United States
Securities and Exchange Commission
Washington, D.C. 20549

Form 10-Q

X QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2001.

OR

___ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______________ to _______________.

Commission File Number 333-52664

Black Hills Corporation
Incorporated in South Dakota IRS Identification Number 46-0458824

625 Ninth Street
Rapid City, South Dakota 57701

Registrant's telephone number (605)-721-1700

Former name, former address, and former fiscal year if changed since last report

NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X ---------- No ----------

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the last practicable date.

Class	Outstanding at July 31, 2001
Common stock, $1.00 par value	26,398,986 shares

BLACK HILLS CORPORATION

I N D E X

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BLACK HILLS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Three Months June 30		Six Months June 30		Twelve Months June 30	
	2001	2000	2001	2000	2001	2000
	(in thousands, except per share amounts)					
Operating revenues	$ 419,049	$ 336,978	$ 980,742	$ 584,960	$ 2,019,703	$1,022,439
Operating expenses:						
Fuel and purchased power	298,581	297,431	745,089	505,046	1,610,884	860,453
Operations and maintenance	15,399	8,970	28,183	17,690	57,303	35,067
Administrative and general	23,010	5,292	46,391	9,697	80,432	22,015
Depreciation, depletion and amortization	12,644	6,890	24,524	13,486	43,870	26,723
Taxes, other than income taxes	5,410	3,195	10,981	6,884	19,000	13,936
	355,044	321,778	855,168	552,803	1,811,489	958,194
Operating income	64,005	15,200	125,574	32,157	208,214	64,245
Other income (expense):						
Interest expense	(9,349)	(6,264)	(20,278)	(11,706)	(39,922)	(19,651)
Interest income	1,010	2,590	1,652	4,631	4,240	6,826
Other, net	2,965	226	4,386	(302)	8,487	880
	(5,374)	(3,448)	(14,240)	(7,377)	(27,195)	(11,945)
Income before minority interest and income taxes	58,631	11,752	111,334	24,780	181,019	52,300
Minority interest	(2,611)	-	(4,571)	65	(15,909)	1,485
Income taxes	(21,167)	(3,691)	(39,819)	(7,723	(62,441)	(16,389)
Net income	34,853	8,061	66,944	17,122	102,669	37,396
Preferred stock dividends	(300)	-	(342)	-	(420)	-
Net income available for common stock	$ 34,553	$ 8,061	$ 66,602	$ 17,122	$ 102,249	$ 37,396
Weighted average common shares outstanding:						
Basic	25,502	21,394	24,245	21,385	23,550	21,458
Diluted	25,978	21,449	24,691	21,429	24,014	21,503
Earnings per share of common stock:						
Basic	$ 1.35	$ 0.38	$ 2.75	$ 0.80	$ 4.34	$ 1.74
Diluted	$ 1.34	$ 0.38	$ 2.71	$ 0.80	$ 4.28	$ 1.74
Dividends paid per share of common stock	$ 0.28	$ 0.27	$ 0.56	$ 0.54	$ 1.10	$ 1.06

