

BLACK HILLS CORP /SD/  
Form 11-K  
May 14, 2002

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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 years ended December 31, 2001 and 2000

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, 2001 and 2000  
together with report of  
independent public accountants

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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.

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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

As of December 31

|                                   | 2001<br>----  | 2000<br>----  |
|-----------------------------------|---------------|---------------|
| CASH                              | \$ 6,546      | \$ 7,995      |
| INVESTMENTS, at fair value:       | 29,205,700    | 31,615,328    |
| CONTRIBUTIONS RECEIVABLE:         |               |               |
| Employee                          | 20,346        | 15,989        |
| Employer                          | 8,502         | 5,980         |
| INVESTMENT TRANSACTIONS PENDING   | 46,500        | 3,543         |
|                                   | -----         | -----         |
| NET ASSETS AVAILABLE FOR BENEFITS | \$ 29,287,594 | \$ 31,648,835 |
|                                   | =====         | =====         |

The accompanying notes are an integral part of these statements.

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Black Hills Corporation Retirement Savings Plan

Statements of changes in net assets available for benefits

For the years ended December 31

|  | 2001          |
|--|---------------|
| NET ASSETS AVAILABLE FOR BENEFITS, beginning of year         | \$ 31,648,835 |
|  | -----         |
| INCREASES (DECREASES) DURING THE YEAR:                       |               |
| Participant contributions                                    | 2,771,933     |
| Employer matching contributions                              | 933,694       |
| Investment interest and dividends                            | 694,150       |
| Net appreciation (depreciation) in fair value of investments | (5,150,000)   |

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|  |            |
|--|------------|
| Net realized gain on sale of investments       | 132,       |
| Administrative expenses                        | (4,        |
| Distributions to participants                  | (1,738,    |
|  | -----      |
| Net increase (decrease) in net assets          | (2,361,    |
|  | -----      |
| NET ASSETS AVAILABLE FOR BENEFITS, end of year | \$ 29,287, |
|  | =====      |

The accompanying notes are an integral part of these statements.

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BLACK HILLS CORPORATION RETIREMENT SAVINGS PLAN

Notes to financial statements

December 31, 2001 and 2000

1 Description of the Plan  
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The following is not a comprehensive description of 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 Black Hills Corporation Retirement Savings Plan (the Plan) is a defined contribution plan for eligible employees of Black Hills Corporation and certain subsidiary companies of Black Hills Corporation (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 record keeper. 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 \$51,700 and \$60,800 were paid by the Company in 2001 and 2000.

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 percent per year in employer matching contributions until reaching five years of service. At that time, participants are 100 percent 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.

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Forfeitures from participant's who have terminated from the Plan prior to attaining 100 percent 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 percent, with an annual maximum contribution of \$10,500, as provided by the Code. There is no limit to the number of times participants may change their contribution percentages. Amounts contributed are invested at the discretion of plan participants in any of the 28 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 discretionary dollar-for-dollar Company matching contribution, up to a maximum of 3 percent of an individual participant's compensation.

### Rollover contributions

The Plan received \$382,579 and \$2,102,946 in rollover transfers from other qualified plans in 2001 and 2000, respectively, which are included in participant contributions on the statements of changes in net assets available for benefits. In 2000 approximately \$1.7 million of the rollover transfers came from participants who were formerly employed by Indeck Capital, Inc., which was merged into Black Hills Energy Capital, Inc in 2000.

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### Participant loans

The Plan contains a loan provision which allows participants to borrow up to a maximum equal to the lesser of \$50,000 or 50 percent of their vested account balances at an interest rate of 1 percent over the prime interest rate and to repay the loan through payroll deductions, with a maximum repayment period of five years. During 2001 and 2000, interest rates on outstanding participant loans ranged from 5.75 percent to 10.50 percent and from 8.75 percent to 10.50 percent. 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 installment payments over a period of no more than 10 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 percent vested, and all assets will be distributed among the participants in accordance with plan provisions.

## 2 Summary of significant accounting policies

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### Basis of accounting

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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 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. Realized gains and losses on sales of investments represent the difference between the net proceeds from the sale of investments and their historical cost. Unrealized appreciation or depreciation of 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 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 amount of changes in net assets available for benefits during the reporting period. Ultimate results could differ from those estimates.

### Reclassification

Certain 2000 amounts have been reclassified to conform to the 2001 presentation. These reclassifications had no effect on net assets available for benefits or the net increase in net assets available for benefits as previously reported.

### 3 Investments

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The investment options of the Plan at December 31, 2001 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.

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The following presents investments that represent 5 percent or more of the Plan's net assets as of December 31:

|   | 2001<br>---- | 2000<br>---- |
|---|--------------|--------------|
| Merrill Lynch Retirement Preservation Trust | \$ 4,136,646 | \$ 3,173,244 |
| Merrill Lynch Equity Index Trust 1          | 3,865,916    | 4,444,205    |
| Managers International Equity Fund          | 1,865,202    | 2,490,145    |
| Merrill Lynch Growth Fund                   | *            | 2,103,703    |
| Davis New York Venture Fund                 | 1,898,412    | 1,588,978    |
| Black Hills Corporation common stock        | 9,044,297    | 11,958,351   |

\*Under 5 percent.

