

BLACK HILLS CORP /SD/  
Form 11-K  
June 27, 2003

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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

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For the fiscal year ended December 31, 2002

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

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**BLACK HILLS CORPORATION  
RETIREMENT SAVINGS PLAN**

**Financial Statements as of December 31,  
2002 and 2001, Supplemental Schedule  
as of December 31, 2002 and  
Independent Auditors' Report**

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**BLACK HILLS CORPORATION RETIREMENT SAVINGS PLAN**

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**INDEPENDENT AUDITORS' REPORT**

To the Plan Administrator and Participants of the  
Black Hills Corporation Retirement Savings Plan  
Rapid City, South Dakota

We have audited the accompanying statement of net assets available for benefits of the Black Hills Corporation Retirement Savings Plan (the Plan) as of December 31, 2002 and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on the 2002 financial statements based on our audit. The financial statements as of December 31, 2001 and for the year then ended were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements and stated that such 2001 financial statement schedule was fairly stated in all material respects in relation to the 2001 basic financial statements taken as a whole in their report dated April 25, 2002.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2002 financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2002 and the changes in net assets available for benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule listed in the table of contents 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 2002 basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the 2002 basic financial statements taken as a whole.

Minneapolis, Minnesota  
June 4, 2003

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Report of independent public accountants  
To the Trustee of  
Black Hills Corporation Retirement Savings Plan:

We have audited the accompanying statements of net assets available for benefits of the Black Hills Corporation Retirement Savings Plan as of December 31, 2001 and 2000, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements and the supplemental schedules referred to below are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements and supplemental schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and supplemental schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and supplemental schedules. An audit also includes 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, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Black Hills Corporation Retirement Savings Plan as of December 31, 2001 and 2000, 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.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of assets held for investment purposes and nonexempt transactions are presented for purposes of additional analysis and are not a required part of the basic financial statements but are 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. These supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Minneapolis, Minnesota,  
April 25, 2002

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**BLACK HILLS CORPORATION RETIREMENT SAVINGS PLAN**

**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS**  
**DECEMBER 31, 2002 AND 2001**

|                                   | 2002          | 2001          |
|-----------------------------------|---------------|---------------|
| CASH                              | \$ --         | \$ 6,546      |
| INVESTMENTS, at market value      | 28,804,091    | 29,205,700    |
| CONTRIBUTIONS RECEIVABLE:         |               |               |
| Employee                          | 85,543        | 20,346        |
| Employer                          | 37,740        | 8,502         |
| INVESTMENT TRANSACTIONS PENDING   | 27,547        | 46,500        |
| ACCOUNTS PAYABLE                  | (116,115)     | --            |
| NET ASSETS AVAILABLE FOR BENEFITS | \$ 28,838,806 | \$ 29,287,594 |

See notes to financial statements.

**BLACK HILLS CORPORATION RETIREMENT SAVINGS PLAN**
**STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**  
**YEARS ENDED DECEMBER 31, 2002 AND 2001**

|                                                         | 2002          | 2001          |
|---------------------------------------------------------|---------------|---------------|
| NET ASSETS AVAILABLE FOR BENEFITS,<br>BEGINNING OF YEAR | \$ 29,287,594 | \$ 31,648,835 |
| INCREASES (DECREASES) DURING THE YEAR:                  |               |               |
| Participant contributions                               | 3,422,826     | 2,771,292     |
| Employer matching contributions                         | 1,266,616     | 933,233       |
| Investment interest and dividends                       | 663,187       | 694,891       |
| Net depreciation in fair value of investments           | (4,070,863)   | (5,150,125)   |
| Net realized (loss) gain on sale of investments         | (887,906)     | 132,449       |
| Administrative expenses                                 | (5,230)       | (4,350)       |
| Distributions to participants                           | (837,418)     | (1,738,631)   |
| Net decreases during the year                           | (448,788)     | (2,361,241)   |
| NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR          | \$ 28,838,806 | \$ 29,287,594 |

See notes to financial statements.

## BLACK HILLS CORPORATION RETIREMENT SAVINGS PLAN

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2002 AND 2001

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#### 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 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.

*Plan Expenses* Administrative fees of approximately \$78,188 and \$51,700 were paid by the Company in 2002 and 2001, respectively.

*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.

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.

*Contributions* The maximum percentage of compensation an employee may contribute to the Plan is 20%, with an annual maximum contribution of \$11,000, 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 17 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%.

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*Rollover Contributions* The Plan received \$308,509 and \$382,579 in rollover transfers from other qualified plans in 2002 and 2001, respectively, which are included in participant contributions on the statements of changes in net assets available for benefits.

