Section A

20:10:13:51. Statement A -- Balance sheet. Statement A shall include balance sheets in the form prescribed in the FERC's uniform systems of accounts for public utilities and licensees or for gas companies, 18 C.F.R. 101 (April 1, 1985), and in any other form if ordered by the commission. They shall be as of the beginning and end of the test period and the most recently available balance sheet containing any applicable footnotes.

Source: 2 SDR 90, effective July 7, 1976; 12 SDR 86, effective November 24, 1985; 12 SDR 151, 12 SDR 155, effective July 1, 1986.

General Authority: SDCL 49-34A-4.

Law Implemented: SDCL 49-34A-7, 49-34A-10, 49-34A-12, 49-34A-41.

BLACK HILLS POWER, INC.
ASSETS AND OTHER DEBITS

Line No.	Description	FERC Acct #	JUNE 30 2008	JUNE 30 2009
1	Utility Plant			
2	Electric Plant in Service	101	$ 670,439,974	$ 689,002,429
3	Completed Construction Not Classified	106	14,042,068	20,707,317
4	Construction Work in Progress	107	83,769,841	186,550,674
5	Other-Utility Property	118	-	3,669,454
6				
7	Gross Utility Plant		768,251,883	899,929,874
8	Accum. Prov. For Depreciation	108	(289,515,950)	(304,515,418)
9	Elec Plant Acquisition Adj.	114	4,870,308	4,870,308
10	Accum. Prov. For Amort. Of Acq Adj	115	(2,599,105)	(2,750,509)
11	Res for Depr Other Utility Property	119	-	(2,375,295)
12	Total Utility Plant		481,007,136	595,158,960
13				
14	Non-Utility Property	121	6,955,582	5,618
15	Res for Depr-Non-Utility Property	122	(2,790,351)	(3,956)
16	Net Non-Utility Property		4,165,231	1,662
17	L/T Notes Receivable	124	155,284	140,687
18	Other Investments	128	3,939,763	4,138,153
19	Total Other Property & Investments		8,260,278	4,280,502
20				
21	Current and Accrued Assets			
22	Cash	131	-	621,424
23	Working Funds	135	4,175	4,175
24	Temporary Cash Investments	136	-	-
25	Notes & Accts Receivable - Net	141-145;173	31,772,799	196,700,464
26	Accts Rec Assoc Company	146	2,277,353	2,706,515
27	Fuel Stocks	151	4,403,253	7,263,890
28	Material and Supplies	154-163	12,262,115	11,885,283
29	Prepayments	165	6,505,745	1,259,302
30	Other Current Assets	174, 176	-	-
31	Short Term Def Tax	190	552,348	1,081,121
32	Total Current & Accrued Assets		57,777,788	221,522,174
33				
34	Deferred Debits			
35	Unamortized Debt Expense	181	1,325,679	1,257,545
36	Preliminary Survey	183	289,885	176,725
37	Miscellaneous Debits	184-187	733,744	452,216
38	Other Regulatory Assets	182	8,302,041	37,491,739
39	Unamortized Loss on Reacquired Bond	189	2,447,069	2,286,591
40	Deferred Income Tax	190	6,940,896	15,121,681
41	Total Deferred Debits		20,039,314	56,786,497
42				
43	Total Assets and Other Debits		$ 567,084,516	$ 877,748,133
44				
45				
46	NOTE : June 30, 2009 is the most recent public information available.			

