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
For the Test Year Ended June 30, 2012

Line No.	Description	FERC Acct. #	(a) June 30, 2012 (Test Year)	(b) June 30, 2011	(c) As of September 30, 2012
1	Utility Plant				
2	Electric Plant in Service	101	$ 949,952,247	$ 874,329,907	$ 961,000,020
3	Completed Construction Not Classified	106	23,016,949	93,132,832	14,722,625
4	Construction Work in Progress	107	9,677,539	9,560,061	8,488,508
5	Other-Utility Property	118	25,084,011	25,895,891	25,113,061
6					
7	Gross Utility Plant		1,007,730,746	1,002,918,691	1,009,324,214
8	Accum. Prov. for Depreciation	108	(328,278,585)	(330,059,307)	(332,092,226)
9	Elec. Plant Acquisition Adjustment	114	4,870,308	4,870,308	4,870,308
10	Accum. Prov. for Amort. of Acq. Adj.	115	(3,083,226)	(2,985,820)	(3,107,577)
11	Res. for Depr. Other Utility Property	119	(16,966,910)	(18,850,560)	(17,470,510)
12	Total Utility Plant		664,272,333	655,893,312	661,524,209
13					
14	Non-Utility Property	121	5,618	5,618	5,618
15	Res. for Depr Non-Utility Property	122	(3,956)	(3,956)	(3,956)
16	Net Non-Utility Property		1,662	1,662	1,662
17	L/T Notes Receivable	124	54,706	92,358	51,607
18	Other Investments	128	4,314,805	4,534,427	4,331,235
19	Total Other Property & Investments		4,371,173	4,628,447	4,384,504
20					
21	Current and Accrued Assets				
22	Cash	131	2,929,244	4,307,519	2,694,924
23	Working Funds	135	4,175	4,175	4,175
24	Notes and Accts. Receivables - Net	141-145; 173	24,776,062	72,049,727	41,765,245
25	Accts. Rec. Assoc. Company	146	7,014,971	3,266,552	5,196,864
26	Fuel Stocks	151	6,300,408	6,993,638	6,400,519
27	Materials and Supplies	154-163	14,285,982	14,352,932	14,729,394
28	Prepayments	165	3,347,115	2,922,217	2,812,158
29	Other Current Assets	176	-	(2)	-
30	Short Term Def. Tax	190	1,489,951	1,597,279	1,612,963
31	Total Current & Accrued Assets		60,147,908	105,494,037	75,216,242
32					
33	Deferred Debits				
34	Unamortized Debt Expense	181	3,000,103	3,169,051	2,969,056
35	Preliminary Survey	183	687,589	540,657	653,168
36	Miscellaneous Debits	184, 186	1,848,090	810,338	2,028,656
37	Other Regulatory Assets	182	50,235,380	38,500,990	51,540,185
38	Unamortized Loss on Required Debt	189	2,622,359	2,890,503	2,561,452
39	Deferred Income Tax	190	44,772,033	30,400,972	44,104,165
40	Total Deferred Debits		103,165,554	76,312,511	103,856,682
41					
42	Total Assets and Other Debits		$ 831,956,968	$ 842,328,307	$ 844,981,637
43					

44 Note: The September 2012 FERC Form 3Q, Quarterly Financial Report including footnotes, was filed with the Federal Energy
45 Regulatory Commission and is the most recently filed financial statement prescribed in the FERC's uniform system of accounts.
46 Black Hills Power 10Q as of September 30, 2012, prepared on a Generally Accepted Accounting Principle basis, was filed with the
47 Securities and Exchange Commission in November 2012. Both filings are publicly available.

BLACK HILLS POWER, INC.
LIABILITIES AND OTHER CREDITS
For the Test Year Ended June 30, 2012

Line No.	Description	FERC Acct. #	(a) June 30, 2012 (Test Year)	(b) June 30, 2011	(c) As of September 30, 2012
1	Proprietary Capital				
2	Common Stock Issued	201	$ 23,416,396	$ 23,416,396	$ 23,416,396
3	Premium on Capital stock	207	42,076,811	42,076,811	42,076,811
4	Capital Stock Expense	214	(2,501,882)	(2,501,882)	(2,501,882)
5	Unapprop. Retained Earnings	216	243,581,447	257,310,322	251,729,059
6	Other Comprehensive Income	219	(1,269,213)	(1,240,838)	(1,258,759)
7	Total Proprietary Capital		305,303,559	319,060,809	313,461,625
8					
9	Long Term Debt				
10	Bonds	221	255,000,000	255,000,000	255,000,000
11	Other Long Term Debt	224	15,055,000	21,583,246	15,055,000
12	Unamort. Discount on Long Term Debt	226	(113,160)	(117,300)	12,075
13	Total Long Term Debt		269,941,840	276,465,946	270,067,075
14					
15	Current & Accrued Liability				
16	Accounts Payable	228, 229, 232	12,157,702	14,389,008	9,359,189
17	Accts. Payable Associated Company	234	13,744,749	15,296,079	15,438,012
18	Customer Deposits	235	1,091,341	993,227	948,940
19	Taxes Accrued	236	4,291,858	4,576,587	3,954,713
20	Interest Accrued	237	4,110,908	4,146,145	5,671,665
21	Tax Collections Payable	241	594,617	550,228	707,266
22	Misc. Current & Accrued Liab.	242	4,925,537	4,214,778	5,213,849
23	Total Current & Accrued Liability		40,916,712	44,166,052	41,293,634
24					
25	Deferred Credits				
26	Customer Advance for Construction	252	1,519,066	3,145,883	1,482,978
27	Other Deferred Credits	253	26,348,232	24,881,576	27,191,137
28	Acc. Deferred Inv. Tax Credits	254-255	16,867,206	12,978,306	16,614,595
29	Acc. Deferred Income Taxes - Property	282	154,582,763	145,015,227	155,776,454
30	Acc. Deferred Income Taxes - Other	283	16,477,590	16,614,508	19,094,139
31	Total Deferred Credits		215,794,857	202,635,500	220,159,303
32					
33	Total Liabilities & Other Credits		$ 831,956,968	$ 842,328,307	$ 844,981,637
34					
35					

36 Note: The September 2012 FERC Form 3Q, Quarterly Financial Report including footnotes, was filed with the Federal Energy
37 Regulatory Commission and is the most recently filed financial statement prescribed in the FERC's uniform system of accounts.
38 Black Hills Power 10Q as of September 30, 2012, prepared on a Generally Accepted Accounting Principle basis, was filed with the
39 Securities and Exchange Commission in November 2012. Both filings are publicly available.

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Black Hills Power, Inc.	(1) X An Original (2) _ A Resubmission	/ /	2012/Q3

NOTES TO FINANCIAL STATEMENTS (Continued)

There have been no significant changes to the footnotes included in the Form-1 dated 12-31-2011, except for the following:

RELATED PARTY TRANSACTIONS

Non-Cash Dividend to Parent

We have recorded a non-cash dividend to BHC of $44.0 million and decreased the utility money pool note receivable, net for the amount of $44.0 million.

LONG TERM DEBT

Pollution Control Refund Revenue Bonds

On May 15, 2012, we repaid in full $6.5 million principal and interest on the 4.8% Pollution Control Refund Revenue Bonds which were originally due to mature on October 1, 2014.

