

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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### FILER

#### **BLACK HILLS CORP**

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BLACK HILLS CORPORATION

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BLACK HILLS CORPORATION

Consolidated Balance Sheets  
(unaudited)

<CAPTION>

	March 31 1994	December 31 1993	March 31 1993
		(in thousands)	
Assets			
<S>	<C>	<C>	<C>
Current assets:			
Cash and cash equivalents	\$ 16,787	\$ 7,866	\$ 3,754
Short-term investments	26,225	24,217	16,771
Receivables-			
Customers	10,931	12,415	9,516
Other	2,524	901	2,060
Materials, supplies, and fuel	7,013	6,765	6,918
Prepaid expenses	1,409	1,638	1,538
	64,889	53,802	40,557
Property and investments:			
Electric	347,805	341,852	322,456
Coal mining	52,357	51,670	44,838
Oil and gas	32,993	32,371	29,907
Other	3,400	7,250	22,242
	436,555	433,143	419,443
Less accumulated depreciation and depletion	(148,704)	(144,492)	(137,726)
Net property and investments	287,851	288,651	281,717
Deferred charges:			
Federal income taxes	7,317	7,271	8,647
Other	3,407	3,129	2,522
	10,724	10,400	11,169
Total	\$363,464	\$352,853	\$333,443

See accompanying notes to consolidated financial statements.

/TABLE

<TABLE>

BLACK HILLS CORPORATION

Consolidated Balance Sheets  
(unaudited)

<CAPTION>

	March 31 1994	December 31 1993	March 31 1993
		(in thousands)	
Liabilities and Capitalization			
<S>	<C>	<C>	<C>
Current liabilities:			
Current maturities of long-term debt	\$ 2,090	\$ 3,542	\$ 4,297
Notes payable	21,668	11,768	7,184
Accounts payable	6,257	9,535	6,625
Accrued liabilities-			
Income taxes	2,818	204	2,538
Other taxes	6,671	5,379	6,626
Interest	2,200	1,700	2,702
Fuel and purchased power refunds	1,200	1,375	2,170
Other	6,085	6,023	5,748
	48,989	39,526	37,890
Deferred credits:			
Federal income taxes	36,581	36,705	37,129
Investment tax credits	5,901	6,027	3,041
Reclamation costs	7,441	7,290	6,813
Regulatory liability	6,912	6,912	8,159
Other	3,180	3,030	2,617
	60,015	59,964	57,759
Capitalization:			
Common stock equity-			
Common stock	14,307	14,270	13,707
Additional paid-in capital	44,184	43,420	30,414
Retained earnings	111,485	110,399	106,890
Total common stock equity	169,976	168,089	151,011
Long-term debt	84,484	85,274	86,783
	254,460	253,363	237,794
Total	\$363,464	\$352,853	\$333,443

See accompanying notes to consolidated financial statements.

/TABLE

Consolidated Statements of Income  
(unaudited)

&lt;CAPTION&gt;

	Three Months March 31		Twelve Months March 31	
	1994	1993	1994	1993
	(in thousands)			
<S>	<C>	<C>	<C>	<C>
Operating revenues:				
Electric	\$25,870	\$24,640	\$ 99,385	\$ 98,781
Coal mining	7,179	7,319	29,682	28,847
Oil and gas	2,611	2,416	11,591	9,628
	35,660	34,375	140,658	137,256
Operating expenses:				
Fuel and purchased power	9,994	8,530	37,961	37,873
Operations & maintenance	6,917	7,674	29,880	30,655
Administrative and general	1,967	2,392	7,935	8,646
Depreciation, depletion and amortization	4,493	3,405	17,139	13,884
Taxes, other than income taxes	2,610	2,394	10,259	8,694
	25,981	24,395	103,174	99,752
Operating income:				
Electric	6,605	6,611	23,976	24,420
Coal mining	2,963	2,924	12,398	11,660
Oil and gas	111	445	1,110	1,424
	9,679	9,980	37,484	37,504
Other (income) and expense:				
Interest expense	2,147	2,165	8,798	8,896
Investment income	(347)	(418)	(1,668)	(2,953)
Allowance for funds used during construction	(360)	(154)	(935)	(468)
Other	68	(133)	(273)	(1,283)
	1,508	1,460	5,922	4,192
Income before income taxes	8,171	8,520	31,562	33,312
Income taxes	(2,371)	(2,417)	(8,920)	(9,159)
Net income available for common stock	\$ 5,800	\$ 6,103	\$ 22,642	\$ 24,153
Weighted average common				