*Participant Loans* The Plan contains a loan provision that allows participants to borrow a minimum of \$500 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 2002 and 2001, interest rates on outstanding participant loans ranged from 5.25% to 10.50% and from 5.75% to 10.50%, respectively. Loans are prohibited for terminated employees.

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*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 ten years.

*Amendments and Termination* 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 accompanying financial statements have been prepared using the accrual basis of accounting.

*Investment Valuation and Income Recognition* Investments of the Plan are stated at market 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. 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.

*Use of Estimates* The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires 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.

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## 3. INVESTMENTS

The investment options of the Plan at December 31, 2002 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 following presents investments that represent 5% or more of the Plan's net assets as of December 31:

|                                             | 2002         | 2001         |
|---------------------------------------------|--------------|--------------|
| Merrill Lynch Retirement Preservation Trust | \$ 6,018,714 | \$ 4,136,646 |
| Merrill Lynch Equity Index Trust 1          | 2,897,359    | 3,865,916    |
| Davis New York Venture Fund                 | 1,551,041    | 1,898,412    |
| Black Hills Corporation common stock        | 7,817,931    | 9,044,297    |

## 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.

## 5. PARTY-IN-INTEREST TRANSACTIONS

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

## 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

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## BLACK HILLS CORPORATION RETIREMENT SAVINGS PLAN

### SCHEDULE H, LINE 4i SCHEDULE OF ASSETS (Held At End of Year) DECEMBER 31, 2002

| Description                                       | Cost** | Market Value |
|---------------------------------------------------|--------|--------------|
| Collective trusts:                                |        |              |
| Merrill Lynch Equity Index Trust 1*               | \$     | 2,897,359    |
| Merrill Lynch Equity Index Trust 1-GM*            |        | 174,924      |
| Merrill Lynch Retirement Preservation Trust*      |        | 6,018,714    |
| Merrill Lynch Retirement Preservation Trust - GM* |        | 196,412      |
| Total collective trusts                           |        | 9,287,409    |
| Mutual funds:                                     |        |              |
| AIM Small Cap Growth Fund Class A                 |        | 78,488       |
| PIMCO Total Return Fund - Class A                 |        | 1,363,576    |
| PIMCO Total Return Fund - Class A - GM            |        | 525,340      |
| PIMCO Mid-Cap Growth Fund - Class A               |        | 60,723       |
| Munder Framlington Health Care Fund               |        | 247,833      |
| Oppenheimer Gold & Special Minerals Fund          |        | 116,730      |
| Seligman Communications Fund                      |        | 879,631      |
| Oppenheimer Global Fund                           |        | 813,172      |
| Templeton Foreign Fund                            |        | 1,248,021    |
| Oppenheimer US Government Fund                    |        | 226,479      |
| Templeton Foreign Fund                            |        | 264,934      |
| Franklin Balance Sheet Fund                       |        | 607,994      |
| Massachusetts Investors Stock Fund - Class A      |        | 308,720      |
| Massachusetts Investors Growth Fund - Class A     |        | 993,586      |
| Davis New York Venture Fund                       |        | 1,551,041    |
| Davis New York Venture Fund - GM                  |        | 206,498      |
| Van Kampen Real Estate Securities Fund            |        | 243,362      |
| Merrill Lynch Capital Fund - Class D*             |        | 693,150      |

| Description                          | Cost** | Market Value |
|--------------------------------------|--------|--------------|
| Total mutual funds                   |        | 10,429,278   |
| Common stock -<br>Black Hills Corp.* |        | 7,817,931    |
| Self-directed accounts:              |        |              |
| Cash:                                |        |              |
| CMA money fund                       |        | 28,921       |
| Cash                                 |        | 12,034       |
| Total cash                           |        | 40,955       |

