

BLACK HILLS CORP /SD/
Form 10-Q
August 09, 2007
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2007.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

Commission File Number 001-31303

Black Hills Corporation

Incorporated in South Dakota
625 Ninth Street
Rapid City, South Dakota 57701

IRS Identification Number 46-0458824

Registrant's telephone number (605) 721-1700

Former name, former address, and former fiscal year if changed since last report
NONE

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Edgar Filing: BLACK HILLS CORP /SD/ - Form 10-Q

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class	Outstanding at July 31, 2007
Common stock, \$1.00 par value	37,750,250 shares

TABLE OF CONTENTS

	<u>Page</u>
Glossary of Terms	3-4
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Condensed Consolidated Statements of Income Three and Six Months Ended June 30, 2007 and 2006	5
Condensed Consolidated Balance Sheets June 30, 2007, December 31, 2006 and June 30, 2006	6
Condensed Consolidated Statements of Cash Flows Six Months Ended June 30, 2007 and 2006	7
Notes to Condensed Consolidated Financial Statements	8-27
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	28-51
Item 3. Quantitative and Qualitative Disclosures about Market Risk	52-55
Item 4. Controls and Procedures	55
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	56
Item 1A. Risk Factors	56
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	57
Item 4. Submission of Matters to a Vote of Security Holders	58
Item 6. Exhibits	59
Signatures	60
Exhibit Index	61

GLOSSARY OF TERMS

The following terms and abbreviations appear in the text of this report and have the definitions described below:

AFUDC	Allowance for Funds Used During Construction
Aquila	Aquila, Inc.
Bbl	Barrel
BHEP	Black Hills Exploration and Production, Inc., a direct, wholly-owned subsidiary of Black Hills Energy, Inc.
BHER	Black Hills Energy Resources, Inc., a direct, wholly-owned subsidiary of Black Hills Energy, Inc.
Black Hills Energy	Black Hills Energy, Inc., a direct, wholly-owned subsidiary of the Company
Black Hills Generation	Black Hills Generation, Inc., a direct, wholly-owned subsidiary of Black Hills Energy, Inc.
Black Hills Power	Black Hills Power, Inc., a direct, wholly-owned subsidiary of the Company
Black Hills Wyoming	Black Hills Wyoming, Inc., an indirect, wholly-owned subsidiary of Black Hills Energy, Inc.
Btu	British thermal unit
Cheyenne Light	Cheyenne Light, Fuel and Power Company, a direct, wholly-owned subsidiary of the Company
Cheyenne Light Pension Plan	The Cheyenne Light, Fuel and Power Company Pension Plan
Dth	Dekatherms
EITF	Emerging Issues Task Force
Enserco	Enserco Energy Inc., a direct, wholly-owned subsidiary of Black Hills Energy, Inc.
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FIN 48	FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement 109
GAAP	Generally Accepted Accounting Principles
GECC	General Electric Capital Corporation
Great Plains	Great Plains Energy Incorporated
Indeck	Indeck Capital, Inc.
LIBOR	London Interbank Offered Rate
LOE	Lease Operating Expense
Las Vegas I	Las Vegas I gas-fired power plant
Las Vegas II	Las Vegas II gas-fired power plant
LVC	Las Vegas Cogeneration Limited Partnership, an indirect, wholly-owned subsidiary of Black Hills Energy, Inc.
Mbbl	One thousand barrels
Mcf	One thousand cubic feet
Mcfe	One thousand cubic feet equivalent
MMBtu	One million British thermal units
MMcf	One million cubic feet
MMcfe	One million cubic feet equivalent
Moody's	Moody's Investor Services, Inc.
MW	Megawatt
MWh	Megawatt-hour
Nevada Power	Nevada Power Company
PNM	PNM Resources, Inc.
PPA	Power Purchase Agreement

Edgar Filing: BLACK HILLS CORP /SD/ - Form 10-Q

SAB	SEC Staff Accounting Bulletin
SAB 108	SAB 108, Effects of Prior Year Misstatement on Current Year Financial Statements
SEC	U. S. Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards
SFAS 71	SFAS 71, Accounting for the Effects of Certain Types of Regulation
SFAS 109	SFAS 109, Accounting for Income Taxes
SFAS 133	SFAS 133, Accounting for Derivative Instruments and Hedging Activities
SFAS 144	SFAS 144, Accounting for the Impairment of Long-lived Assets
SFAS 157	SFAS 157, Fair Value Measurements
SFAS 158	SFAS 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an Amendment of FASB Statements No. 87, 88 106 and 132(R)
SFAS 159	SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities
S&P	Standard & Poor's Rating Services
Valencia	Valencia Power, LLC, an indirect, wholly-owned subsidiary of Black Hills Energy, Inc.
WPSC	Wyoming Public Service Commission
WRDC	Wyodak Resources Development Corp., a direct, wholly-owned subsidiary of Black Hills Energy, Inc.

BLACK HILLS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	(in thousands, except per share amounts)			
Operating revenues	\$ 163,943	\$ 153,813	\$ 350,476	\$ 325,704
Operating expenses:				
Fuel and purchased power	36,598	49,280	87,886	103,409
Operations and maintenance	20,718	22,073	41,278	44,077
Administrative and general	26,306	20,105	51,969	45,056
Depreciation, depletion and amortization	24,914	22,378	48,082	43,266
Taxes, other than income taxes	10,091	7,546	19,990	18,097
	118,627	121,382	249,205	253,905
Operating income	45,316	32,431	101,271	71,799
Other income (expense):				
Interest expense	(9,977)	(12,910)	(21,086)	(24,910)
Interest income	705	346	1,439	1,014
Allowance for funds used during construction equity	1,206		3,040	
Other (expense) income, net	(2)	123	346	412
	(8,068)	(12,441)	(16,261)	(23,484)
Income from continuing operations before equity in earnings of unconsolidated subsidiaries, minority				