shares outstanding	14,275	13,705	13,954	13,696
Earnings per share	\$ 0.41	\$ 0.45	\$ 1.62	\$ 1.76
Dividends paid per share of common stock	\$ 0.33	\$ 0.32	\$ 1.29	\$ 1.25

See accompanying notes to consolidated financial statements.

/TABLE

<TABLE>

BLACK HILLS CORPORATION

Consolidated Statements of Cash Flows  
(unaudited)

<CAPTION>

	Three Months March 31		Twelve Months March 31	
	1994	1993	1994	1993
	(in thousands)			
<S>	<C>	<C>	<C>	<C>
Cash flows provided from (used for) operating activities:				
Net Income	\$ 5,800	\$ 6,103	\$22,642	\$24,153
Principal non-cash items- Depreciation, depletion, and amortization	4,493	3,405	17,139	13,884
Deferred income taxes and investment tax credits, net	204	107	1,139	899
Allowance for other funds used during construction	(162)	(61)	(434)	(124)
(Increase) decrease in receivables, inventories, and other current assets	(158)	131	(1,845)	(94)
Increase (decrease) in other current liabilities	1,015	(369)	(1,178)	5,685
Other, net	(484)	613	3,155	19
	10,708	9,929	40,618	44,422
Cash flows provided from (used for) investment activities:				

Neil Simpson Unit #2 construction costs, excluding allowance for other funds used during construction	(4,302)	(638)	(16,339)	(1,902)
Other property additions, excluding allowance for other funds used during construction	(3,437)	(3,680)	(27,039)	(26,157)
Short-term investments purchased	(7,525)	(8,118)	(31,012)	(28,486)
Short-term investments sold	5,517	7,446	21,558	32,056
Proceeds from sale of long-term investments	4,215	-	18,946	-
	(5,532)	(4,990)	(33,886)	(24,489)
Cash flows provided from (used for) financing activities:				
Dividends paid	(4,714)	(4,386)	(18,047)	(17,122)
Common stock issued	801	136	14,370	553
Increase (decrease) in short-term notes	9,900	(800)	14,484	1,200
Long-term debt retired	(2,242)	(1,902)	(4,506)	(3,959)
	3,745	(6,952)	6,301	(19,328)
Increase (decrease) in cash and cash equivalents	8,921	(2,013)	13,033	605
Cash and cash equivalents:				
Beginning of period	7,866	5,767	3,754	3,149
End of period	\$16,787	\$ 3,754	\$16,787	\$ 3,754
Supplemental disclosure of cash flow information				



Cash paid during the period for:

Interest	\$ 1,647	\$ 1,630	\$ 9,300	\$ 9,086
Income taxes	\$ -	\$ 2,525	\$ 7,825	\$ 9,254

See accompanying notes to consolidated financial statements.

/TABLE

<TABLE>

BLACK HILLS CORPORATION

Statements of Shareholders' Equity  
(unaudited)

<CAPTION>

	Three Months March 31		Twelve Months March 31	
	1994	1993	1994	1993
	(in thousands)			
<S>	<C>	<C>	<C>	<C>
Common stock:				
Beginning of period	\$ 14,270	\$ 13,701	\$ 13,707	\$ 13,682
Issuance of \$1 par value shares	37	6	600	25
End of period	14,307	13,707	14,307	13,707
Additional paid-in capital:				
Beginning of period	43,420	30,284	30,414	29,886
Excess of proceeds over par value of stock issued	753	132	14,406	530
Expenses related to issuance of stock	11	(2)	(636)	(2)
End of period	44,184	30,414	44,184	30,414
Retained earnings:				
Beginning of period	110,399	105,173	106,890	99,859
Net income	5,800	6,103	22,642	24,153
Cash dividends on				

common stock	(4,714)	(4,386)	(18,047)	(17,122)
End of period	111,485	106,890	111,485	106,890
Total shareholders' equity	\$169,976	\$151,011	\$169,976	\$151,011