BLACK HILLS POWER, INC.
LIABILITIES AND OTHER CREDITS

Line No.	Description	FERC Acct #	(a) JUNE 30 2008	(b) 2009
1	Proprietary Capital			
2	Common Stock Issued	201	$ 23,416,396	$ 23,416,396
3	Premium on Capital Stock	207	42,076,811	42,076,811
4	Capital Stock Expense	214	(2,501,882)	(2,501,882)
5	Unapprop. Retained Earnings	216	181,532,184	203,350,086
6	Other Comprehensive Income	219	(1,367,015)	(1,327,735)
7	Total Proprietary Capital		243,156,494	265,013,676
8				
9	Long Term Debt			
10	Bonds	221	129,454,999	127,499,999
11	Other Long Term Debt	224-1500:2300	21,724,249	21,658,539
12	Total Long Term Debt		151,179,248	149,158,538
13				
14	Current & Accrued Liability			
15	Notes Payable	224, 233	25,443,584	251,211,909
16	Accounts Payable	232	22,447,086	36,474,094
17	Acc Pay. Assoc Company	234	10,454,523	9,154,823
18	Customer Deposits	235	625,872	659,928
19	Taxes Accrued	236, 283	5,160,434	8,126,158
20	Interest Accrued	237, 233	3,525,767	3,946,922
21	Tax Collections Payable	241	765,719	1,706,740
22	Misc Current & Accrued Liab	242, 245	4,183,885	5,454,726
23	Total Current & Accrued Liability		72,606,870	316,735,300
24				
25	Deferred Credits			
26	Customer Advance for Construction	252	4,617,115	4,280,724
27	Other Deferred Credits	253	13,044,224	36,142,268
28	Acc Deferred Inv Tax Credits	254-255	3,003,835	2,537,867
29	Acc Def Inc Taxes - Property	281;282	70,959,544	86,939,362
30	Acc Def Inc Taxes - Other	283	8,517,186	16,940,398
31	Total Deferred Credits		100,141,904	146,840,619
32				
33				
34	Total Liabilities & Other Credits		$ 567,084,516	$ 877,748,133
35				
36				
37	NOTE: June 30, 2009 is the most recent public information available.			

(1) MANAGEMENT'S STATEMENT

The condensed financial statements included herein have been prepared by Black Hills Power, Inc., (the "Company," "we," "us," "our") without audit, pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations; however, we believe that the footnotes adequately disclose the information presented. These financial statements should be read in conjunction with the financial statements and the notes thereto, included in our 2008 Annual Report on Form 10-K filed with the SEC. These financial statements include consideration of events through August 14, 2009.

Accounting methods historically employed require certain estimates as of interim dates. The information furnished in the accompanying financial statements reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of the June 30, 2009, December 31, 2008 and June 30, 2008 financial information and are of a normal recurring nature. The results of operations for the three and six months ended June 30, 2009 and our financial condition as of June 30, 2009 and December 31, 2008 are not necessarily indicative of the results of operations and financial condition to be expected as of or for any other period.

(2) RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

SFAS 157

During September 2006, the FASB issued SFAS 157. This Statement defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. SFAS 157 does not expand the application of fair value accounting to any new circumstances, but applies the framework to other accounting pronouncements that require or permit fair value measurement. We adopted the provisions of SFAS 157 on January 1, 2008 for all assets and liabilities measured at fair value. The adoption of SFAS 157 and related FSPs did not have a material impact on our financial position, results of operations or cash flows.

SFAS 161

In March 2008, the FASB issued SFAS 161 which requires enhanced disclosures about derivative and hedging activities and their affect on an entity's financial position, financial performance and cash flows. SFAS 161 encourages, but does not require, disclosures for earlier periods presented for comparative purposes at initial adoption. We adopted the provisions of SFAS 161 on January 1, 2009.

At June 30, 2009, we do not hold any derivative instruments. We occasionally hold natural gas in storage for use as fuel for generating electricity with our gas-fired combustion turbines. To minimize associated price risk and seasonal storage level requirements, we occasionally utilize various derivative instruments in managing these risks. Additionally, we engage in activities to manage risk associated with changes in interest rates. In prior years, we entered into floating-to-fixed interest rate swap agreements to minimize our exposure to interest rate fluctuations associated with our floating rate debt obligations. These swaps were designated as cash flow hedges in accordance with SFAS 133, and accordingly the resulting gain or loss is carried in Accumulated other comprehensive loss on the accompanying Condensed Balance Sheets and amortized over the life of the related debt. For the six months ended June 30, 2009 and 2008, respectively, we amortized less than $0.1 million from Accumulated other comprehensive loss to Interest expense related to a settled interest rate swap designated as a cash flow hedge.