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## BLACK HILLS CORPORATION RETIREMENT SAVINGS PLAN

### SCHEDULE H, LINE 4i SCHEDULE OF ASSETS (Held At End of Year) DECEMBER 31, 2002

| Description                         | Cost** | Market Value |
|-------------------------------------|--------|--------------|
| Self-directed accounts (continued): |        |              |
| Common stock:                       |        |              |
| Abbott Labs                         | \$     | 4,000        |
| Advanced Micro D Inc.               |        | 2,584        |
| Avista Corp                         |        | 1,734        |
| Ariba Inc.                          |        | 560          |
| AOL Time Warner Inc.                |        | 8,253        |
| Agere Systems Inc. Del A            |        | 23           |
| AT&T Wireless Services              |        | 1,814        |
| Agere Systems Inc. Del A            |        | 554          |
| AT&T Corp.                          |        | 5,222        |
| Applied Material Inc.               |        | 2,606        |
| Brooks Pri Automation               |        | 2,292        |
| Black Hills Corp.                   |        | 3,686        |
| Comcast Corp New Cl A               |        | 7,613        |
| Calpine Corp.                       |        | 4,906        |
| Citigroup Inco                      |        | 3,519        |
| Charter Communications Inc. A       |        | 118          |
| Cisco Systems Inc.                  |        | 8,515        |
| Corning Inc.                        |        | 993          |
| EMC Corporation Mass                |        | 3,684        |
| E Trade Group Inc.                  |        | 1,944        |
| Echelon Corporation                 |        | 6,726        |
| Exxon Mobil Corp.                   |        | 38,434       |
| Egghead.com Inc. Del                |        | 1            |
| Ericsson LM Tel Cl B Adr Sek        |        | 431          |
| FMC Corp. Com New                   |        | 13,660       |
| Flexxtronics Intl Ltd.              |        | 3,276        |
| Fuelcell Energy Inc.                |        | 1,402        |
| Globalstar Telecom                  |        | 56           |
| GlobalSantaFe Corp.                 |        | 8,074        |
| Grey Wolf Inc.                      |        | 7,980        |



| Description                 | Cost** | Market Value |
|-----------------------------|--------|--------------|
| Hollywood Media Corp. Fla   |        | 200          |
| Home Depot Inc.             |        | 2,450        |
| Intel Corp.                 |        | 11,678       |
| Int. Rectifier Corp.        |        | 2,769        |
| JDS Uniphase Corp.          |        | 3,705        |
| Johnson and Johnson Company |        | 5,371        |
| Knight Trading Group Inc.   |        | 359          |
| Koninkl Phil E NY SH New    |        | 5,349        |
| LSI Logic Crop              |        | 462          |
| Lucent Technologies Inc.    |        | 1,764        |

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**BLACK HILLS CORPORATION RETIREMENT SAVINGS PLAN****SCHEDULE H, LINE 4i SCHEDULE OF ASSETS (Held At End of Year)  
DECEMBER 31, 2002**

| Description                         | Cost** | Market Value |
|-------------------------------------|--------|--------------|
| Self-directed accounts (continued): |        |              |
| Common stock (continued):           |        |              |
| Manugistics Group Inc.              | \$     | 1,440        |
| Mercury Interactive Corp.           |        | 11,860       |
| Worldcom Inc. MCI                   |        | 1            |
| Moldflow Corp. Com                  |        | 5,250        |
| Mcdata Corp. Cl A Del               |        | 21           |
| Medarex Inc.                        |        | 861          |
| Micron Technology Inc.              |        | 4,870        |
| Motorola Inc. Com                   |        | 7,785        |
| Navarre Corp.                       |        | 1,005        |
| Nokia Corp Adr                      |        | 10,954       |
| Pfizer Inc. Del                     |        | 15,285       |
| Philip Morris Companies Inc.        |        | 24,318       |
| Qlogic Corp.                        |        | 6,419        |
| RF Micro Devices Inc.               |        | 367          |
| Rite Aid Corporation                |        | 1,225        |
| Safeguard Scientifics               |        | 204          |
| SBC Communications Inc. PV \$1      |        | 2,711        |
| Scientific Atlanta                  |        | 3            |
| Southwest Airlines Co.              |        | 8,020        |
| Texas Instruments                   |        | 2,252        |
| Tyco Intl. Ltd. New Com             |        | 11,956       |
| TLC Vision Corp.                    |        | 300          |
| Wal Mart Stores Inc.                |        | 7,577        |
| Williams Companies Del              |        | 189          |
| Worldcom Inc. - Worldcom GR         |        | 79           |
| Total common stock                  |        | 303,719      |
| Other assets:                       |        |              |
| Marketing Services Inc.             |        | 2            |
| Protein Polymer Techs               |        | 24,090       |

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|                                                                       | Description | Cost** | Market Value  |
|-----------------------------------------------------------------------|-------------|--------|---------------|
| Total other assets                                                    |             |        | 24,092        |
| Total self-directed accounts                                          |             |        | 368,766       |
| Participant loans, with interest rates ranging from 5.25% to 10.50%** |             |        | 900,707       |
|                                                                       |             |        | \$ 28,804,091 |

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

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## 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 26, 2003

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## EXHIBIT INDEX

| Exhibit Number | Description                                                                                                            |
|----------------|------------------------------------------------------------------------------------------------------------------------|
| 23.1           | Consent of Deloitte & Touche LLP                                                                                       |
| 23.2           | Statement Regarding Consent of Arthur Andersen LLP                                                                     |
| 99.1           | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 99.2           | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

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