Power Plant Suspension/Retirements

On August 6, 2012, we announced that in order to comply with environmental regulations, including the new EPA Industrial & Commercial Boiler Regulations for Area Sources of Hazardous Air Pollutants regulations, operations at our 25 MW coal-fired Ben French power plant were suspended as of August 31, 2012. Operations at our 35 MW coal-fired Osage power plant were suspended as of October 1, 2010. These plants as well as our 22 MW coal-fired plant Neil Simpson I will be retired as of March 21, 2014. We intend to operate Neil Simpson 1 until the planned retirement date.

Name of Respondent	This Report Is:	Date of Report	Year/Period of Report
Black Hills Power, Inc.	(1) [X] An Original (2) [ ] A Resubmission	04/18/2012	End of 2011/Q4

NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement.
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Cormmission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.
7. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
8. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
9. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

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SEE PAGE 123 FOR REQUIRED INFORMATION.

NOTES TO FINANCIAL STATEMENTS
December 31, 2011, 2010 and 2009

(1) BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Description

Black Hills Power, Inc. (the Company, "we," "us" or "our") is an electric utility serving customers in South Dakota, Wyoming and Montana. We are a wholly-owned subsidiary of BHC or the Parent, a public registrant listed on the New York Stock Exchange.

Basis of Presentation

The financial statements include the accounts of Black Hills Power, Inc. and also our ownership interests in the assets, liabilities and expenses of our jointly owned facilities (Note 4).

The financial statements were prepared in accordance with the accounting requirements of the Federal Energy Regulatory Commission (FERC) as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Additionally, these requirements differ from GAAP related to the presentation of certain items including deferred income taxes, and cost of removal liabilities. The Company's notes to the financial statements are prepared in conformity with GAAP. Accordingly, certain footnotes are not reflective of the Company's FERC basis financial statements contained herein.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Regulatory Accounting

Our regulated electric operations are subject to regulation by various state and federal agencies. The accounting policies followed are generally subject to the Uniform System of Accounts of FERC.

Our regulated utility operations follow accounting standards for regulated operations and our financial statements reflect the effects of the different rate making principles followed by the various jurisdictions regulating our electric operations. If rate recovery becomes unlikely or uncertain due to competition or regulatory action, these accounting standards may no longer apply to our regulated operations. In the event we determine that we no longer meet the criteria for following accounting standards for regulated operations, the accounting impact to us could be an extraordinary non-cash charge to operations in an amount that could be material.

Regulatory assets are included in Regulatory assets, current and Regulatory assets, non-current on the accompanying Balance Sheets. Regulatory liabilities are included in Regulatory liabilities, current and Regulatory liabilities, non-current on the accompanying Balance Sheets.

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Black Hills Power, Inc.	(1) X An Original (2) _ A Resubmission	04/18/2012	2011/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

Our regulatory assets and liabilities for which we recover the costs, but we do not earn a return were as follows as of December 31 (in thousands):

	Maximum Recovery Period	2011	2010
Regulatory assets:			
Unamortized loss on reacquired debt	14 years	$ 2,765	$ 3,016
AFUDC	45 years	8,552	9,489
Employee benefit plans	13 years	27,602	18,049
Deferred energy costs	1 year	6,605	3,584
Flow through accounting	35 years	5,789	4,772
Other		452	2,414
Total regulatory assets		$ 51,765	$ 41,324
Regulatory liabilities:			
Cost of removal for utility plant	53 years	$ 23,347	$ 15,429
Employee benefit plans	13 years	15,282	10,204
Other		1,845	4,575
Total regulatory liabilities		$ 40,474	$ 30,208

Regulatory assets represent items we expect to recover from customers through probable future rates.

Unamortized Loss on Reacquired Debt - The early redemption premium on reacquired bonds is being amortized over the remaining term of the original bonds.

AFUDC - The equity component of AFUDC is considered a permanent difference for tax purposes with the tax benefit being flowed through to customers as prescribed or allowed by regulators. If, based on a regulator's action, it is probable the utility will recover the future increase in taxes payable represented by this flow-through treatment through a rate revenue increase, a regulatory asset is recognized. This regulatory asset itself is a temporary difference for which a deferred tax liability must be recognized. Accounting standards for income taxes specifically address AFUDC-equity, and require a gross-up of such amounts to reflect the revenue requirement associated with a rate-regulated environment.

Employee Benefit Plans - Employee benefit plans include the unrecognized prior service costs and net actuarial loss associated with our defined benefit pension plans and post-retirement benefit plans in regulatory assets rather than in accumulated other comprehensive income.

Deferred Energy Costs - Deferred energy and fuel cost adjustments represent the cost of electricity delivered to our electric utility customers in excess of current rates and which will be recovered in future rates. Deferred energy and fuel cost adjustments are recorded and recovered or amortized as approved by the appropriate state commission.

Flow-Through Accounting - Under flow-through accounting, the income tax effects of certain tax items are reflected in our cost of service for the customer in the year in which the tax benefits are realized and result in lower utility rates. This regulatory treatment was applied to the tax benefit generated by repair costs that were previously capitalized for tax purposes in a rate case settlement that was reached with respect to Black Hills Power in 2010. In this instance, the agreed upon rate increase was less than it would have been absent the flow-through treatment. A regulatory asset established to reflect the future increases in income taxes payable will be recovered from customers as the temporary differences reverse.

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Black Hills Power, Inc.	(1) X An Original (2) _ A Resubmission	04/18/2012	2011/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

Regulatory liabilities represent items we expect to refund to customers through probable future decreases in rates.

Cost of Removal - Cost of removal for utility plant represents the estimated cumulative net provisions for future removal costs included in depreciation expense for which there is no legal obligation for removal. Liabilities will be settled and trued up following completion of the related activities.

Employee Benefit Plans - Employee benefit plans represent the cumulative excess of pension costs recovered in rates over pension expense recorded in accordance with accounting standards for compensation - retirements. In addition, this regulatory liability includes the income tax effect of the adjustment required under accounting for compensation - defined benefit plans, to record the full pension and post-retirement benefit obligations. Such income tax effect has been grossed-up to account for the revenue requirement aspect of a rate regulated environment.

Allowance for Funds Used During Construction

AFUDC represents the approximate composite cost of borrowed funds and a return on capital used to finance a project.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist of sales to residential, commercial, industrial, municipal and other customers all of which do not bear interest. These accounts receivables are stated at billed and unbilled amounts net of write-offs or payment received.

We maintain an allowance for doubtful accounts which reflects our best estimate of potentially uncollectible trade receivables. We regularly review our trade receivable allowances by considering such factors as historical experience, credit worthiness, the age of the receivable balances and current economic conditions that may affect the ability to pay.

The allowance for doubtful accounts represents our best estimate of existing accounts receivable that will ultimately be uncollected. The allowance is calculated by applying estimated write-off factors to various classes of outstanding receivables, including unbilled revenue. The write-off factors used to estimate uncollectible accounts are based upon consideration of both historical collections experience and management's best estimate of future collection success given the existing collections environment.

Following is a summary of accounts receivable at December 31 (in thousands):

	2011	2010
Accounts receivable trade	$ 16,447	$ 21,365
Unbilled revenues	8,364	7,581
Total accounts receivable - customers	24,811	28,946
Allowance for doubtful accounts	(143)	(230)
Net accounts receivable	$ 24,668	$ 28,716

Revenue Recognition

Revenue is recognized when there is persuasive evidence of an arrangement with a fixed or determinable price, delivery has occurred or services have been rendered, and collectibility is reasonably assured.