SFAS 165

In May 2009, the FASB issued SFAS 165, which establishes general standards of accounting for and disclosures of events that occur after the balance sheet date, but before financial statements are issued or are available to be issued. We adopted and applied the provisions of SFAS 165 for our financial statements issued after June 15, 2009.

FSP FAS 107-1

In April 2009, the FASB approved FSP FAS 107-1 effective for interim and annual periods ending after June 15, 2009. This FSP requires public companies to provide more frequent disclosures about the fair value of their financial instruments. These disclosures are included in Note 7.

(3) RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

SFAS 167

In June 2009, the FASB issued SFAS 167 which is a revision to FASB Interpretation No. 46(R). This Statement amends the analysis performed by a company in determining whether an entity that is insufficiently capitalized or is not controlled through a voting interest should be consolidated. It will require additional disclosures about the involvement with variable interest entities and any significant changes in risk exposure due to that involvement. We are currently assessing the impact that the adoption of this Statement will have on our financial condition, results of operations, and cash flows.

SFAS 168

On July 1, 2009, the FASB Accounting Standards Codification™ will become the source of authoritative GAAP recognized by the FASB to be applied by non-governmental entities. On the effective date of this Statement, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. This Statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. We will update GAAP references for financial statements issued after September 15, 2009.

Following this Statement, the FASB will not issue new standards in the form of Statements, FASB Staff Positions, or Emerging Task Force Abstracts. Instead, it will issue Accounting Standards Updates. The FASB will not consider Accounting Standards Updates as authoritative in their own right. Accounting Standards Updates will serve only to update the Codification, provide background information about the guidance, and provide the basis for conclusions on the change(s) in the Codification.

FSP FAS 132(R)-1

During December 2008, the FASB issued FSP FAS 132(R)-1, which provides guidance on an employer's disclosures about plan assets in a defined benefit pension or other postretirement plan to provide users of financial statements with an understanding of:

- How investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies;
- The major categories of plan assets;
- The input and valuation techniques used to measure the fair value of plan assets;
- The effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period; and
- Significant concentrations of risk within plan assets.

FSP FAS 132(R)-1 is effective for fiscal years ending after December 15, 2009. We do not expect the adoption of FSP FAS 132(R)-1 to have a significant effect on our financial statements.

(4) OTHER COMPREHENSIVE INCOME

The following table presents the components of Other comprehensive income (in thousands):

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008
Net income	$ 3,105	$ 5,251
Other comprehensive income (loss), net of tax:		
Reclassification adjustments included in net income (net of tax of $(6) and $(6), respectively)	11	10
Total comprehensive income	$ 3,116	$ 5,261

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Net income	$ 10,069	$ 10,827
Other comprehensive income (loss), net of tax:		
Reclassification adjustments included in net income (net of tax of $(11) and $48, respectively)	21	(90)
Total comprehensive income	$ 10,090	$ 10,737

Balances by classification included within Accumulated other comprehensive loss on the accompanying Condensed Balance Sheets are as follows (in thousands):

	Derivatives Designated as Cash Flow Hedges	Employee Benefit Plans	Total
As of June 30, 2009	$ (911)	$ (417)	$ (1,328)
As of December 31, 2008	$ (932)	$ (417)	$ (1,349)

(5) RELATED-PARTY TRANSACTIONS

Receivables and Payables

We have accounts receivable balances related to transactions with other BHC subsidiaries. The balances were $2.7 million and $12.6 million as of June 30, 2009 and December 31, 2008, respectively. We also have accounts payable balances related to transactions with other BHC subsidiaries. The balances were $9.2 million and $10.4 million as of June 30, 2009 and December 31, 2008, respectively.

Money Pool Notes Receivable and Notes Payable

We have entered into a Utility Money Pool Agreement with BHC, Cheyenne Light and Black Hills Energy. Under the agreement, we may borrow from the Parent. The Agreement restricts us from loaning funds to the Parent or to any of the Parent's non-utility subsidiaries; the Agreement does not restrict us from making dividends to the Parent. Borrowings under the agreement bear interest at the daily cost of external funds as defined under the Agreement, or if there are no external funds outstanding on that date, then the rate will be the daily one month LIBOR rate plus 100 basis points.