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

BLACK HILLS CORPORATION
CONSOLIDATED BALANCE SHEETS

	Unaudited June 30 2001	December 31 2000	Unaudited June 30 2000
	(in thousands, except share amounts)		
ASSETS			
Current assets:			
Cash and cash equivalents	$ 35,588	$ 24,913	$ 13,644
Securities available-for-sale	3,263	2,113	4,552
Receivables (net of allowance for doubtful accounts of $6,452, $3,631 and $325, respectively) -			
Customers	142,214	278,436	134,117
Other	10,380	21,283	88,177
Materials, supplies and fuel	20,532	16,545	11,283
Prepaid expenses	7,701	7,428	3,384
Derivatives at market value	56,185	68,292	5,158
	275,863	419,010	260,315
Investments	73,180	63,965	18,334
Property and equipment	1,304,782	1,072,129	752,342
Less accumulated depreciation and depletion	(301,822)	(277,848)	(255,127)
	1,002,960	794,281	497,215
Other assets:			
Derivatives at market value	3,868	-	-
Regulatory asset	4,134	4,134	3,944
Other, principally goodwill	44,753	38,930	11,372
	52,755	43,064	15,316
	$1,404,758	$1,320,320	$ 791,180
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current maturities of long-term debt	$ 14,470	$ 13,960	$ 3,029
Notes payable	72,854	211,679	156,699
Accounts payable	143,393	247,596	133,155
Accrued liabilities	48,379	49,661	24,494
Derivatives at market value	59,995	65,960	5,158
	339,091	588,856	322,535
Long-term debt, net of current maturities	434,332	307,092	159,260
Deferred credits and other liabilities:			
Derivatives at market value	2,694	-	-
Investment tax credits	2,289	2,530	2,776
Federal income taxes	62,193	62,679	49,006
Reclamation and regulatory liability	22,468	22,340	26,326
Other	14,591	16,516	8,068
	104,235	104,065	86,176
Minority interest in subsidiaries	27,246	37,961	-
Stockholders' equity:			
Preferred stock - no par Series 2000-A; 21,500 shares authorized; Issued and Outstanding: 4,893; 4,000 and 0 shares, respectively	5,175	4,000	-
Common stock equity-			
Common stock $1 par value; 100,000,000 shares authorized; Issued: 26,769,144; 23,302,111 and 21,751,207 shares, respectively	26,769	23,302	21,751
Additional paid-in capital	236,956	73,442	40,909
Retained earnings	244,406	191,482	167,617
Treasury stock	(8,841)	(9,067)	(7,556)
Accumulated other comprehensive income (loss)	(4,611)	(813)	488
	494,679	278,346	223,209
Total stockholders' equity	499,854	282,346	223,209
	$1,404,758	$1,320,320	$791,180

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

BLACK HILLS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three Months June 30		Six Months June 30		Twelve Months June 30	
	2001	2000	2001	2000	2001	2000
	(in thousands)					
Operating activities:						
Net income available for common stock	$34,553	$8,061	$66,602	$17,122	$102,249	$37,396
Principal non-cash items-						
Depreciation, depletion and amortization	12,644	6,890	24,524	13,486	43,870	26,723
Gain on sales of assets	-	-	-	-	(3,736)	-
Deferred income taxes and investment tax credits	1,511	388	(727)	(219)	(10,087)	1,148
Undistributed earnings of affiliates	(5,219)	-	(7,342)	-	(10,172)	-
Minority interest	2,611	-	4,571	-	15,909	-
Change in operating assets and liabilities-						
Accounts receivable and other current assets	28,241	(34,444)	141,050	(59,585)	(9,549)	(50,218)
Accounts payable and other current liabilities	(36,835)	29,920	(105,485)	51,206	27,381	46,962
Derivative fair value adjustment	697	-	(2,738)	-	(5,070)	-
Other, net	612	351	(2,775)	5,381	5,758	(813)
	38,815	11,166	117,680	27,391	156,553	61,198
Investing activities:						
Property additions	(206,967)	(37,941)	(235,915)	(53,207)	(321,338)	(111,285)
(Increase) decrease in investments	(1,602)	(8,171)	(57)	(32,327)	22,624	(90,943)
Payment for acquisition of net assets, net of cash acquired	(10,410)	-	(10,410)	-	(39,098)	-
Proceeds from sales of assets	-	-	-	-	5,500	-
Available-for-sale securities purchased	-	-	-	-	-	(2,691)
Available-for-sale securities sold	-	1,853	-	6,935	1,139	14,740
	(218,979)	(44,259)	(246,382)	(78,599)	(331,173)	(190,179)
Financing activities:						
Dividends paid	(7,150)	(5,876)	(13,429)	(11,746)	(25,211)	(23,050)
Treasury stock (purchased) sold, net	-	96	226	474	(1,285)	(1,025)
Common stock issued	164,606	103	165,160	263	168,751	437
Increase (decrease) in short-term borrowings	(160,404)	37,425	(138,825)	59,120	(124,097)	151,086
Long-term debt - issuance	135,014	1,075	135,689	1,075	195,689	1,075
Long-term debt - repayments	(4,808)	(289)	(7,939)	(816)	(9,446)	(1,330)
Subsidiary distributions to minority interests	(1,168)	-	(1,505)	-	(7,837)	-
	126,090	32,534	139,377	48,370	196,564	127,193
Increase (decrease) in cash and cash equivalents	(54,074)	(559)	10,675	(2,838)	21,944	(1,788)
Cash and cash equivalents:						
Beginning of period	89,662	14,203	24,913	16,482	13,644	15,432
End of period	$ 35,588	$ 13,644	$ 35,588	$ 13,644	$ 35,588	$ 13,644
Supplemental disclosure of cash flow information:						
Cash paid during the period for-						
Interest	$ 8,144	$ 5,167	$ 19,954	$ 11,450	$ 39,876	$ 19,302
Income taxes	$28,900	$ 7,750	$ 34,800	$ 7,750	$ 45,568	$ 13,751
Non-cash net assets acquired through issuance of common and preferred stock	$ 2,747	$ -	$ 2,747	$ -	$ 36,840	$ -