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Black Hills Power, Inc.	(1) X An Original (2) _ A Resubmission	04/18/2012	2011/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

Materials, Supplies and Fuel

Materials, supplies and fuel used for construction, operation and maintenance purposes are generally stated on a weighted-average cost basis.

Deferred Financing Costs

Deferred financing costs are amortized using the effective interest method over the term of the related debt.

Property, Plant and Equipment

Additions to property, plant and equipment are recorded at cost when placed in service. The cost of regulated electric property, plant and equipment retired, or otherwise disposed of in the ordinary course of business, less salvage, is charged to accumulated depreciation. Removal costs associated with non-legal obligations are reclassified from accumulated depreciation and reflected as regulatory liabilities. Ordinary repairs and maintenance of property are charged to operations as incurred.

Depreciation provisions for regulated electric property, plant and equipment are computed on a straight-line basis using an annual composite rate of 2.2% in 2011, 2.2% in 2010 and 2.8% in 2009.

Derivatives and Hedging Activities

From time to time we utilize risk management contracts including forward purchases and sales to hedge the price of fuel for our combustion turbines and fixed-for-float swaps to fix the interest on any variable rate debt. Contracts that qualify as derivatives under accounting standards for derivatives, and that are not exempted such as normal purchase/normal sale, are required to be recorded in the balance sheet as either an asset or liability, measured at its fair value. Accounting standards for derivatives require that changes in the derivative instrument's fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

Accounting standards for derivatives allow hedge accounting for qualifying fair value and cash flow hedges. Gain or loss on a derivative instrument designated and qualifying as a fair value hedging instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk should be recognized currently in earnings in the same accounting period. Conversely, the effective portion of the gain or loss on a derivative instrument designated and qualifying as a cash flow hedging instrument should be reported as a component of other comprehensive income and be reclassified into earnings or as a regulatory asset or regulatory liability, net of tax, in the same period or periods during which the hedged forecasted transaction affects earnings. The remaining gain or loss on the derivative instrument, if any, is recognized currently in earnings.

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Black Hills Power, Inc.	(1) X An Original (2) __ A Resubmission	04/18/2012	2011/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

Fair Value Measurements

Accounting standards for fair value measurements provide a single definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and also requires disclosures and establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1 - Unadjusted quoted prices available in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 - Pricing inputs include quoted prices for identical or similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Pricing inputs include significant inputs that are generally less observable from objective sources.

Impairment of Long-Lived Assets

We periodically evaluate whether events and circumstances have occurred which may affect the estimated useful life or the recoverability of the remaining balance of our long-lived assets. If such events or circumstances were to indicate that the carrying amount of these assets was not recoverable, we would estimate the future cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) was less than the carrying amount of the long-lived assets, we would recognize an impairment loss.

Income Taxes

We use the liability method in accounting for income taxes. Under the liability method, deferred income taxes are recognized at currently enacted income tax rates, to reflect the tax effect of temporary differences between the financial and tax basis of assets and liabilities, as well as operating loss and tax credit carryforwards. Such temporary differences are the result of provisions in the income tax law that either require or permit certain items to be reported on the income tax return in a different period than they are reported in the financial statements. We classify deferred tax assets and liabilities into current and non-current amounts based on the classification of the related assets and liabilities.

We file a federal income tax return with other affiliates. For financial statement purposes, federal income taxes are allocated to the individual companies based on amounts calculated on a separate return basis.

It is our policy to apply thc flow-through method of accounting for investment tax credits. Under the flow-through method, investment tax credits are reflected in net income as a reduction to income tax expense in the year they qualify. Another acceptable accounting method and an exception to this general policy currently in our regulated businesses is to apply the deferral method whereby the credit is amortized as a reduction of income tax expense over the useful lives of the related property which gave rise to the credits.

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
Black Hills Power, Inc.	(1) X An Original (2) _ A Resubmission	(Mo, Da, Yr) 04/18/2012	2011/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

(2) RECENTLY ADOPTED AND RECENTLY ISSUED ACCOUNTING STANDARDS

Recently Adopted Accounting Standards

Other Comprehensive Income, ASU 2011-05 and ASU 2011-12

FASB issued an accounting standards update amending ASC 220 to improve the comparability, consistency and transparency of reporting of comprehensive income. It amends existing guidance by allowing only two options for presenting the components of net income and other comprehensive income: (1) in a single continuous financial statement, statement of comprehensive income or (2) in two separate but consecutive financial statements, consisting of an income statement followed by a separate statement of other comprehensive income. Also, items that are reclassified from other comprehensive income to net income must be presented on the face of the financial statements. ASU No. 2011-05 requires retrospective application, and it is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. In December 2011, FASB issued ASU 2011-12. ASU 2011-12 indefinitely deferred the provisions of ASU 2011-05 requiring the presentation of reclassification adjustments for items reclassified from other comprehensive income to net income be presented on the face of the financial statements.

We have elected to early adopt the provisions of ASU 2011-05 as amended by ASU 2011-12. The adoption changed the presentation of certain financial statements and provided additional details in notes to the financial statements, but did not have any other impact on our financial statements. See the accompanying Comprehensive Income Statement and additional disclosures in Note 8.

Fair Value Measurements and Disclosures, ASC 820

The ASC for Fair Value Measurements and Disclosures defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosure requirements related to fair value measurements. This does not expand the application of fair value accounting to any new circumstances, but applies the framework to other applicable GAAP that requires or permits fair value measurement. We apply fair value measurements to certain assets and liabilities, primarily employee benefit plan assets and other miscellaneous financial instruments.

In January 2010, the FASB issued guidance related to improving disclosures about fair value measurements. The guidance requires separate disclosures of the amounts of transfers in and out of Level 1 and Level 2 fair value measurements, disclosure of inputs and techniques used in valuation and a description of the reason for such transfers. In the reconciliation for Level 3 fair value measurements using significant unobservable inputs, information about purchases, sales, issuances and settlements are required to be presented separately. These disclosures are required for interim and annual reporting periods and were effective for us January 1, 2010, except the disclosures related to purchases, sales, issuances and settlements in the roll forward activity of Level 3 fair value measurements, which were effective January 1, 2011. The guidance requires additional disclosures, but did not impact our financial position, results of operations or cash flows. The additional disclosures are included in Note 9.

Recently Issued Accounting Standards and Legislation

Fair Value Measurement, ASU 2011-04

FASB issued an accounting standards update amending ASC 820 to achieve common fair value measurement and disclosure requirements between GAAP and IFRS. This amendment changes the wording used to describe fair value and requires additional disclosures. We do not expect this amendment, which is effective for interim and annual periods beginning after December 31, 2011, to have an impact on our financial position, results of operations, or cash flows.

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Black Hills Power, Inc.	(1) X An Original (2) _ A Resubmission	04/18/2012	2011/Q4

NOTES TO FINANCIAL STATEMENTS (Continued)

(3) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following (in thousands):

	December 31, 2011	December 31, 2011 Weighted Average Useful Life (in years)	December 31, 2010	December 31, 2010 Weighted Average Useful Life (in years)	Lives (in years) Minimum	Lives (in years) Maximum
Electric plant:						
Production	$ 504,088	51	$ 475,762	50	45	65
Transmission	115,063	47	116,056	43	40	60
Distribution	289,833	39	271,470	37	16	45
Plant acquisition adjustment	4,870	32	4,870	32	32	32
General	72,045	21	58,777	22	8	45
Construction work in progress	9,873		35,705			
Total electric plant	995,772		962,640			
Less accumulated depreciation and amortization	(313,581)		(304,800)			
Electric plant net of accumulated depreciation and amortization	$ 682,191		$ 657,840			

(4) JOINTLY OWNED FACILITIES

We use the proportionate consolidation method to account for our percentage interest in the assets, liabilities and expenses of the following facilities:

- We own a 20% interest in the Wyodak Plant (the "Plant"), a coal-fired electric generating station located in Campbell County, Wyoming. PacifiCorp is the operator of the Plant. We receive our proportionate share of the Plant's capacity and are committed to pay our share of its additions, replacements and operating and maintenance expenses.