Through the Utility Money Pool, we had net note payable balances and interest payable of $76.3 million and $70.2 million as of June 30, 2009 and December 31, 2008, respectively. Advances under this note bear interest at 0.70 percent above the daily LIBOR rate (which equates to 1.01% at June 30, 2009). Net interest expense of $0.7 million and $1.1 million was recorded for the three months and six months ended June 30, 2009, respectively. Net interest expense was less than $0.1 million for the three and six months ended June 30, 2008.

Other Balances and Transactions

We also received revenues of approximately $0.2 million and $0.4 million for the three months ended June 30, 2009 and 2008, respectively; and $0.4 million and $0.7 million for the six months ended June 30, 2009 and 2008, respectively, from Black Hills Wyoming for the transmission of electricity.

We recorded revenues of $0.2 million for the six months ended June 30, 2008 relating to payments received pursuant to a natural gas swap entered into with Enserco, with a third party transacted by Enserco on our behalf.

We received revenues of approximately $0.4 million and $0.4 million for the three months ended June 30, 2009 and 2008, respectively; and $0.7 million and $1.1 million for the six months ended June 30, 2009 and 2008, respectively, from Cheyenne Light for the sale of electricity and dispatch services.

We purchase coal from WRDC. The amount purchased during the three months ended June 30, 2009 and 2008 was $3.2 million and $2.8 million, respectively; and $7.1 million and $5.9 million for the six months ended June 30, 2009 and 2008.

We purchase excess power generated by Cheyenne Light. The amount purchased during the three months and six months ended June 30, 2009 was $2.0 million and $3.9 million, respectively and includes $0.5 million and $1.3 million for wind-generated power for the three and six months ended June 30, 2009, respectively. The amount purchased for the three and six month periods ended June 30, 2008 was $1.6 million and $3.1 million, respectively. On August 28, 2008, we entered into a contract with Cheyenne Light under which Cheyenne Light sells up to 20 MW of wind-generated, renewable energy to us until 2028.

In order to fuel our combustion turbine, we purchase natural gas from Enserco. The amount purchased during the three months ended June 30, 2009 and 2008 was $0.5 million and $3.5 million, respectively; and $0.6 million and $3.5 million for the six months ended June 30, 2009 and 2008, respectively. These amounts are included in Fuel and purchased power on the accompanying Condensed Statements of Income.

In addition, we also pay the Parent for allocated corporate support service cost incurred on our behalf. Corporate costs allocated from the Parent were $3.8 million and $3.0 million for the three months ended June 30, 2009 and 2008, respectively; and $7.4 million and $6.1 million for the six months ended June 30, 2009 and 2008, respectively.

We have funds on deposit from Black Hills Wyoming for transmission system reserve in the amount of $1.9 million as of June 30, 2009 and December 31, 2008, respectively, which is included in Other, Deferred credits and other liabilities on the accompanying Condensed Balance Sheets. Interest on the funds accrues quarterly at an average quarterly prime rate (3.37% at June 30, 2009).

(6) EMPLOYEE BENEFIT PLANS

Defined Benefit Pension Plan

We have a noncontributory defined benefit pension plan (the "Plan") covering the employees who meet certain eligibility requirements.

The components of net periodic benefit cost for the Plan are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Service cost	$ 292	$ 279	$ 584	$ 558
Interest cost	785	758	1,570	1,516
Expected return on plan assets	(657)	(1,094)	(1,314)	(2,188)
Prior service cost	28	28	56	56
Net loss	430	—	860	—
Net periodic benefit cost	$ 878	$ (29)	$ 1,756	$ (58)

A contribution totaling less than $0.1 million was made to the Plan in the first quarter of 2009. There are no further contributions expected to be made to the Plan in 2009.

Supplemental Nonqualified Defined Benefit Plans

We have various supplemental retirement plans for key executives (the "Supplemental Plans"). The Supplemental Plans are non-qualified defined benefit plans.