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

BLACK HILLS CORPORATION

Notes to Consolidated Financial Statements
(unaudited)
(Reference is made to Notes to Consolidated Financial Statements included in the Company's Annual Report and Form 10-K)

(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 accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations; however, the Company believes that the footnotes adequately disclose the information presented. These financial statements should be read in conjunction with the financial statements and the notes thereto, included in the Company's 2000 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 June 30, 2001, December 31, 2000 and June 30, 2000, financial information and are of a normal recurring nature. The results of operations for the three, six and twelve months ended June 30, 2001, are not necessarily indicative of the results to be expected for the full year.

(2) RECLASSIFICATIONS

Certain 2000 amounts in the financial statements have been reclassified to conform to the 2001 presentation. These reclassifications did not have an effect on the Company's stockholders' investment or results of operations as previously reported.

(3) NEW ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 141, "Business Combinations" (SFAS 141) and No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting. Under SFAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Intangible assets with a defined life will continue to be amortized over their useful lives (but with no maximum life). The amortization provisions of SFAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, the Company is required to adopt SFAS 142 effective January 1, 2002. Management is currently evaluating the effect that adoption of the provisions of SFAS 142 that are effective January 1, 2002 will have on the Company's consolidated financial statements.

(4) CHANGE IN ACCOUNTING PRINCIPLE

In June 1998, the FASB issued SFAS No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities." SFAS 133, as amended, establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS 133 requires that changes in the derivative instrument's fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

SFAS 133 allows special hedge accounting for fair value and cash flow hedges. SFAS 133 provides that the gain or loss on a derivative instrument designated and qualifying as a fair value hedging instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk be recognized currently in earnings in the same accounting period. SFAS 133 provides that the effective portion of the gain or loss on a derivative instrument designated and qualifying as a cash flow hedging instrument be reported as a component of other comprehensive income and be reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings. The remaining gain or loss on the derivative instrument, if any, must be recognized currently in earnings.

SFAS 133 requires that on date of initial adoption, an entity shall recognize all freestanding derivative instruments in the balance sheet as either assets or liabilities and measure them at fair value. The difference between a derivative's previous carrying amount and its fair value shall be reported as a transition adjustment. The transition adjustment resulting from adopting this Statement shall be reported in net income or other comprehensive income, as appropriate, as the effect of a change in accounting principle in accordance with paragraph 20 of Accounting Principles Board Opinion No. 20 (APB 20), "Accounting Changes."

On January 1, 2001, the Company adopted SFAS 133. The Company had certain non-trading energy contracts and interest rate swaps documented as cash flow hedges, which upon adoption resulted in a decrease to accumulated other comprehensive income of $10.1 million.

Upon adoption of SFAS 133, most of the Company's energy trading activities previously accounted for under Emerging Issues Task Force Issue No. 98-10, "Accounting for Energy Trading and Risk Management Activities" (EITF 98-10) fell under the purview of SFAS 133. The effect from this adoption on the energy trading companies and energy trading activities was not material because, unless otherwise noted, the trading companies do not designate their energy trading activities as hedge instruments. This "no hedge" designation results in these derivatives being measured at fair value and gains and losses recognized currently in earnings. This treatment under SFAS 133 is comparable to the accounting under EITF 98-10.