- We own a 35% interest in the Converter Station Site and South Rapid City Interconnection (the transmission tie), an AC-DC-AC transmission tie. Basin Electric owns the remaining ownership percentage. The transmission tie provides an interconnection between the Western and Eastern transmission grids, which provides us with access to both the WECC region and the MAPP region. The total transfer capacity of the transmission tie is 400 MW - 200 MW West to East and 200 MW from East to West. We are committed to pay our proportionate share of the additions, replacements and operating and maintenance expenses.

- We own a 52% interest in the Wygen III power plant. MDU and the City of Gillette each owns an undivided ownership interest in the Wygen III generation facility and are obligated to make payments for costs associated with administrative services and proportionate share of the costs of operating the plant for the life of the facility. We retain responsibility for plant operations.

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The investments in our jointly owned plants and accumulated depreciation are included in the corresponding captions in the accompanying Balance Sheets. Our share of direct expenses of the Plant is included in the corresponding categories of operating expenses in the accompanying Statements of Income.

As of December 31, 2011, our interests in jointly-owned generating facilities and transmission systems included on our Balance Sheets were as follows (dollars in thousands):

Interest in jointly-owned facilities	Plant in Service	Construction Work in Progress	Accumulated Depreciation
Wyodak Plant	$ 109,007	$ 718	$ 46,104
Transmission Tie	$ 19,648	$ —	$ 4,061
Wygen III	$ 129,791	$ 249	$ 5,328

(5) LONG-TERM DEBT

Long-term debt outstanding was as follows (in thousands):

	Maturity Date	Fixed Interest Rate	December 31, 2011	December 31, 2010
First Mortgage Bonds due 2032	August 15, 2032	7.23%	75,000	75,000
First Mortgage Bonds due 2039	November 1, 2039	6.125%	180,000	180,000
Unamortized discount, First Mortgage Bonds due 2039			(115)	(119)
Pollution control revenue bonds due 2014	October 1, 2014	4.80%	6,450	6,450
Pollution control revenue bonds due 2024	October 1, 2024	5.35%	12,200	12,200
Series 94A Debt	June 1, 2024	3.00%	2,855	2,855
Other	May 12, 2012	13.66%	37	117
Total long-term debt			276,427	276,503
Less current maturities			(37)	(81)
Net long-term debt			$ 276,390	$ 276,422

Deferred finance costs of approximately $3.1 million were capitalized and are being amortized over the term of the debt. Amortization of deferred financing costs is included in Interest expense.

Substantially all of our property is subject to the lien of the indenture securing our first mortgage bonds. First mortgage bonds may be issued in amounts limited by property, earnings and other provisions of the mortgage indentures. We were in compliance with our debt covenants at December 31, 2011.

Series AC Bonds

In February 2010, the Series 8.06% AC bonds matured. These were paid in full for $30.0 million of principal plus accrued interest of $1.2 million.

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Series Y Bonds

In March 2010, we completed redemption of our Series Y 9.49% bonds in full. The bonds were originally due in 2018. A total of $2.7 million was paid on March 31, 2010, which includes the principal balance of $2.5 million plus accrued interest and an early redemption premium of 2.618%. The early redemption premium was recorded in unamortized loss on reacquired debt which is included in Regulatory assets on the accompanying Balance Sheet and is being amortized over the remaining term of the original bonds.

Series Z Bonds

In June 2010, we completed redemption of our Series Z 9.35% bonds in full. The bonds were originally due in 2021. A total of $21.8 million was paid on June 1, 2010, which included the principal balance of $20.0 million plus accrued interest and an early redemption premium of 4.675%. The early redemption premium was recorded in unamortized loss on reacquired debt which is included in Regulatory assets on the accompanying Balance Sheet and is being amortized over the remaining term of the original bonds.

Long-term Debt Maturities

Scheduled maturities of our outstanding long-term debt (excluding unamortized discounts) are as follows (in thousands):

2012	$	37
2013	$	—
2014	$	6,450
2015	$	—
2016	$	—
Thereafter	$	270,055

(6) FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of our financial instruments were as follows (in thousands):

	December 31, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	$ 2,812	$ 2,812	$ 2,045	$ 2,045
Long-term debt, including current maturities	$ 276,427	$ 362,055	$ 276,503	$ 301,964

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. Our outstanding first mortgage bonds are either currently not callable or are subject to make-whole provisions which would eliminate any economic benefits for us to call and refinance the first mortgage bonds.

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(7) INCOME TAXES

Income tax expense (benefit) from continuing operations for the years ended was (in thousands):

	December 31, 2011	December 31, 2010	December 31, 2009
Current	$ 14,921	$ (14,885)	$ (3,296)
Deferred	(2,931)	25,626	11,600
Total income tax expense	$ 11,990	$ 10,741	$ 8,304

The temporary differences which gave rise to the net deferred tax liability were as follows (in thousands):

	December 31, 2011	December 31, 2010
Deferred tax assets, current:		
Asset valuation reserve	$ 491	$ 217
Employee benefits	1,086	803
Rate refund	360	428
Total deferred tax assets, current	1,937	1,448
Deferred tax liabilities, current:		
Prepaid expenses	(256)	(251)
Deferred costs	(2,529)	(2,056)
Total deferred tax liabilities, current	(2,785)	(2,307)
Net deferred tax assets (liabilities), current	$ (848)	$ (859)
Deferred tax assets, non-current:		
Plant related differences	$ —	$ 909
Regulatory liabilities	14,644	10,074
Employee benefits	3,922	3,547
Net operating loss	28,072	9,147
Items of other comprehensive income	263	225
Research and development credit	780	1,613
Other	1,155	—
Total deferred tax assets, non-current	48,836	25,515
Deferred tax liabilities, non-current:		
Accelerated depreciation and other plant related differences	(148,254)	(132,338)
AFUDC	(5,559)	(6,168)
Regulatory assets	(5,019)	(5,557)
Employee benefits	(2,356)	(2,983)
Other	(968)	(788)
Total deferred tax liabilities, non-current	(162,156)	(147,834)
Net deferred tax assets (liabilities), non-current	$ (113,320)	$ (122,319)
Net deferred tax assets (liabilities)	$ (114,168)	$ (123,178)

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The following table reconciles the change in the net deferred income tax assets (liabilities) from December 31, 2010 to December 31, 2011 and from December 31, 2009 to December 31, 2010 to deferred income tax expense (benefit) (in thousands):

	2011	2010
Change in deferred income tax assets (liabilities)	$ (9,010)	$ 25,118
Deferred taxes related to regulatory assets and liabilities	4,968	9,272
Deferred taxes associated with other comprehensive income	15	(2,141)
Deferred taxes related to property basis differences	156	(4,713)
Deferred taxes related to AFUDC	937	(1,910)
Other	3	—
Deferred income tax expense (benefit) for the period	$ (2,931)	$ 25,626

