

BLACK HILLS CORP /SD/
Form 10-Q
August 11, 2008
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, 2008.
 - 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, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer	<input checked="" type="radio"/>	Accelerated filer	<input type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input type="radio"/>

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

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, 2008
Common stock, \$1.00 par value	38,405,259 shares

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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
ARB	Accounting Research Bulletin
ARB 51	ARB 51 Consolidated Financial Statements
Aquila	Aquila, Inc.
Bbl	Barrel
BHEP	Black Hills Exploration and Production, Inc., a direct, wholly-owned subsidiary of Black Hills Non-regulated Holdings, LLC
Black Hills Non-regulated Holdings	Black Hills Non-regulated Holdings, LLC, a direct, wholly-owned subsidiary of the Company, formerly Black Hills Energy, Inc.
Black Hills Power	Black Hills Power, Inc., a direct, wholly-owned subsidiary of the Company
Btu	British thermal unit
Cheyenne Light	Cheyenne Light, Fuel & Power Company, a direct, wholly-owned subsidiary of the Company
Cheyenne Light Pension Plan	The Cheyenne Light, Fuel & Power Company Pension Plan
CT	Combustion turbine
Dth	Dekatherm
Enserco	Enserco Energy Inc., a direct, wholly-owned subsidiary of Black Hills Non-regulated Holdings, LLC
FASB	Financial Accounting Standards Board
FSP	FASB Staff Position
FSP FAS 157-1	FSP FAS 157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements that Address Fair Value Measurement for Purposes of Lease Classification or Measurement under Statement 13
FSP FAS 157-2	FSP FAS 157-2, Effective Date of FASB Statement No. 157
FSP FIN 39-1	FSP FIN 39-1, Amendment of FASB Interpretation No. 39
FERC	Federal Energy Regulatory Commission
FIN 39	FASB Interpretation No. 39, Offsetting of Amounts Related to Certain Contracts an Interpretation of APB Opinion No. 10 and FASB Statement No. 105
GAAP	Generally Accepted Accounting Principles
Great Plains	Great Plains Energy Incorporated
Hastings	Hastings Funds Management Ltd
IIF	IIF BH Investment LLC, a subsidiary of an investment entity advised by JPMorgan Asset Management
Indeck	Indeck Capital, Inc.
IPP	Independent Power Production
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 Non-regulated Holdings, LLC, recently sold as part of our July 11, 2008 IPP asset sale
Mcf	One thousand cubic feet
Mcfe	One thousand cubic feet equivalent

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MDU	MDU Resources Group, Inc.
MEAN	Municipal Energy Agency of Nebraska
MMBtu	One million British thermal units
Moody's	Moody's Investor Services, Inc.
MW	Megawatt
MWh	Megawatt-hour
Nevada Power	Nevada Power Company
PNM	PNM Resources, Inc.
PUCN	Public Utilities Commission of Nevada
SEC	U. S. Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards
SFAS 13	SFAS 13, Accounting for Leases
SFAS 71	SFAS 71, Accounting for the Effects of Certain Types of Regulation
SFAS 133	SFAS 133, Accounting for Derivative Instruments and Hedging Activities
SFAS 141(R)	SFAS 141(R), Business Combinations
SFAS 144	SFAS 144, Accounting for the Impairment or Disposal of Long-lived Assets
SFAS 157	SFAS 157, Fair Value Measurements
SFAS 159	SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities
SFAS 160	SFAS 160, Non-controlling Interest in Consolidated Financial Statements an amendment of ARB 51
SFAS 161	SFAS 161, Disclosure about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133
S&P	Standard & Poor's Rating Services
Valencia	Valencia Power, LLC, an indirect, wholly-owned subsidiary of Black Hills Non-regulated Holdings, LLC, recently sold as part of our July 11, 2008 IPP asset sale
VIE	Variable Interest Entity
WPSC	Wyoming Public Service Commission
WRDC	Wyodak Resources Development Corp., a direct, wholly-owned subsidiary of Black Hills Non-regulated Holdings, LLC

