BLACK HILLS CORP /SD/
Form 11-K
June 29, 2009

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, 2008

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

TABLE OF CONTENTS

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 Trustees and Participants of

Black Hills Corporation Retirement Savings Plan

Rapid City, SD

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, 2008 and 2007, 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 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, 2008 and 2007, 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 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 basic 2008 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

DELOITTE & TOUCHE LLP

Minneapolis, MN

June 29, 2009

BLACK HILLS CORPORATION RETIREMENT SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

AS OF DECEMBER 31, 2008 AND 2007

	2008	2007
ASSETS:		
Cash	$ 66	$ 21,718
Participant-directed investments at fair value	48,397,075	63,425,031
Receivables:		
Employee contribution	136	
Employer contribution	65,111	46,332
Dividends	14,372	15,175
Net assets available for benefits at fair value	48,476,760	63,508,256
ADUSTMENTS FROM FAIR VALUE TO CONTRACT VALUE FOR FULLY BENEFIT-RESPONSIVE INVESTMENT CONTRACTS	435,568	(25,221)
NET ASSETS AVAILABLE FOR BENEFITS	$ 48,912,328	$ 63,483,035

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, 2008 AND 2007

		2008		**2007**
NET ASSETS AVAILABLE FOR BENEFITS				
Beginning of year	$	63,483,035	$	56,614,020
INCREASE (DECREASE) DURING THE YEAR:				
Participant contributions		5,466,447		4,638,605
Participant rollovers		1,142,518		849,575
Employer contributions		2,085,172		1,634,608
Interest and dividends		841,984		1,487,230
Net (depreciation) appreciation in fair value of investments		(19,060,739)		3,026,567
Administrative expenses		(4,200)		(6,846)
Distributions to participants		(5,141,550)		(4,722,273)
Transfer to Plan		93,909		
Other		5,752		(38,451)
Net (decrease) increase during the year		(14,570,707)		6,869,015
NET ASSETS AVAILABLE FOR BENEFITS End of Year	$	48,912,328	$	63,483,035

See notes to financial statements.

BLACK HILLS CORPORATION RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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. Readers should refer to the plan agreement and related documents 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).

Plan Administration **Charles Schwab serves as 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 100%, with an annual maximum contribution of $15,500 for 2008 and 2007, respectively, 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 18 investment options or individual investments as directed by the participant. The Plan also allows catch up contributions in accordance with IRS guidelines.

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 $1,142,518 and $849,575 in rollover transfers from other qualified plans in 2008 and 2007, 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, 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 2008 and 2007, interest rates on outstanding participant loans ranged from 4.25% to 10.50%. 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 2008 and 2007, forfeitures of $83,365 and $98,825, 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 the closing market prices reported on the active market in which the individual securities are traded. The units of the common collective investment trust funds are stated at fair value as determined by the issuer of the common collective trust funds based on the fair market value of the underlying assets as traded on an exchange and active markets. Money market funds are valued including estimates for accrued interest and dividend income. The trading price and liquidity of money funds are also monitored as additional support for determining the fair value of those instruments. Participant loans are valued at the outstanding loan balances and management s judgment regarding the risk associated with these loans which are borrowed against a limited portion of assets held in participant accounts.

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 in the current year.

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.

In accordance with Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1, 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), the statements of net assets available for benefits present an investment contract at fair value, as well as an additional line item showing an adjustment of the fully benefit-responsive contract from fair value to contract value. The statements of changes in net assets available for benefits is presented on a contract value basis and was not affected by the FSP.

Plan Expenses Administrative expenses of approximately $205,035 and $141,047 were paid by the Company in 2008 and 2007, respectively. Administrative expenses for loan fees are paid by the individual plan participants and are reflected in the Statement of Changes in Net Assets Available for Benefits within Administrative expenses.

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. FAIR VALUE MEASURES

Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157) provides 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. SFAS 157 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). The Plan is able to classify fair value balances based on the observability of inputs.

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.

The following table sets forth, by level within the fair value hierarchy, the Plan s assets that were accounted for at fair value on a recurring basis as of December 31, 2008. As required by SFAS 157, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Plan Administrator s 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.