The effective tax rate differs from the federal statutory rate for the years ended, as follows:

	December 31, 2011	December 31, 2010	December 31, 2009
Federal statutory rate	35.0%	35.0%	35.0%
Amortization of excess deferred and investment tax credits	(0.4)	(0.6)	(0.9)
Equity AFUDC	(0.6)	(2.0)	(6.2)
Flow through adjustments *	(3.4)	(7.4)	—
Other	0.1	0.6	(1.5)
	30.7%	25.6%	26.4%

* The flow-through adjustments relate primarily to an accounting method change for tax purposes that was filed with the 2008 tax return and for which consent was received from the IRS in September 2009. The effect of the change allows us to take a current tax deduction for repair costs that were previously capitalized for tax purposes. These costs will continue to be capitalized for book purposes. We recorded a deferred income tax liability in recognition of the temporary difference created between book and tax treatment and we flowed the tax benefit through to our customers in the form of lower rates as a result of a rate case settlement that occurred during 2010. A regulatory asset was established to reflect the recovery of future increases in taxes payable from customers as the temporary differences reverse. Due to this regulatory treatment, we recorded an income tax benefit that was attributable to the 2008 through 2010 tax years. For years prior to 2008, we did not record a regulatory asset for the repairs deduction as the tax benefit was not flowed through to customers.

The accounting standards for uncertain tax positions clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with accounting standards for income taxes. The accounting standards prescribe a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken. The impact of this implementation had no effect on our financial statements.

The following table reconciles the total amounts of unrecognized tax benefits at the beginning and end of the period (in thousands):

	2011	2010
Unrecognized tax benefits at January 1	$ 3,094	$ 3,877
Additions for prior year tax positions	795	130
Reductions for prior year tax positions	(294)	(913)
Unrecognized tax benefits at December 31	$ 3,595	$ 3,094

The reduction for prior year tax positions relate to the reversal through otherwise allowed tax depreciation. The total amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate is approximately $0.4 million.

It is our continuing practice to recognize interest and/or penalties related to income tax matters in income tax expense. During the year ended December 31, 2011 and 2010, the interest expense recognized related to income tax matters was not material to our financial results.

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The Company files income tax returns in the United States federal jurisdiction as a member of the BHC consolidated group. The Company does not anticipate that total unrecognized tax benefits will significantly change due to the settlement of any audits or the expiration of statutes of limitations prior to December 31, 2012.

At December 31, 2011, we have federal NOL carry forward of $80.2 million, of which $54.6 million will expire in 2030 and $25.6 million will expire in 2031. Ultimate usage of this NOL depends upon our future taxable income.

(8) COMPREHENSIVE INCOME

The following tables display each component of Other Comprehensive Income (Loss), after-tax, and the related tax effects for the years ended (in thousands):

	December 31, 2011		
	Pre-tax Amount	Tax (Expense) Benefit	Net-of-tax Amount
Minimum pension liability adjustment - net gain (loss)	$ (108)	$ 38	$ (70)
Reclassification adjustments of cash flow hedges settled and included in net income	65	(23)	42
Net change in fair value of derivatives designated as cash flow hedges	—	—	—
Other comprehensive income (loss)	$ (43)	$ 15	$ (28)

	December 31, 2010		
	Pre-tax Amount	Tax (Expense) Benefit	Net-of-tax Amount
Minimum pension liability adjustment - net gain (loss)	$ (145)	$ 51	$ (94)
Reclassification adjustments of cash flow hedges settled and included in net income	64	(23)	41
Net change in fair value of derivatives designated as cash flow hedges	6	(2)	4
Other comprehensive income (loss)	$ (75)	$ 26	$ (49)

	December 31, 2009		
	Pre-tax Amount	Tax (Expense) Benefit	Net-of-tax Amount
Minimum pension liability adjustment - net gain (loss)	$ 150	$ (52)	$ 98
Reclassification adjustments of cash flow hedges settled and included in net income	64	(24)	40
Net change in fair value of derivatives designated as cash flow hedges	(5)	3	(2)
Other comprehensive income (loss)	$ 209	$ (73)	$ 136

During 2002, we entered into a treasury lock to hedge a portion of a first mortgage bond. The treasury lock cash settled on the bond pricing date, and resulted in a $1.8 million loss. This treasury lock was treated as a cash flow hedge and accordingly the resulting loss is carried in Accumulated other comprehensive loss on the accompanying Balance Sheet and amortized over the life of the related bonds as additional interest expense.

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

	December 31, 2011	December 31, 2010
Derivatives designated as cash flow hedges	$ (801)	$ (843)
Employee benefit plans	(489)	(419)
Total accumulated other comprehensive loss	$ (1,290)	$ (1,262)

(9) EMPLOYEE BENEFIT PLANS

Funded Status of Benefit Plans

The funded status of postretirement benefit plan is required to be recognized in the statement of financial position. The funded status for pension plan is measured as the difference between the projected benefit obligation and the fair value of plan assets. The funded status for all other benefit plans is measured as the difference between the accumulated benefit obligation and the fair value of plan assets. A liability is recorded for an amount by which the benefit obligation exceeds the fair value of plan assets or an asset is recorded for any amount by which the fair value of plan assets exceeds the benefit obligation. The measurement date of the plans is December 31, our year-end balance sheet date.

We apply accounting standards for regulated operations, and accordingly, the unrecognized net periodic benefit cost that would have been reclassified to Accumulated other comprehensive income (loss) was alternatively recorded as a regulatory asset or regulatory liability, net of tax.

Defined Benefit Pension Plan

We have a noncontributory defined benefit pension plan ("Pension Plan") covering employees who meet certain eligibility requirements. The benefits are based on years of service and compensation levels during the highest five consecutive years of the last ten years of service. Our funding policy is in accordance with the federal government's funding requirements. The Pension Plan's assets are held in trust and consist primarily of equity and fixed income investments. We use a December 31 measurement date for the Pension Plan.

As of January 1, 2012, the Pension Plan has been frozen to new employees and certain employees who did not meet age and service based criteria at the time the Plans were frozen. The benefits for the plans are based on years of service and calculations of average earnings during a specific time period prior to retirement. In July 2009, the Board of Directors approved a partial freeze to the Pension Plan for all participants with the exception of bargaining unit participants. The freeze eliminated new non-bargaining unit employees from participation in the Pension Plan and froze the benefits of current non-bargaining unit participants except certain eligible employees who met age and service based criteria. In September of 2010, our bargaining unit employees voted to freeze participation in the Pension Plan and to freeze the benefits of current bargaining unit participants except for certain eligible employees who met age and service based criteria. An additional age and points-based employer contribution under the Company's 401(k) retirement savings plan was established.

The Pension Plan's expected long-term rate of return on assets assumption is based upon the weighted average expected long-term rate of returns for each individual asset class. The asset class weighting is determined using the target allocation for each asset class in the Pension Plan portfolio. The expected long-term rate of return for each asset class is determined primarily from adjusted long-term historical returns for the asset class. It is anticipated that long-term future returns will not achieve historical results. The expected long-term rate of return for equity investments was 8.75% and 9.25% for the 2011 and 2010 plan years, respectively.