/TABLE

BLACK HILLS CORPORATION

Notes to Consolidated Financial Statements  
(Reference is made to Notes to Consolidated Financial Statements  
included in the Company's Annual Report)

(1) Management's Statement

The financial statements included herein have been prepared by Black Hills Corporation (the Company) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations; however, the Company believes that the footnotes adequately disclose the information presented. It is suggested that these financial statements be read in conjunction with the financial statements and the notes thereto, included in the Company's 1993 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

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 March 31, 1994, December 31, 1993, and March 31, 1993, financial information and are of a normal recurring nature. The results of operations for the three months ended March 31, 1994, are not necessarily indicative of the results to be expected for the full year.

Management's Discussion and Analysis of Financial Condition  
and Results of Operations

Liquidity, Capital Resources, and Commitments

In the past the Company has depended upon internally generated funds, issuance of short and long-term debt, and sales of preferred and common stock to finance its activities. It is expected future activities will also be financed by the most appropriate mix of these various sources of funds.

The Company currently has bank lines of credit totaling \$40,000,000 which provides for interim borrowings and the opportunity for timing of permanent financing. At March 31, 1994, the Company had borrowings of \$21,600,000 outstanding under these lines of credit.

Additional long-term financing will be needed in 1994 and 1995 to finance Neil Simpson Unit #2, an 80 MW coal-fired generating plant, located adjacent to Wyodak Resources Development Corp.'s coal mine. The Company estimates that approximately \$87,000,000 of debt and \$3,500,000 of additional equity will need to be issued. The Company plans to raise the additional equity through the Company's Employee Stock Purchase Plan and Dividend Reinvestment Plan. These additional financings are expected to increase the debt component of the Company's capital structure from 33 percent at March 31, 1994, to approximately 45 percent to 48 percent by 1996. Total construction costs of the plant are estimated at \$124,889,000. The Company has incurred approximately \$19,000,000 of costs related to the plant and such costs are reflected in the Company's Balance Sheet at March 31, 1994. The plant will be fueled by coal from the Wyodak mine, air cooled, and is expected to meet all Clean Air Act requirements. Construction commenced at the plant site in August 1993 and is scheduled to be completed by the end of 1995.

### Results of Operations

Black Hills Corporation is an energy services company consisting of three principal businesses: electric, coal mining, and oil and gas production.

Consolidated income was \$5,800,000 for the three months ended and \$22,642,000 for the twelve months ended March 31, 1994, a decrease of \$303,000 and \$1,511,000 for the three and twelve month periods, respectively.

The decrease in earnings for the first quarter was primarily due to a \$439,000 decrease in earnings from the oil and gas operations. The decrease in earnings from the oil and gas operations was caused by increased depletion expense resulting from an increase in production and lower oil prices.

The decrease in earnings for the twelve months ended March 31, 1994, was due to an increase in depreciation, depletion, and interest expense resulting from an increase in capital expenditures and low oil prices. Interest income decreased due to a decrease in the amount of cash available for investments and lower interest rates. The coal mining operations earnings included a \$1,400,000 pre-tax benefit recognized on the PacifiCorp Coal Settlement in the second quarter of 1992.

Consolidated revenue and income from continuing operations provided by the three businesses as a percentage of the total were as follows:

<TABLE>

<CAPTION>

	Three Months Ended March 31		Twelve Months Ended March 31	
	1994	1993	1994	1993
Revenue				
<S>	<C>	<C>	<C>	<C>
Electric	73%	72%	71%	72%
Coal mining	20	21	21	21
Oil and gas	7	7	8	7

	100%	100%	100%	100%
Net Income				
Electric	59%	53%	50%	49%
Coal mining	43	42	47	47
Oil and gas	(2)	5	3	4
	100%	100%	100%	100%

</TABLE>

Capital expenditures and depreciation, depletion, and amortization by industry segment were as follows:

<TABLE>

<CAPTION>

	Three Months Ended March 31		Twelve Months Ended March 31	
	1994	1993	1994	1993

(in thousands)

<S>	<C>	<C>	<C>	<C>
Capital Expenditures (includes AFDC)				
Neil Simpson				
Unit #2	\$4,454	\$ 638	\$16,608	\$ 1,902
Other electric	1,859	1,958	13,040	16,121
Coal mining	687	355	7,758	5,342
Oil and gas	901	1,428	6,406	4,818
	\$7,901	\$4,379	\$43,812	\$28,183

Depreciation,  
Depletion, and  
Amortization

Electric	\$2,588	\$2,438	\$10,103	\$ 9,644
Coal mining	573	460	2,065	1,575
Oil and gas	1,332	507	4,971	2,665
	\$4,493	\$3,405	\$17,139	\$13,884

</TABLE>

The Wyodak Plant will be out of service for maintenance four to six weeks in the second quarter of 1994. The Company estimates this will decrease 1994 coal sales by approximately 250,000 tons as compared to the prior year. The Wyodak Plant was last out of service for maintenance in the fall of 1991.

#### Electric Operations

Electric revenue increased 5 percent and 0.6 percent for the three and twelve months ended March 31, 1994, respectively, due to an increase in purchased power costs flowed through to the electric customers offset by a decrease in firm kilowatthour sales. Firm kilowatthour sales decreased one percent in the first quarter and were relatively flat for the twelve month period. The decrease in firm kilowatthour sales in the first quarter was primarily related to milder winter weather. Degree days, a measure of weather trends, were 4 percent below normal for the first quarter of 1994

compared to 8 percent above normal for the first quarter of 1993. Purchased power expense was abnormally low in 1993 due to a refund received on the Colstrip purchased power contract flowed back to customers in 1993.

Electric expenses increased 6.9 percent and 1.4 percent for the three and twelve months ended March 31, 1994, compared to the same periods last year. The increase in expenses was primarily due to the increase in purchased power costs, depreciation, and property taxes.

#### Mining Operations

Mining revenue decreased 2 percent for the three months ended March 31, 1994, and increased 3 percent for the twelve months ended March 31, 1994, compared to the same periods last year. Tons of coal sold decreased 7 percent and 2 percent for the three and twelve month periods compared to the corresponding periods last year.

Mining operating expenses decreased 4 percent for the three month period and increased 1 percent for the twelve months ended March 31, 1994. The decrease in mining expenses in the first quarter was primarily due to the decrease in tons of coal sold offset by an increase in depreciation expense.

Non-operating income decreased \$336,000 and \$1,869,000 for the three and twelve months ended March 31, 1994. The Company recognized a \$1,400,000 non-cash pre-tax gain during the second quarter of 1992 related to the assumption by PacifiCorp of certain liabilities relating to the existing coal handling facilities. Non-operating income also decreased due to a decrease in interest income attributable to lower interest rates.

#### Oil and Gas Production Operations

Oil and gas production revenue which represents less than 10 percent of consolidated revenue increased 8 percent and 20 percent for the three and twelve months ended March 31, 1994, directly related to an increase in equivalent barrels of oil sold as a result of the Company's 1993 drilling program offset by lower oil prices. Equivalent barrels of oil sold increased 60 percent for the three and twelve month periods. A decrease in the price of oil offset the impact of increased production.

Operating expenses increased approximately 27 percent for the three and twelve months ended March 31, 1994, primarily due to an increase in depletion expense resulting from the increase in production and lower oil prices.

### BLACK HILLS CORPORATION

#### Part II - Other Information

##### Item 1. Legal Proceedings

There are no legal proceedings to be reported on as of the date of this report.

BLACK HILLS CORPORATION

Signatures

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

BLACK HILLS CORPORATION

/s/ Dale E. Clement  
Dale E. Clement, Senior Vice President-Finance  
(Principal Financial Officer)

/s/ Gary R. Fish  
Gary R. Fish, Controller  
(Principal Accounting Officer)

Dated: May 13, 1994