(5) CHANGES IN LONG-TERM DEBT AND NOTES PAYABLE

In conjunction with the closing of the Fountain Valley acquisition (Note 11) the Company issued long-term non-recourse project level financing. The debt matures July 1, 2006, has a floating interest rate (5.13 percent at June 30, 2001), and is collateralized by a mortgage on the project's land and facilities, leases and rights, including rights to receive payments under long-term purchase power contracts. In addition, during the second quarter of 2001 the Company used net proceeds from its common stock offering (Note 10) to pay down approximately $163 million of its borrowings under short-term credit facilities.

Other than the above transactions, the Company had no other material changes in its consolidated indebtedness, as reported in Notes 6 and 7 of the Company's 2000 Annual Report on Form 10-K.

(6) COMPREHENSIVE INCOME

The following table presents the components of the Company's comprehensive income:

	Three Months Ended June 30		Six Months Ended June 30		Twelve Months Ended June 30	
	2001	2000	2001	2000	2001	2000
	(in thousands)					
Net income available for common stock	$34,553	$8,061	$66,602	$17,122	$102,249	$37,396
Other comprehensive income:						
Unrealized gain (loss) on available-for-sale securities	127	488	1,151	488	(150)	488
Initial impact of adoption of SFAS 133, net of minority interest	-	-	(7,518)	-	(7,518)	-
Fair value adjustment on derivatives designated as cash flow hedges net of minority interest	5,005	-	2,569	-	2,569	-
Comprehensive income	$39,685	$8,549	$62,804	$17,610	$97,150	$37,884

(7) SUMMARY OF INFORMATION RELATING TO SEGMENTS OF THE COMPANY'S BUSINESS

The Company's reportable segments are those that are based on the Company's method of internal reporting, which generally segregates the strategic business groups due to differences in products, services and regulation. As of June 30, 2001, substantially all of the Company's operations and assets are located within the United States. The Company's operations are conducted through six business segments that include: Electric group and segment, which supplies electric utility service to western South Dakota, northeastern Wyoming and southeastern Montana; Independent Energy group consisting of the following segments: Mining, which engages in the mining and sale of coal from its mine near Gillette, Wyoming; Oil and Gas, which produces, explores and operates oil and gas interests located in the Rocky Mountain region, Texas, California and other states; Fuel Marketing, which markets natural gas, oil, coal and related services to customers in the East Coast, Midwest, Southwest, Rocky Mountain, West Coast and Northwest regions markets; Independent Power, which produces and sells power to wholesale customers; and Communications group and Others, which primarily markets communications and software development services.

Segment information follows the same accounting policies as described in Note 1 of the Company's 2000 Annual Report on Form 10-K. In accordance with the provisions of SFAS No. 71, intercompany coal sales are not eliminated. Segment information included in the accompanying Consolidated Balance Sheets and Consolidated Statements of Income is as follows (in thousands):

Quarter to Date June 30, 2001	External Operating Revenues	Inter-segment Operating Revenues	Net Income (loss)
Electric	$ 61,280	$ 321	$16,626
Mining	5,237	2,644	2,211
Oil and gas	8,251	1,024	2,963
Fuel marketing	312,080	9,403	11,793
Independent power	24,975	-	3,687
Communications and others	4,582	1,117	(2,427)
Intersegment eliminations	-	(11,865)	-
Total	$416,405	$ 2,644	$34,853

Quarter to Date June 30, 2000	External Operating Revenues	Inter-segment Operating Revenues	Net Income (loss)
Electric	$ 35,899	$ -	$7,094
Mining	3,480	2,338	1,441
Oil and gas	4,272	-	1,226
Fuel marketing	289,461	-	593
Independent power	158	-	98
Communications and others	1,370	952	(2,391)
Intersegment eliminations	-	(952)	-
Total	$334,640	$ 2,338	$8,061

Year to Date June 30, 2001	External Operating Revenues	Inter-segment Operating Revenues	Net Income (loss)
Electric	$ 131,858	$ 322	$33,964
Mining	10,658	5,486	4,275
Oil and gas	16,833	1,024	5,919
Fuel marketing	764,379	12,994	27,353
Independent power	43,020	-	2,582
Communications and others	8,508	2,217	(7,149)
Intersegment eliminations	-	(16,557)	-
Total	$ 975,256	$ 5,486	$ 66,944