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Pension Plan Assets

Percentage of fair value of Pension Plan assets at December 31:

	2011	2010
Equity	69%	68%
Fixed income	28%	29%
Cash	3%	3%
Total	100%	100%

The Investment Policy for the Pension Plans is to seek to achieve the following long-term objectives: 1) a rate of return in excess of the annualized inflation rate based on a five-year moving average; 2) a rate of return that meets or exceeds the assumed actuarial rate of return as stated in the Plan's actuarial report; 3) a rate of return on investments, net of expenses, that is equal to or exceeds various benchmark rates on a moving three-year average, and 4) maintenance of sufficient income and liquidity to pay monthly retirement benefits. The policy strategy seeks to prudently invest in a diversified portfolio of predominately equity and fixed income assets.

The policy contains certain prohibitions on transactions in separately managed portfolios in which the Pension Plan may invest, including prohibitions on short sales.

Supplemental Non-qualified Defined Benefit Retirement Plans

We have various supplemental retirement plans ("Supplemental Plans") for key executives. The Supplemental Plans are non-qualified defined benefit plans. We use a December 31 measurement date for the Supplemental Plans. Effective January 1, 2010, we eliminated a non-qualified pension plan in which some of our officers participated due to the partial freeze of our qualified pension plan. We also amended the NQDC, which was adopted in 1999. The NQDC is a non-qualified deferred compensation plan that provides executives with an opportunity to elect to defer compensation and receive benefits without reference to the limitations on contributions in the Plan or those imposed by the IRS. The amended NQDC provides for non-elective non-qualified restoration benefits to certain officers who are not eligible to continue accruing benefits under the Defined Benefit Pension Plans and associated non-qualified pension restoration plans. All contributions to the non-qualified plans are subject to a graded vesting schedule of 20% per year over five years with vesting credit beginning with service in the Plan on and after January 1, 2010.

Supplemental Plan Assets

The Supplemental Plans have no assets. We fund on a cash basis as benefits are paid.

Non-pension Defined Benefit Postretirement Plan

Employees who are participants in our Non-Pension Postretirement Healthcare Plan ("Healthcare Plan") and who retire on or after attaining age 55 after completing at least five years of service are entitled to postretirement healthcare benefits. These benefits are subject to premiums, deductibles, co-payment provisions and other limitations. We may amend or change the Healthcare Plan periodically. We are not pre-funding our retiree medical plan. We use a December 31 measurement date for the Healthcare Plan. The Board of Directors approved an amendment to the Healthcare Plan which changed the structure of the Healthcare Plan for non-union employees to a RMSA structure which was effective January 1, 2010. In September 2010, the bargaining unit employees voted to change the structure of their benefits to an RMSA. This change was effective January 1, 2011. It has been determined that the Healthcare Plan's post-65 retiree prescription drug plans are actuarially equivalent and qualify for the Medicare Part D subsidy.

Plan Assets

The Healthcare Plan has no assets. We fund on a cash basis as benefits are paid.

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Plan Contributions and Estimated Cash Flows

Contributions made to the Supplemental Non-qualified Defined Benefit Retirement Plans and the Non-pension Defined Benefit Postretirement Plan are expected to be made in the form of benefit payments. Contributions to each of the plans were as follows (in thousands):

	2011	2010
Defined Benefit Plans		
Defined Benefit Pension Plan	$ —	$ 8,798
Non-pension Defined Benefit Postretirement Healthcare Plan	$ 428	$ 657
Supplemental Non-qualified Defined Benefit Plan	$ 130	$ 108
Defined Contribution Plans		
Company Retirement Contribution	$ 371	$ 171
Matching Contributions	$ 1,296	$ 1,029

Contributions to our employee benefit plans to be made in 2012 are as follows (in thousands):

	2012
Defined Benefit Plans	
Defined Benefit Pension Plan	$ —
Non-pension Defined Benefit Postretirement Healthcare Plan	$ 658
Supplemental Non-qualified Defined Benefit Plan	$ 154

Fair Value Measurements

As required by accounting standards for fair value measurements, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect their placement within the fair value hierarchy levels. The following tables set forth, by level within the fair value hierarchy, the assets that were accounted for at fair value on a recurring basis as of December 31 (in thousands):

Defined Benefit Pension Plan	December 31, 2011			
	Level 1	Level 2	Level 3	Total Fair Value
Money market fund	$ 40	$ —	$ —	$ 40
Registered investment companies - equity	12,743	—	—	12,743
Registered investment companies - fixed income	12,603	—	—	12,603
Common collective trust	—	16,143	—	16,143
Insurance contracts	—	1,288	—	1,288
Structured products	—	2,200	—	2,200
Total investments measured at fair value	$ 25,386	$ 19,631	$ —	$ 45,017

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Defined Benefit Pension Plan

	December 31, 2010			
	Level 1	Level 2	Level 3	Total Fair Value
Registered investment companies - equity	$ 15,090	$ —	$ —	$ 15,090
Registered investment companies - fixed income	12,952	—	—	12,952
Common collective trust	—	19,104	—	19,104
Insurance contracts	—	1,082	—	1,082
Total investments measured at fair value	$ 28,042	$ 20,186	$ —	$ 48,228

Registered Investment Companies: Investments are valued at the closing price reported on the active market on which the individual securities are traded.

Common Collective Trust: The Pension Plan owns units of the Common Collective Trust funds that they are utilizing in their portfolio. The value of each unit of any fund as of any valuation date shall be determined by calculating the total value of such fund's assets as of the close of business on such valuation date, deducting its total liabilities as of such time and date, and then dividing the so-determined net asset value of such fund by the total number of units of such fund outstanding the date of valuation.

Insurance Contract: These investments are valued on a cash basis on any given valuation date.

Structured Products: Investments are linked by derivatives to observable financial indexes and valued through present value models.

Plan Reconciliations

The following tables provide a reconciliation of the Employee Benefit Plan's obligations and fair value of assets, components of the net periodic expense and elements of regulatory assets and liabilities and AOCI (in thousands):

Benefit Obligations

	Defined Benefit Pension		Supplemental Non-qualified Defined Benefit Retirement Plans		Non-pension Defined Benefit Postretirement Plans	
	2011	2010	2011	2010	2011	2010
Change in benefit obligation:						
Projected benefit obligation at beginning of year	$ 57,753	$ 55,615	$ 2,152	$ 1,690	$ 7,517	$ 9,432
Service cost	798	1,215	—	—	210	340
Interest cost	3,092	3,280	114	100	365	547
Actuarial loss (gain)	852	4,129	(30)	54	(308)	(88)
Amendments	—	260	—	—	—	(2,270)
Change in participant assumptions	—	—	—	—	171	—
Discount rate change	6,668	—	186	—	433	—
Benefits paid	(2,899)	(2,472)	(130)	(109)	(707)	(658)
Asset transfer (to) from affiliate	(707)	(3,300)	—	417	(40)	(328)
Plan curtailment reduction	—	(974)	—	—	—	—
Medicare Part D adjustment	—	—	—	—	67	88
Plan participants' contributions	—	—	—	—	499	454
Net increase (decrease)	7,804	2,138	140	462	690	(1,915)
Projected benefit obligation at end of year	$ 65,557	$ 57,753	$ 2,292	$ 2,152	$ 8,207	$ 7,517

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A reconciliation of the fair value of Plan assets (as of the December 31 measurement date) is as follows (in thousands):

