BLACK HILLS CORP /SD/
Form 11-K
June 28, 2007

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K

ANNUAL REPORT

PURSUANT TO SECTION 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

Commission File Number 001-31303

BLACK HILLS CORPORATION

RETIREMENT SAVINGS PLAN

BLACK HILLS CORPORATION

625 NINTH STREET

PO BOX 1400

RAPID CITY, SOUTH DAKOTA 57709

Black Hills Corporation

Retirement Savings Plan

Financial Statements as of and for the Years

Ended December 31, 2006 and 2005,

Supplemental Schedule as of December 31,

2006, and Report of Independent Registered

Public Accounting Firm

BLACK HILLS CORPORATION RETIREMENT SAVINGS PLAN

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NOTE: All other schedules required by Section 2520.103-10 of the Department of Labor s Rules and Regulations for Reporting and Disclosures under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Plan Administrator and Participants of

Black Hills Corporation Retirement Savings Plan

Rapid City, South Dakota

We have audited the accompanying statements of net assets available for benefits of the Black Hills Corporation Retirement Savings Plan (the Plan) as of December 31, 2006 and 2005, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2006 and 2005, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2006, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan s management. Such schedule has been subjected to the auditing procedures applied in our audit of the 2006 basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the 2006 basic financial statements taken as a whole.

DELOITTE & TOUCHE LLP

June 20, 2007

BLACK HILLS CORPORATION RETIREMENT SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

AS OF DECEMBER 31, 2006 AND 2005

	2006	**2005**
ASSETS:		
Cash	$ 33,123	$ 34,722
Investments at fair value:		
Participant-directed investments	56,336,970	48,081,057
Receivables		
Employer contribution	30,536	19,420
Investments transactions pending	8,191	231,823
NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE	56,408,820	48,367,022
ADUSTMENTS FROM FAIR VALUE TO CONTRACT VALUE FOR FULLY BENEFIT-RESPONSIVE INVESTMENT CONTRACTS	205,200	174,154
NET ASSETS AVAILABLE FOR BENEFITS	$ 56,614,020	$ 48,541,176

See notes to financial statements.

BLACK HILLS CORPORATION RETIREMENT SAVINGS PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	**2005**
NET ASSETS AVAILABLE FOR BENEFITS		
Beginning of year	$ 48,541,176	$ 43,533,139
INCREASE (DECREASE) DURING THE YEAR:		
Participant contributions	4,077,598	3,874,976
Participant rollovers	440,949	334,775
Employer matching contributions	1,528,361	1,496,152
Investment interest and dividends	2,390,023	1,570,861
Net realized and unrealized gain in fair value of investments	3,702,117	2,596,068
Administrative expenses	(9,118)	(8,430)
Distributions to participants	(4,064,073)	(2,886,701)
Other	6,987	(344,471)
NET INCREASE DURING THE YEAR	8,072,844	6,633,230
NET TRANSFERS OUT OF PLAN*		(1,625,193)
NET ASSETS AVAILABLE FOR BENEFITS End of Year	$ 56,614,020	$ 48,541,176

* Transfers out of the Plan are a result of the sale of FiberCom and its Subsidiaries to Prairiewave; effective June 30, 2005.

See notes to financial statements.

BLACK HILLS CORPORATION RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. DESCRIPTION OF THE PLAN

The following is not a comprehensive description of the Black Hills Corporation Retirement Savings Plan (the Plan) and, therefore, does not include all situations and limitations covered by the Plan. Participants should refer to the plan agreement for more complete information.

General The Plan is a defined contribution plan for eligible employees of Black Hills Corporation and certain subsidiary companies (the Company). The eligible employees may have a percentage of their compensation withheld and contributed to the Plan, subject to limitations, as defined. The Plan is subject to the provisions of the Employment Retirement Income Security Act of 1974 (ERISA) and is designed to comply with the provisions of Section 401(k) of the Internal Revenue Code (the Code).

Merrill Lynch serves as the asset custodian and recordkeeper. The Plan is administered by the Black Hills Corporation Benefits Committee (the Committee). The Committee is the trustee of the Plan.

Eligibility and Vesting Employees are eligible to participate in the Plan on the first day of employment.

Participants are immediately vested in the value of their pretax salary reduction contributions. Participants vest 20% per year in employer matching contributions until reaching five years of service. At that time, participants are 100% vested in employer matching contributions. Participants also become fully vested in employer matching contributions if their employment with the Company is terminated due to retirement at or after attainment of age 65, total and permanent disability, or death.