The components of net periodic benefit cost for the Supplemental Plans are as follows (in thousands):

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Interest cost	$ 25	$ 30	$ 50	$ 60
Net loss	11	11	22	22
Net periodic benefit cost	$ 36	$ 41	$ 72	$ 82

We anticipate that we will make contributions to the Supplemental Plans for the 2009 fiscal year of approximately $0.1 million. Contributions are expected to be in the form of benefit payments.

Non-pension Defined Benefit Postretirement Plans

Employees who are participants in the Postretirement Healthcare Plans ("Healthcare Plans") and who meet certain eligibility requirements are entitled to postretirement healthcare benefits.

The components of net periodic benefit cost for the Healthcare Plans are as follows (in thousands):

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Service cost	$ 54	$ 52	$ 108	$ 104
Interest cost	111	104	222	208
Net transition obligation	13	13	26	26
Net periodic benefit cost	$ 178	$ 169	$ 356	$ 338

We anticipate that we will make contributions to the Healthcare Plan for the 2009 fiscal year of approximately $0.2 million. Contributions are expected to be made in the form of benefit payments.

It has been determined that the post-65 retiree prescription drug plans are actuarially equivalent and qualify for the Medicare Part D subsidy. The decrease in net periodic postretirement benefit cost due to the subsidy was $0.1 million.

(7) FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of our financial instruments at June 30 are as follows (in thousands):

	2009	
	Carrying Amount	Fair Value
Cash and cash equivalents	$ 626	$ 626
Long-term debt	$ 149,225	$ 157,081

The following methods and assumptions were used to estimate the fair value of each class of our financial instruments.

Cash and Cash Equivalents

The carrying amount approximates fair value due to the short maturity of these instruments.

Long-Term Debt

The fair value of our long-term debt is estimated based on quoted market rates for debt instruments having similar maturities and similar debt ratings.

(8) COMMITMENTS AND CONTINGENCIES

Legal Proceedings

We are subject to various legal proceedings, claims and litigation as described in Note 11 of the Notes to Financial Statements in our 2008 Annual Report on Form 10-K. There have been no material developments in any previously reported proceedings or any new material proceedings that have developed or material proceedings that have terminated during the first six months of 2009.

In the normal course of business, we are subject to various lawsuits, actions, proceedings, claims and other matters asserted under laws and regulations. We believe the amounts provided in our financial statements are adequate in light of the probable and estimable contingencies. However, there can be no assurance that the actual amounts required to satisfy alleged liabilities from various legal proceedings, claims and other matters discussed below, and to comply with applicable laws and regulations, will not exceed the amounts reflected in our financial statements. As such, costs, if any, that may be incurred in excess of those amounts provided as of June 30, 2009, cannot be reasonably determined and could have a material adverse effect on our results of operations, financial position or cash flows.

Extension of Long-Term Power Sales Agreement with MEAN

In March 2009, our 10-year power sales contract between MEAN that originally expired in 2013 was re-negotiated and extended until 2023. Under the new contract, MEAN will purchase 20 MW of unit-contingent capacity from the Neil Simpson II and the Wygen III plants with capacity purchase decreasing to 15 MW in 2018, 12 MW in 2020 and 10 MW in 2022. The unit-contingent capacity amounts from Wygen III and Neil Simpson II plants are as follows:

2009-2017	20 MW – 10 MW contingent on Wygen III and 10 MW contingent on Neil Simpson II
2018-2019	15 MW – 10 MW contingent on Wygen III and 5 MW contingent on Neil Simpson II
2020-2021	12 MW – 6 MW contingent on Wygen III and 6 MW contingent on Neil Simpson II
2022-2023	10 MW – 5 MW contingent on Wygen III and 5 MW contingent on Neil Simpson II

Sale to MDU

On April 9, 2009, we sold to MDU a 25% ownership interest in our Wygen III generation facility currently under construction. At closing, MDU made a payment to us for its 25% share of the costs to date on the ongoing construction of the facility. Proceeds of $32.8 million were received. MDU will continue to reimburse us for its 25% of the total costs paid to complete the project. In conjunction with the sales transaction, we also modified a 2004 power purchase agreement with MDU under which we supplied MDU with 74 MW of capacity and energy through 2016.