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4 Tax status  
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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  
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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 risk. 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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Black Hills Corporation Retirement Savings Plan

(Employer identification number: 46-0458824) (Plan number: 003)

Schedule H, line 4i-- Schedule of Assets (Held At End of Year)

As of December 31, 2001

| Description                                  | Cost** |
|--|--------|
| -----  |        |
| CASH FUND:                                   |        |
| Merrill Lynch Ready Assets*                  |        |
| Total cash fund                              |        |
| COLLECTIVE TRUSTS:                           |        |
| Merrill Lynch Equity Index Trust 1*          |        |
| Merrill Lynch Retirement Preservation Trust* |        |
| Total collective trusts                      |        |
| MUTUAL FUNDS:                                |        |
| Merrill Lynch Growth Fund*                   |        |
| Merrill Lynch Pacific Fund*                  |        |

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PIMCO Total Return Fund  
PIMCO Mid-Cap Growth Fund  
Munder Framlington Health Care Fund  
Van Kampen Worldwide High Income Fund  
Oppenheimer Gold & Special Minerals Fund  
Seligman Communications Fund  
Oppenheimer Global Fund  
Alliance Quasar Fund  
Oppenheimer US Government Fund  
State Street Research Global Fund  
Franklin Balance Sheet Fund  
Pioneer Europe Fund  
Federated International Income Fund  
Massachusetts Investors Growth Fund  
Davis New York Venture Fund  
Managers International Equity Fund  
Davis Series Convertible Securities Fund  
Vam Kampen Real Estate Securities Fund  
Merrill Lynch Capital Fund\*

Total mutual funds

COMMON STOCK:

Black Hills Corp.\*  
Self-Direct Accounts:  
Abbott Labs  
ADC Telecommunctns Inc.  
Allcopiers Corp.  
AOL Time Warner Inc.  
Apple Computer Inc.  
Ariba Inc.  
AT&T Wireless Services  
AT&T Corp.

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Description

Cost\*\*

COMMON STOCK (continued):

Avista Corp.  
Calpine Corp.  
Cendant Corp.  
Charter Commncatns Inc A  
Check Point Software Tech  
Cisco Systems Inc.  
Corning Inc.  
Cypress Semicndtr PV1CTS  
E Trade Group Inc.  
Echelon Corporation EL  
EMC Corporation Mass  
Ericson LM TEL SEK10B ADR  
Exxon Mobil Corp.  
Fuelcell Energy Inc.  
Globalsantafe Corp.  
Globalstar Telecom



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Grey Wolf Inc.  
Hollywood Media Corp. FLA  
Intel Corp.  
Intl Rectifier Corp.  
Knight Trading Group Inc.  
Koninkl Phil E NY SH NEW  
Laser Vision Centers  
LSI Logic Corp.  
Lucent Technologies Inc.  
Marketing Svcs Gp In New  
Mcddata Corp. CL A DEL  
Medarex Inc.  
Micron Technology Inc.  
Motorola Inc.  
Navarre Corp.  
Nokia Corp.  
Nortel Networks Corp. New  
Pfizer Inc. Del  
Philip Morris Cos Inc.  
PMC Sierra Inc.  
Protein Polymer Techs  
Qlogic Corp.  
RF Micro Devices Inc.  
Rite Aid Corporation  
Safeguard Scientifics  
Scientific Atlanta  
Southwest Airlns Co.

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| Description  | Cost** |
|--|--------|
| -----  |        |
| COMMON STOCK (continued):  |        |
| Texas Instruments  |        |
| Wal Mart Stores Inc.   |        |
| Worldcom Inc-MCI Group   |        |
| Worldcom Inc-WORLDCOM GR   |        |
| Total common stock   |        |
| PARTICIPANT LOANS, with interest rates ranging from 5.75% to 10.50%* |        |
| Total investments  |        |

\*Denotes party in interest.

\*\*Cost is not required for participant-directed accounts.

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Black Hills Corporation Retirement Savings Plan

(Employer identification number: 46-0458824) (Plan number: 003)

Schedule G, Part III -- Nonexempt Transactions

For the year ended December 31, 2001

| Identity of party involved | Relationship to the Plan, employer or other party in interest | Description of transactions, including maturity date, rate of interest, collateral, and par or maturity value   | Amount loaned |
|----------------------------|---|---|---------------|
| Black Hills Corporation    | Sponsor   | Lending of moneys from the Plan to the employer (contributions not timely remitted to the Plan), as follows: Deemed loans dated 1/22/01 and 6/21/01, with respective maturities of 2/21/01 and 6/26/01. | \$            |

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the 401K Retirement Savings Plan Committee has duly caused this Annual Report to be signed on its behalf by the undersigned hereunto duly authorized.

Black Hills Corporation  
401K Retirement Savings Plan

Date: May 14, 2002

By /s/ Roxann R. Basham

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Roxann R. Basham