Year to Date June 30, 2000	External Operating Revenues	Inter-segment Operating Revenues	Net Income (loss)
Electric	$ 69,198	$ -	$14,292
Mining	9,060	4,853	3,804
Oil and gas	8,234	-	2,116
Fuel marketing	491,514	-	1,161
Independent power	242	-	130
Communications and others	1,859	1,858	(4,381)
Intersegment eliminations	-	(1,858)	-
Total	$580,107	$4,853	$17,122

12 Months Ended June 30, 2001	External Operating Revenues	Inter-segment Operating Revenues	Net Income (loss)
Electric	$ 235,915	$ 376	$ 56,776
Mining	22,478	10,283	7,174
Oil and gas	27,782	2,169	8,783
Fuel marketing	1,626,660	26,170	40,211
Independent power	82,193	329	5,694
Communications and others	14,392	3,987	(15,969)
Intersegment eliminations	-	(33,031)	-
Total	$2,009,420	$10,283	$102,669

12 Months Ended June 30, 2000	External Operating Revenues	Inter-segment Operating Revenues	Net Income (loss)
Electric	$ 138,615	$ -	$29,782
Mining	22,452	7,800	8,291
Oil and gas	15,242	-	3,776
Fuel marketing	835,951	-	1,225
Independent power	242	-	87
Communications and others	2,137	3,623	(5,765)
Intersegment eliminations	-	(3,623)	-
Total	$1,014,639	$ 7,800	$37,396

Other than the following transactions the Company had no other material changes in total assets of its reporting segments, as reported in Note 13 of the Company's 2000 Annual Report on Form 10-K, beyond changes resulting from normal operating activities.

- During the first quarter of 2001, as part of the Company's reorganization plan associated with the new "holding company" structure effected in the fourth quarter of 2000, the Company transferred ownership interest in Wyodak Resources Development Corp. between its wholly-owned subsidiaries Black Hills Power and Black Hills Energy Ventures. This transaction had the effect of reducing the "Electric" reporting segment's total assets by approximately $89.6 million. Black Hills Energy Ventures is an "intermediate level" holding company and is not included in a reporting segment.

- The Independent Power segment had additions to its power generation assets of approximately $200 million, primarily related to the acquisition and construction of the Fountain Valley facility, expansion of the Valmont and Arapahoe facilities and construction of the Wyoming combustion turbine.

- The Oil and Gas segment had additions to its oil and gas properties of approximately $16 million of which $10 million was related to its acquisition of Stewart Petroleum.

- The Communications segment had additions to its communications plant of approximately $12 million related to its continued network build-out.

(8) LEGAL PROCEEDINGS

On April 3, 2001, we reached a settlement of ongoing litigation with PacifiCorp filed in the United States District Court, District of Wyoming, (File No. 00CV-155B). The litigation concerned the parties' rights and obligations under the Further Restated and Amended Coal Supply Agreement dated May 5, 1987, under which PacifiCorp purchased coal from our coal mine to meet the coal requirements of the Wyodak Power Plant. The Settlement Agreement provided for the dismissal of the litigation, with prejudice, coupled with the execution of several new coal-related agreements between the parties discussed below. We believe the value of the Settlement Agreements is equal to the net present value of the litigated Further Restated and Amended Coal Supply Agreement.

New Restated and Amended Coal Supply Agreement: Effective January 1, 2001, the parties agreed to terminate the Further Restated and Amended Coal Supply Agreement, and replace it with the New Restated and Amended Coal Supply Agreement (New Agreement). The New Agreement begins on January 1, 2001, and extends to December 31, 2022. Under the New Agreement, we received an extension of sales beyond the June 8, 2013 term of the former Coal Supply Agreement. PacifiCorp will receive a price reduction for each ton of coal purchased. The minimum purchase obligation under the New Agreement increased to 1,500,000 tons of coal for each calendar year of the contract term, subject to adjustment for planned outages. The New Agreement further provides for a special one-time payment by PacifiCorp in the amount of $7,374,000, to be paid on or before September 1, 2001. This payment is being recognized as revenue over the life of the New Agreement.