BLACK HILLS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

	Three Months Ended June 30, <u>2008</u>		Six Months Ended June 30, <u>2008</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	(in thousands, except per share amounts)			
Operating revenues	\$ 153,273	\$ 133,526	\$ 306,123	\$ 291,023
Operating expenses:				
Fuel and purchased power	46,948	33,095	99,343	80,417
Operations and maintenance	24,320	16,557	46,285	33,062
Administrative and general	25,222	25,381	49,281	50,318
Depreciation, depletion and amortization	20,788	17,618	40,174	34,315
Taxes, other than income taxes	10,472	9,049	19,980	17,578
	127,750	101,700	255,063	215,690
Operating income	25,523	31,826	51,060	75,333
Other income (expense):				
Interest expense	(9,564)	(5,520)	(18,758)	(11,778)
Interest income	373	692	799	1,416
Allowance for funds used during construction equity	617	1,206	898	3,040
Other income, net	65	(10)	400	325
	(8,509)	(3,632)	(16,661)	(6,997)
Income from continuing operations before equity in earnings of unconsolidated subsidiaries, minority interest and income taxes	17,014	28,194	34,399	68,336
Equity in earnings of unconsolidated subsidiaries	2,064	673	2,297	1,518
Minority interest	(53)	(95)	(130)	(188)
Income tax expense	(5,875)	(9,293)	(11,676)	(22,515)
Income from continuing operations	13,150	19,479	24,890	47,151
Income from discontinued operations, net of taxes	9,046	5,619	14,098	10,400
Net income	\$ 22,196	\$ 25,098	\$ 38,988	\$ 57,551
Weighted average common shares outstanding:				
Basic	38,299	37,588	38,062	36,387
Diluted	38,425	38,007	38,412	36,793
Earnings per share:				
Basic				
Continuing operations	\$ 0.34	\$ 0.52	\$ 0.65	\$ 1.29
Discontinued operations	0.24	0.15	0.37	0.29
Total	\$ 0.58	\$ 0.67	\$ 1.02	\$ 1.58
Diluted				
Continuing operations	\$ 0.34	\$ 0.51	\$ 0.65	\$ 1.28
Discontinued operations	0.24	0.15	0.36	0.28
Total	\$ 0.58	\$ 0.66	\$ 1.01	\$ 1.56
Dividends paid per share of common stock	\$ 0.35	\$ 0.34	\$ 0.70	\$ 0.68

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The accompanying notes to condensed consolidated financial statements are an integral part of these condensed consolidated financial statements.

BLACK HILLS CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

	June 30, <u>2008</u>	December 31, <u>2007*</u>	June 30, <u>2007*</u>
	(in thousands, except share amounts)		
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 36,912	\$ 76,889	\$ 35,685
Restricted cash	5,498	5,443	5,341
Short-term investments	7,309		
Receivables (net of allowance for doubtful accounts of \$3,417; \$4,588 and \$4,735, respectively)	252,508	268,462	244,284
Materials, supplies and fuel	147,169	88,580	125,484
Derivative assets	70,769	35,921	55,591
Deferred income taxes	20,674	4,512	
Other assets	15,685	12,698	8,200
Assets of discontinued operations	598,294	573,601	564,786
	1,154,818	1,066,106	1,039,371
Investments	18,782	19,216	23,506
Property, plant and equipment	1,972,489	1,846,565	1,759,704
Less accumulated depreciation and depletion	(544,018)	(509,187)	(490,104)
	1,428,471	1,337,378	1,269,600
Other assets:			
Derivative assets	14,042	2,492	5,351
Goodwill	14,000	11,482	12,170
Other	32,121	32,960	52,903
	60,163	46,934	70,424
	\$ 2,662,234	\$ 2,469,634	\$ 2,402,901
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Accounts payable	\$ 269,095	\$ 239,177	\$ 229,464
Accrued liabilities	90,964	100,986	82,187
Derivative liabilities	89,790	39,380	17,069
Deferred income taxes			4,769
Notes payable	283,000	37,000	84,000
Current maturities of long-term debt	2,070	130,326	130,519
Accrued income taxes	4,601	833	30,306
Liabilities of discontinued operations	77,202	91,233	119,612
	816,722	638,935	697,926
Long-term debt, net of current maturities	501,301		