	Defined Benefit Pension Plans		Supplemental Non-qualified Defined Benefit Retirement Plans		Non-pension Defined Benefit Postretirement Plans	
	2011	2010	2011	2010	2011	2010
Beginning market value of plan assets	$ 48,228	$ 39,040	$ —	$ —	$ —	$ —
Investment income	66	5,361	—	—	—	—
Benefits paid	(2,899)	(2,472)	—	—	—	—
Employer contributions	—	8,798	—	—	—	—
Asset transfer to affiliate	(378)	(2,499)	—	—	—	—
Ending market value of plan assets	$ 45,017	$ 48,228	$ —	$ —	$ —	$ —

Amounts recognized in the Balance Sheets consist of (in thousands):

	Defined Benefit Pension Plans		Supplemental Non-qualified Defined Benefit Retirement Plans		Non-pension Defined Benefit Postretirement Plans	
	2011	2010	2011	2010	2011	2010
Regulatory asset (liability)	$ 27,284	$ 18,049	$ —	$ —	$ (590)	$ (1,050)
Current (liability)	$ —	$ —	$ (154)	$ (141)	$ (658)	$ (428)
Non-current (liability)	$ (20,540)	$ (9,525)	$ (3,060)	$ (2,011)	$ (7,497)	$ (7,096)

<u>Accumulated Benefit Obligation</u>

	Defined Benefit		Supplemental Non-qualified Defined Benefit Retirement Plans		Non-pension Defined Benefit Postretirement Plans	
	2011	2010	2011	2010	2011	2010
Accumulated benefit obligation	$ 59,823	$ 52,250	$ 2,292	$ 2,058	$ 8,207	$ 7,517

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Components of Net Periodic Expense

	Defined Benefit Pension			Supplemental Non-qualified Defined Benefit Retirement Plans			Non-pension Defined Benefit Postretirement Plans		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Service cost	$ 798	$ 1,214	$ 1,155	$ —	$ —	$ —	$ 210	$ 340	$ 216
Interest cost	3,093	3,280	3,143	114	100	100	365	547	444
Expected return on assets	(3,619)	(3,008)	(2,780)	—	—	—	—	—	—
Amortization of prior service cost	62	62	87	—	—	—	(314)	(141)	—
Amortization of transition obligation	—	—	—	—	—	—	—	171	51
Amortization of loss (gain)	—	—	—	—	—	—	—	—	—
Recognized net actuarial loss (gain)	1,486	1,378	1,586	48	30	43	163	—	—
Curtailment expense	—	57	189	—	—	—	—	—	—
Net periodic expense	$ 1,820	$ 2,983	$ 3,380	$ 162	$ 130	$ 143	$ 424	$ 917	$ 711

Accumulated Other Comprehensive Income (Loss)

Amounts included in AOCI, after-tax, that have not yet been recognized as components of net periodic benefit cost at December 31 were as follows (in thousands):

	Defined Benefit		Supplemental Non-qualified Defined Benefit Retirement Plans		Non-pension Defined Benefit Postretirement Plans	
	2011	2010	2011	2010	2011	2010
Net loss	$ —	$ —	$ (489)	$ (418)	$ —	$ —
Prior service cost	—	—	—	—	—	—
Transition obligation	—	—	—	—	—	—
	$ —	$ —	$ (489)	$ (418)	$ —	$ —

The amounts in AOCI, regulatory assets or regulatory liabilities, after-tax, expected to be recognized as a component of net periodic benefit cost during calendar year 2012 were as follows (in thousands):

	Defined Benefits	Supplemental Non-qualified Defined Benefit Retirement Plans	Non-pension Defined
Net loss	$ 1,689	$ 36	$ 90
Prior service cost	37	—	(181)
Transition obligation	—	—	—
Total net periodic benefit cost expected to be recognized during calendar year 2011	$ 1,726	$ 36	$ (90)

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Assumptions

	Defined Benefit Pension			Supplemental Non-qualified Defined Benefit Retirement Plans			Non-pension Defined Benefit		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Weighted-average assumptions used to determine benefit obligations:									
Discount rate	4.65%	5.50%	6.05%	4.70%	5.50%	6.10%	4.35%	5.00%	5.90%
Rate of increase in compensation levels	3.67%	3.70%	4.25%	N/A	5.00%	5.00%	N/A	N/A	N/A
Weighted-average assumptions used to determine net periodic benefit cost for plan year:									
Discount rate	5.50%	6.05%	6.25%	5.00%	6.10%	6.20%	5.00%	5.90%	6.10%
Expected long-term rate of return on assets*	7.75%	8.00%	8.50%	N/A	N/A	N/A	N/A	N/A	N/A
Rate of increase in compensation levels	3.70%	4.25%	4.25%	N/A	5.00%	5.00%	N/A	N/A	N/A

* The expected rate of return on plan assets changed to 7.25% for the calculation of the 2012 net periodic pension cost.

The healthcare benefit obligation was determined at December 31, 2011, using an initial healthcare trend rate of 9.01% grading down to an ultimate rate of 4.5% in 2028, and at December 31, 2010, using an initial healthcare trend rate of 9.51% trending down to an ultimate rate of 4.5% in 2027.

The healthcare cost trend rate assumption has a significant effect on the amounts reported. A 1% increase or 1% decrease in the healthcare cost trend assumptions would affect the service and interest costs and the accumulated periodic postretirement benefit obligation as follows (dollars in thousands):

Change in Assumed Trend Rate	Service and Interest Costs	Accumulated Periodic Postretirement Benefit Obligation
1% increase	$ 22	$ 422
1% decrease	$ (19)	$ (372)

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The following benefit payments, which reflect future service, are expected to be paid (in thousands):

	Defined Benefit Pension	Supplemental Non-qualified Defined Benefit Retirement Plans	Non-pension Defined
2012	$ 3,159	$ 154	$ 658
2013	$ 3,223	$ 113	$ 702
2014	$ 3,258	$ 113	$ 652
2015	$ 3,323	$ 113	$ 635
2016	$ 3,338	$ 84	$ 639
2017-2021	$ 19,035	$ 684	$ 3,886

Defined Contribution Plan

The Parent sponsors a 401(k) retirement savings plan in which employees may participate. Participants may elect to invest up to 50% of their eligible compensation on a pre-tax or after-tax basis, up to a maximum amount established by the Internal Revenue Service. The plan provides for company matching contributions and company retirement contributions. Employer contributions vest at 20% per year and are fully vested when the participant has 5 years of service.

(10) RELATED-PARTY TRANSACTIONS

Receivables and Payables

We have accounts receivable and accounts payable balances related to transactions with other BHC subsidiaries. These balances as of December 31, were as follows (in thousands):

	2011	2010
Related party accounts receivable	$ 6,998	$ 6,891
Related party accounts payable	$ 18,598	$ 12,562

Money Pool Notes Receivable and Notes Payable

We have a Utility Money Pool Agreement with the Parent, Cheyenne Light and Black Hills Utility Holdings. 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 1%.

Advances under this note bear interest at 2.75% above the daily LIBOR rate (3.05% at December 31, 2011). We had the following balances with the Utility Money Pool as of and for the years ended December 31 (in thousands):

	2011	2010	2009
Notes receivable (payable) with Utility Money Pool, net	$ 50,477	$ 39,862	$ 57,737
Net interest income (expense)	$ 1,414	$ 467	$ (1,123)

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Other Balances and Transactions

We had the following related party transactions for the years ended December 31, 2011 and 2010 included in the corresponding captions in the accompanying Statements of Income:

- We received revenues from Black Hills Wyoming, Inc. for electricity.
- We received revenues from Cheyenne Light for the sale of electricity and dispatch services.
- We recorded revenues relating to payments received pursuant to a natural gas swap entered into with Enserco.
- We purchase coal from WRDC. These amounts are included in Fuel and purchased power on the accompanying Statements of Income.
- We purchase excess power generated by Cheyenne Light.
- In order to fuel our combustion turbine, we purchase natural gas from Enserco. These amounts are included in Fuel and purchased power on the accompanying Statements of Income.
- In addition, we also pay the Parent and Black Hills Utility Holdings for allocated corporate support service costs incurred on our behalf.
- We have two contracts with Cheyenne Light under which Cheyenne Light sells up to 40 MW of wind-generated, renewable energy to us. These amounts are included in Fuel and purchased power on the accompanying Statements of Income.

