integrating a long-term investment opportunity from gas reserves with a utility risk profile and a utility earnings profile fits exactly with that strategy. And it is a significant investment opportunity for decades to come, not just a couple years. So we believe that that is part of our utility strategy.

Now the rest of that you are spot on. And we agree and we've said we want to transition our business from a traditional E&P company which, to your point, doesn't exactly fit for utility shareholders, we get it. It is more about timing, do we fire sale it, do we take our time and make sure we are getting fair value for some of those properties? But clean it up, yes, we agree and we are [doing](#) that.

But incorporating a world-class shale asset into our utility as a benefit to customers and shareholders is right down the sweet spot of our strategy. And it is a huge very long-term investment opportunity that would not be available to our shareholders if we divested it and dumped it at a price when market conditions were very low.

Andy Levi^ Okay, well, in all due respect I disagree and I think as potentially a shareholder, maybe a shareholder -- we are not really allowed to talk whether we have positions or not in your stock. Basically I would rather see that drag go away and get the value in the stock in a very simplistic easy type of way. But that is just my opinion. And obviously you guys have yours. But again, thank you very much.

David Emery^ All right, thank you.

Operator^ (Operator Instructions). And at this time I'm showing no further questions. I would like to turn the call back over to David Emery, Chairman and CEO. Please proceed with closing remarks.

David Emery^ Well, thank you all for participating in our call this morning. We certainly appreciate your continued interest in Black Hills. Have a great rest of your day. Thank you.

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