Contributions The maximum percentage of compensation an employee may contribute to the Plan is 20%, with an annual maximum contribution of $15,000 for 2006, as provided by the Code. There is no limit to how often participants may change their contribution percentages. Amounts contributed are invested at the discretion of plan participants in any of the 21 investment options or individual investments as directed by the participant.

Effective January 1, 2000 (May 1, 2000, for employees covered by a collective bargaining agreement), the Plan was amended to include a dollar-for-dollar company matching contribution, up to a maximum of 3% of an individual participant s compensation. Effective April 1, 2001, there is an automatic enrollment provision in which eligible employees who are employed on or after April 1, 2001, shall be deemed to have made an automatic election to participate in the Plan at a rate of 3%.

Rollover Contributions The Plan received $440,949 and $334,775 in rollover transfers from other qualified plans in 2006 and 2005, respectively.

Participant Accounts Individual accounts are maintained for each Plan participant. Each participant s account is credited with the participant s contribution, the Company s matching contribution, and allocations of Company discretionary contributions (e.g., participant forfeitures) and Plan earnings, and charged with withdrawals and an allocation of Plan losses and administrative expenses. Allocations are based on participant s earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant s vested account.

Investments Participants direct the investment of their contribution into various investment options offered by the Plan.

Participant Loans The Plan contains a loan provision that allows participants to borrow a minimum of $1,000 and a maximum equal to the lesser of $50,000 or 50% of their vested account balances at an interest rate of 1% over the prime interest rate and to repay the loan through payroll deductions, with a maximum repayment period of five years. During 2006 and 2005, interest rates on outstanding participant loans ranged from 5.00% to 9.25%. Loans are prohibited for terminated employees.

Distributions to Participants Employee account balances are distributable upon retirement, disability, death, termination from the Company, or hardship. Upon the occurrence of one of these events, a participant (or the participant s beneficiary in the case of death) may receive his or her account balance as a lump-sum payment or as installment payments over a period of no more than 10 years.

Forfeited Accounts Forfeitures from participants who have terminated from the Plan prior to attaining 100% vesting rights are used to reduce the Company s annual matching contributions. During 2006 and 2005, forfeitures of $132,946 and $113,652, respectively, were used to reduce the Company s annual matching contribution.

Amendments and Termination Although it has not expressed any intention to do so, the Company reserves the right to amend or terminate the Plan at any time. Upon termination of the Plan, participants become 100% vested and all assets will be distributed among the participants in accordance with plan provisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Investment Valuation and Income Recognition Investments of the Plan are stated at fair value. Shares of registered investment companies are valued at quoted market prices, which represent the net asset value of shares held by the Plan at year-end. Common stock is valued at quoted market prices. The fully benefit-responsive investment contract is stated at fair value and then adjusted to contract value. Participant loans are valued at the outstanding loan balance.

Realized gains and losses on sales of investments represent the difference between the net proceeds from the sale of investments and their beginning-of-year market value. Unrealized appreciation or depreciation of the investments represents changes in the market value of investments.

Purchases and sales of securities are reflected on a trade-date basis. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

Adoption of New Accounting Guidance The financial statements reflect the retroactive adoption of Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP94-4-1, *Reporting of Fully Benefit-Responsive Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare Pension Plans* (the FSP). As required by the FSP, the statements of net assets available for benefits presents investment contracts at fair value as well as an additional line item showing an adjustment of fully benefit-responsive contracts from fair value to contract value. The statement of changes in net assets available for benefits is presented on a contract value basis and was not affected by the adoption of the FSP. The adoption of the FSP did not impact the amount of net assets available for benefits at December 31, 2006 and 2005.

Plan Expenses Administrative fees of approximately $76,332 and $73,490 were paid by the Company in 2006 and 2005, respectively. Administrative expenses for loan fees are paid by the individual plan participants.

Use of Estimates The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires Plan management to make estimates and assumptions that affect the reported amounts of net assets available for benefits at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the reporting period. Ultimate results could differ from those estimates.

3. INVESTMENTS

The investment options of the Plan at December 31, 2006 and 2005, include collective trusts of Merrill Lynch, mutual funds, common stock of the Company, and other investments as self-directed by participants. Units (shares) of the various investment funds are valued daily at net asset value (which equals market value). The investment options are participant-directed and participants may change their investment elections daily.