	2011	2010	2009
		(in thousands)	
Revenues:			
Black Hills Wyoming for electricity	$ 9	$ 574	$ 873
Cheyenne Light for electricity and dispatch services	$ 957	$ 1,200	$ 1,823
Purchases:			
Coal purchases from WRDC	$ 21,319	$ 13,569	$ 16,284
Excess power purchased from Cheyenne Light	$ 9,363	$ 8,664	$ 8,580
Natural gas from Enserco*	$ 647	$ 1,652	$ 2,250
Corporate support services from Parent and Black Hills Utility Holdings	$ 18,567	$ 17,145	$ 15,014
Renewable wind energy from Cheyenne Light	$ 5,236	$ 4,538	$ 2,791

* BHC sold Enserco on February 29, 2012.

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We have funds on deposit from Black Hills Wyoming for transmission system reserve which are included in Other, non-current liabilities on the accompanying Balance Sheets. We have transmission system reserve balances as follows as of December 31 (in thousands):

	2011	2010
Transmission Deposit	$ 2,110	$ 2,044

Interest on the transmission system reserve deposit accrues quarterly at an average prime rate (3.25% at December 31, 2011). We paid interest for the years ended December 31 as follows (in thousands):

	2011	2010	2009
Interest expense on transmission deposit	$ 67	$ 65	$ 70

(11) SUPPLEMENTAL CASH FLOW INFORMATION

Years ended December 31,	2011	2010	2009
		(in thousands)	
Non-cash investing activities -			
Property, plant and equipment financed with accrued liabilities	$ 1,882	$ 7,188	$ 10,191
Money pool activity - net repayment of funds loaned	$ —	$ —	$ 25,000
Non-cash financing activities -			
Money pool activity - net repayment of funds borrowed	$ —	$ —	$ (25,000)
Supplemental disclosure of cash flow information:			
Cash (paid) refunded during the period for -			
Interest (net of amounts capitalized)	$ (16,294)	$ (19,554)	$ (14,252)
Income taxes	$ (15,347)	$ 15,805	$ 3,700

(12) COMMITMENTS AND CONTINGENCIES

Partial Sale of Wygen III

On April 9, 2009, we sold to MDU a 25% ownership interest in our Wygen III generation facility. 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 of which $30.2 million was used to pay down a portion of Parent debt. MDU continued to reimburse us for its 25% of the total costs paid to complete the project. The Wygen III generation facility began commercial operations on April 1, 2010. In conjunction with the sales transaction, we also modified a 2004 PPA between us and MDU.

On July 14, 2010, we sold a 23% ownership interest in Wygen III to the City of Gillette for $62.0 million. The purchase terminates the current PPA with the City of Gillette, and the Wygen III Participation Agreement has been amended to include the City of Gillette. The Participation Agreement provides that the City of Gillette will pay us for administrative services and share in the costs of operating the plant for the life of the facility. The estimated amount of net fixed assets sold totaled $55.8 million. We recognized a gain on the sale of $6.2 million.

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Power Purchase and Transmission Services Agreements

We have the following power purchase and transmission agreements as of December 31, 2011:

- A PPA with PacifiCorp expiring on December 31, 2023, which provides for the purchase by us of 50 MW of electric capacity and energy. The price paid for the capacity and energy is based on the operating costs of one of PacifiCorp's coal fired electric generating plants;
- A firm point-to-point transmission access agreement to deliver up to 50 MW of power on PacifiCorp's transmission system to wholesale customers in the western region through December 31, 2023;
- Cheyenne Light entered into a PPA with Happy Jack. Under a separate inter-company agreement expiring on September 3, 2028, Cheyenne Light has agreed to sell up to 15 MW of the facility output from Happy Jack to us;
- Cheyenne Light entered into a PPA with Silver Sage. Under a separate inter-company agreement expiring on September 30, 2029, Cheyenne Light has agreed to sell 20 MW of energy from Silver Sage to us; and
- A Generation Dispatch Agreement with Cheyenne Light that requires us to purchase all of Cheyenne Light's excess energy.

Costs incurred under these agreements were as follows for the years ended December 31 (in thousands):

Contract	Contract Type		2011		2010		2009
PacifiCorp	Electric capacity and energy	$	12,515	$	12,936	$	11,862
PacifiCorp	Transmission access	$	1,215	$	1,215	$	1,215
Cheyenne Light	Happy Jack Wind Farm	$	1,955	$	2,815	$	2,078
Cheyenne Light	Silver Sage Wind Farm	$	3,281	$	1,723	$	713

The following is a schedule of future minimum payments required under the power purchase, transmission services, coal and gas supply agreements (in thousands):

2012	$	11,895
2013	$	11,895
2014	$	11,895
2015	$	11,895
2016	$	11,895
Thereafter	$	49,091

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Long-Term Power Sales Agreements

We have the following power sales agreements as of December 31, 2011:

- During periods of reduced production at Wygen III in which MDU owns a portion of the capacity, or during periods when Wygen III is off-line, MDU will be provided with 25 MW from our other generation facilities or from system purchases with reimbursement of costs by MDU;
- During periods of reduced production at Wygen III in which the City of Gillette owns a portion of the capacity, or during periods when Wygen III is off-line, we will provide the City of Gillette with its first 23 MW from our other generating facilities or from system purchases with reimbursement of costs by the City of Gillette. Under this agreement, Black Hills Power will also provide the City of Gillette their operating component of spinning reserves;
- An agreement under which we supply energy and capacity to MEAN expiring on May 31, 2023. This contract is unit-contingent based on up to 10 MW from our Neil Simpson II and up to 10 MW from our Wygen III plants. The capacity purchase requirements decrease over the term of the agreement.
- A PPA with MEAN, expiring on April 1, 2015. Under this contract, MEAN purchases 5 MW of unit-contingent capacity from Neil Simpson II and 5 MW of unit-contingent capacity from Wygen III.

Legal Proceedings

We are subject to various legal proceedings, claims and litigation which arise in the ordinary course of operations. In the opinion of management, the amount of liability, if any, with respect to these actions would not materially affect our financial position, results of operations or cash flows.

(13) QUARTERLY HISTORICAL DATA (Unaudited)

We operate on a calendar year basis. The following table sets forth selected unaudited historical operating results data for each quarter (in thousands):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2011				
Operating revenues	$ 59,194	$ 56,098	$ 64,940	$ 65,399
Operating income	$ 11,917	$ 9,181	$ 19,175	$ 14,447
Net income	$ 5,881	$ 3,741	$ 10,510	$ 6,965
2010				
Operating revenues	$ 54,489	$ 56,438	$ 59,051	$ 59,785
Operating income	$ 9,361	$ 10,510	$ 21,092	$ 14,305
Net income	$ 5,934	$ 4,102	$ 14,078	$ 7,154