

BLACK HILLS CORP /SD/
Form 10-Q
November 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 September 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).

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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 October 31, 2007
Common stock, \$1.00 par value	37,759,152 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
Aquila	Aquila, Inc.
Bbl	Barrel
Bcfe	One billion cubic feet equivalent
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 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
Dth	Dekatherm
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
GE Capital	General Electric Capital Corporation
Great Plains	Great Plains Energy Incorporated
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 Energy, Inc.
Mcfe	One thousand cubic feet equivalent
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.
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

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SFAS 144	SFAS 144, Accounting for the Impairment 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
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 September 30,		Nine Months Ended September 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	(in thousands, except per share amounts)			
Operating revenues	\$ 162,354	\$ 157,608	\$ 512,830	\$ 483,312
Operating expenses:				
Fuel and purchased power	42,840	47,740	130,726	151,150
Operations and maintenance	21,942	16,490	63,220	60,566
Administrative and general	27,316	19,721	79,285	64,776
Depreciation, depletion and amortization	26,630	24,141	74,712	67,407
Taxes, other than income taxes	8,347	8,570	28,337	26,667
Impairment of long-lived assets	2,721		2,721	
	129,796	116,662	379,001	370,566
Operating income	32,558	40,946	133,829	112,746
Other income (expense):				
Interest expense	(9,634)	(12,400)	(30,720)	(37,310)
Interest income	990	389	2,429	1,403
Allowance for funds used during construction equity	811		3,851	
Other income, net	67	106	413	517
	(7,766)	(11,905)	(24,027)	(35,390)
Income from continuing operations before equity in earnings of unconsolidated subsidiaries, minority interest and income taxes	24,792	29,041	109,802	77,356
Equity in earnings (loss) of unconsolidated subsidiaries	574	615	2,092	(16)
Minority interest	(97)	(95)	(285)	(273)
Income tax expense	(7,627)	(7,362)	(36,235)	(23,939)
Income from continuing operations	17,642	22,199	75,374	53,128
(Loss) income from discontinued operations, net of taxes	(178)	81	(358)	7,060
Net income	\$ 17,464	\$ 22,280	\$ 75,016	\$ 60,188
Weighted average common shares outstanding:				
Basic	37,643	33,187	36,810	33,157
Diluted	38,078	33,560	37,226	33,526
Earnings per share:				
Basic				
Continuing operations	\$ 0.47	\$ 0.67	\$ 2.05	\$ 1.60
Discontinued operations			(0.01)	0.21
Total	\$ 0.47	\$ 0.67	\$ 2.04	\$ 1.81
Diluted				
Continuing operations	\$ 0.46	\$ 0.66	\$ 2.03	\$ 1.59
Discontinued operations			(0.01)	0.21
Total	\$ 0.46	\$ 0.66	\$ 2.02	\$ 1.80
Dividends paid per share of common stock	\$ 0.34	\$ 0.33	\$ 1.02	\$ 0.99

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

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BLACK HILLS CORPORATION**CONDENSED CONSOLIDATED BALANCE SHEETS****(unaudited)**

	September 30, <u>2007</u>	December 31, <u>2006</u>	September 30, <u>2006</u>
	(in thousands, except share amounts)		
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 81,201	\$ 36,939	\$ 47,716
Restricted cash	5,394	2,004	
Receivables (net of allowance for doubtful accounts of \$5,259; \$4,202 and \$4,007, respectively)	238,662	263,109	195,571
Materials, supplies and fuel	92,625	92,560	91,490
Derivative assets	29,385	69,244	66,990
Income tax receivable			11,524
Other assets	11,795	9,221	7,830
Assets of discontinued operations	3,543	1,424	1,043
	462,605	474,501	422,164
Investments	23,886	23,808	23,709
Property, plant and equipment	2,430,975	2,242,396	2,180,639
Less accumulated depreciation and depletion	(652,701)	(596,029)	(574,925)
	1,778,274	1,646,367	1,605,714
Other assets:			
Derivative assets	3,420	2,871	3,197
Goodwill	30,171	30,563	30,563
Intangible assets (net of accumulated amortization of \$27,363; \$25,852 and \$25,072, respectively)	21,777	24,429	25,209
Other	44,774	42,137	38,177
	100,142	100,000	97,146
	\$ 2,364,907	\$ 2,244,676	\$ 2,148,733
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Accounts payable	\$ 202,014	\$ 224,009	\$ 181,255
Accrued liabilities	102,019	95,020	82,098
Derivative liabilities	24,904	24,041	18,937
Deferred income taxes		1,215	5,001
Notes payable	96,648	145,500	147,000
Current maturities of long-term debt	143,380	17,106	17,103
Accrued income taxes	17,620	19,561	
Liabilities of discontinued operations	694	2,526	4,131
	587,279	528,978	455,525
Long-term debt, net of current maturities	466,137	628,340	632,295
Deferred credits and other liabilities:			
Deferred income taxes	191,451	174,332	170,286
Derivative liabilities	3,615	1,530	2,913
Other	143,786	116,297	