The investments that represent 5% or more of the Plan s net assets as of December 31, 2006 and 2005, consist of the following:

	2006	**2005**
Black Hills Corporation common stock	$ 8,891,312	$ 8,173,264
Merrill Lynch Retirement Preservation Trust	11,009,159	9,918,095
Merrill Lynch Equity Index Trust 1	7,972,391	6,579,585
Davis New York Venture Fund	5,159,703	4,139,612
PIMCO Total Return Fund	3,452,343	3,123,037
Templeton Foreign Fund	4,298,646	3,156,307
Franklin Balance Sheet	3,248,671	2,585,151

During 2006 and 2005, the Plan s investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows:

	2006	2005
Common stock	$ 547,365	$ 1,249,703
Mutual funds	2,084,777	1,055,846
Common collective trusts	1,069,975	290,519
Total	$ 3,702,117	$ 2,596,068

4. TAX STATUS

The Plan obtained its latest determination letter on October 9, 2001, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Code. The Plan has been amended since receiving the determination letter; however, the plan administrator and the Plan s legal counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Code and, as a result, no provision for income tax is believed necessary.

5. PARTY-IN-INTEREST TRANSACTIONS

The Plan invests in Merrill Lynch funds and Black Hills Corporation stock. These transactions qualify as exempt party-in-interest transactions.

At December 31, 2006 and 2005, the Plan held 240,696 and 236,153 units, respectively, of common stock of Black Hills Corporation, the sponsoring employer, with a cost basis of $6,868,044 and $6,566,102, respectively. During the years ended December 31, 2006 and 2005, the Plan recorded dividend income from this investment of $316,532 and $336,992, respectively.

6. RISKS AND UNCERTAINTIES

The Plan provides for investment in a variety of investment funds. Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect participants account balances and the amounts reported in the statements of net assets available for benefits.

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SUPPLEMENTAL SCHEDULE

BLACK HILLS CORPORATION RETIREMENT SAVINGS PLAN

(EIN: 46-0458824) (Plan No. 003)

FORM 5500, SCHEDULE H, PART IV, LINE 4i

SCHEDULE OF ASSETS (Held at End of Year)

AS OF DECEMBER 31, 2006

Description	Cost**	Current Value
Collective trusts:		
Merrill Lynch Equity Index Trust 1*		$ 6,671,107
Merrill Lynch Equity Index Trust 1-GM*		1,301,284
Merrill Lynch Retirement Preservation Trust*		10,324,147
Merrill Lynch Retirement Preservation Trust-GM*		685,012
Total collective trusts		18,981,550
Mutual funds:		
AIM Small Cap Growth Fund Class A		1,035,383
PIMCO Total Return Fund Class A		1,844,398
PIMCO Total Return Fund Class A-GM		1,607,945
Allianz CCM MID-CAP Fund CLA		751,313
Munder Framlington Health Care Fund		475,131
Oppenheimer Gold & Special Minerals Fund		693,633
Seligman Communications Fund		1,916,264
Oppenheimer Global Fund		2,749,482
Templeton Foreign Fund		3,248,074
Templeton Foreign Fund-GM		1,050,572
Oppenheimer US Government Fund		350,690
Franklin Balance Sheet Fund		3,248,671
Davis New York Venture Fund		4,016,372
Davis New York Venture Fund-GM		1,143,331
Van Kampen Real Estate Securities Fund		1,521,478
Blackrock Balanced Capital Fund Class A		940,445
Total mutual funds		26,593,182
Common stock Black Hills Corporation*		8,891,312
Self-directed accounts		718,846
Participant loans, with interest rates ranging from 5% - 9.25%		
Maturity dates extending through December 31, 2009*		1,357,280
		$ 56,542,170

* Denotes party-in-interest
** Cost is not required for participant-directed accounts.

EXHIBIT INDEX

Exhibit Number	Description
23	Consent of Deloitte & Touche LLP

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report to be signed on its behalf by the undersigned hereunto duly authorized.

Black Hills Corporation
Retirement Savings Plan

By: /s/ MARK T. THIES
Mark T. Thies
Executive Vice President and
Chief Financial Officer

Date: June 28, 2007

EXHIBIT INDEX

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23	Consent of Deloitte & Touche LLP