	At Fair Value as of December 31, 2008			
Recurring Fair Value Measures	**Level 1**	**Level 2**	**Level 3**	**Total**
Mutual funds	$ 31,010,413	$	$	$ 31,010,413
Common stock	6,540,199			6,540,199
Money market		340		340
Common collective investment trusts		8,971,951		8,971,951
Self-directed money market		205,799		205,799
Self-directed mutual funds	592,191			592,191
Self-directed common stock	261,291			261,291
Self-directed investment trust		90,186		90,186
Participant loans			724,705	724,705
Total investments measured at fair value	$ 38,404,094	$ 9,268,276	$ 724,705	$ 48,397,075

The following table sets forth a summary of changes in the fair value of the Plan s level 3 assets for the year ended December 31, 2008:

	Participant Loans	
Balance, beginning of period	$	1,078,076
Issuances, repayments and settlements, net		(353,371)
Balance, end of period	$	724,705

4. INVESTMENTS

The investment options of the Plan at December 31, 2008, included a Charles Schwab Stable Value Fund, Vanguard 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 consist of the following:

	2008		2007	
Schwab Stable Value Fund (at contract value)	$	9,407,519	$	9,341,174
Vanguard Extended Market Index Fund		4,474,956		7,405,614
Vanguard Institutional Index Fund		9,513,563		13,870,361
Vanguard Total Bond Market Index Fund		3,709,563		3,601,473
Vanguard Total International Stock Index Fund		4,741,316		8,345,698
Black Hills Corporation common stock		6,540,199		9,850,485

During 2008 and 2007, the Plan s investments (including gains and losses on investments bought and sold, as well as held during the year) (depreciated) appreciated in value as follows:

	2008		2007	
Common stock	$	(3,892,379)	$	1,657,157
Mutual funds		(15,559,201)		680,250
Common collective investment trusts		390,841		689,160
Total	$	(19,060,739)	$	3,026,567

5. 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 has been recorded in the Plan s financial statements.

6. PARTY-IN-INTEREST TRANSACTIONS

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

At December 31, 2008 and 2007, the Plan held 242,589 and 223,367 shares, respectively, of common stock of Black Hills Corporation, the sponsoring employer, with a cost basis of $5,255,522 and $6,339,002, respectively. The market value of these shares totaled $6,540,199 and $9,850,485 at December 31, 2008 and 2007, respectively. During the years ended December 31, 2008 and 2007, the Plan recorded dividend income from this investment of $323,243 and $313,950, respectively.

7. 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.

8. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 as of December 31:

		2008		**2007**
Net assets available for benefits per the financial statements	$	48,912,328	$	63,483,035
Adjustment from contract value to fair value for fully benefit-responsive investment contracts		(435,568)		25,221
Net assets available for benefits per the Form 5500	$	48,476,760	$	63,508,256

For the year ended December 31, the following is a reconciliation of net investment (loss) income per the financial statements to the Form 5500:

	2008	2007
Total net investment (loss) income per the financial statements	$ (18,213,003)	$ 4,475,346
Change in investment (loss) income for fair value of fully benefit-responsive investment contracts	(460,789)	25,221
Total (loss) income on investments per the Form 5500	$ (18,673,792)	$ 4,500,567

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SUPPLEMENTAL SCHEDULE

(See Report of Independent Registered Public Accounting Firm

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, 2008

Description	Cost**	Current Value
MONEY MARKET FUND:		
Schwab U.S. Treasury Money Fund*		$ 340
COLLECTIVE TRUST:		
Schwab Stable Value Fund*		8,971,951
MUTUAL FUNDS:		
Vanguard Extended Market Index Fund		4,474,956
Vanguard Inflation-Protected Securities Fund		1,275,588
Vanguard Institutional Index Fund		9,513,563
Vanguard REIT Index Fund		993,237
Vanguard Total Bond Market Index Fund		3,709,563
Vanguard Total International Stock Index		4,741,316
Vanguard Target Retirement Income Fund		16,947
Vanguard Target Retirement 2010 Fund		617,224
Vanguard Target Retirement 2015 Fund		1,319,089
Vanguard Target Retirement 2020 Fund		857,259
Vanguard Target Retirement 2025 Fund		1,020,974
Vanguard Target Retirement 2030 Fund		963,494
Vanguard Target Retirement 2035 Fund		582,311
Vanguard Target Retirement 2040 Fund		480,599
Vanguard Target Retirement 2045 Fund		348,075
Vanguard Target Retirement 2050 Fund		96,218
		31,010,413
Total mutual funds		
COMMON STOCK Black Hills Corporation*		6,540,199
SELF-DIRECTED ACCOUNTS		1,149,467
PARTICIPANT LOANS, WITH INTEREST RATES RANGING FROM 4.25% - 10.50% Maturity dates extending through January 11, 2013*		724,705
		$ 48,397,075

* 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/ ANTHONY S. CLEBERG
Anthony S. Cleberg
Executive Vice President and
Chief Financial Officer

Date: June 29, 2009