Coal Option Agreement: The term of this agreement begins no later than October 1, 2001, and extends until December 31, 2010. The agreement provides that PacifiCorp shall purchase 1,400,000 tons of coal during the period of October 1, 2001 through December 31, 2002, and 1,000,000 tons of coal in 2003 at a fixed price. The agreement further provides us with a "put" option for 2002 and 2003 under which we may put to PacifiCorp up to 500,000 tons of coal from the Wyodak Mine at a market based price. For each calendar year from January 1, 2004 through 2010, the put option is increased to a maximum of 1,000,000 tons at a market based price. The "put" tonnages will be reduced or offset for quantities of K-Fuel purchased by PacifiCorp under the KFx Facility Output Agreement. Additionally, for each calendar year during which we are selling to PacifiCorp K-Fuel under the KFx Facility Output Agreement described below, and in which we have not exercised our "put" option, PacifiCorp may elect to purchase an equal amount of tonnage from our coal reserves to use in a 50/50 blend with the K-Fuel, up to 500,000 tons per year in 2002 through 2007 at a market based price with a fixed floor.

Asset Option Agreement: This agreement provides PacifiCorp an option to purchase a 10% interest in the KFx facility or the legal entity that owns the KFx facility at a market based price. Additionally, the agreement provides to PacifiCorp an option to sell us PacifiCorp's interest in the "In Pit" conveyor system currently owned by PacifiCorp and utilized at the Wyodak Mine at a fixed price. If PacifiCorp exercises its option to sell us the In Pit system, we have a corresponding right to put to PacifiCorp the "North Conveyor System," which serves as the backup coal delivery system for the Wyodak Power Plant at a fixed price.

KFx Facility Output Agreement: The KFx plant is a coal enhancement facility we own located near our Wyodak Coal Mine. The KFx plant was built to produce an enhanced coal known as "K-Fuel." Assuming the plant becomes operational, PacifiCorp agrees to purchase K-Fuel for a term beginning January 1, 2002, and extending to December 31, 2007. If the plant is not operational on or before December 31, 2003, the agreement will become void. Under this agreement, PacifiCorp agrees to purchase the output of K-Fuel from the KFx plant, up to a maximum of 500,000 tons for each calendar year from 2002 through 2007 at fixed price with market based escalation. Wyodak reserves the right to sell up to a total of 100,000 tons from the output of the KFx plant to other customers during the same time period.

(9) PRICE RISK MANAGEMENT

The Company is exposed to market risk stemming from changes in commodity prices. These changes could cause fluctuations in the Company's earnings and cash flows. In the normal course of business, the Company actively manages its exposure to these market risks by entering into various hedging transactions, which are authorized under its Risk Management Policies and Procedures that place clear controls on these activities. Hedging transactions involve the use of a variety of derivative financial instruments.

The Company accounts for all energy trading activities at fair value as of the balance sheet date and recognizes currently the net gains or losses resulting from the revaluation of these contracts to fair value in its results of operations. As a result, substantially all of the energy trading activities of the Company's gas marketing, crude oil marketing, and coal marketing operations are accounted for under fair value accounting methodology as prescribed in SFAS 133 or EITF 98-10.

Energy Trading Activities

The Company, through its independent energy business group, utilizes financial instruments for its fuel marketing services. These financial instruments include fixed-for-float swap financial instruments, basis swap financial instruments and costless collars traded in the over-the-counter financial markets.

These derivatives are not held for speculative purposes but rather serve to hedge the Company's exposure related to commodity purchases or sales commitments. Under SFAS 133 and EITF 98-10, these transactions qualify as derivatives or energy trading activities that must be accounted for at fair value. As such, realized and unrealized gains and losses are recorded as a component of income. Because the Company does not, as a policy, permit speculation with "open" positions, substantially all of its trading activities are back-to-back positions where a commitment to buy/(sell) a commodity is matched with a committed sale/(buy) or financial instrument. The quantities and maximum terms of derivative financial instruments held for trading purposes at June 30, 2001, December 31, 2000 and June 30, 2000 are as follows:

June 30, 2001	Volume Covered	Max. Term (Years)
(MMBtus)		
Natural gas basis swaps purchased	29,064,178	2
Natural gas basis swaps sold	29,283,500	2
Natural gas fixed-for-float swaps purchased	15,469,668	1
Natural gas fixed-for-float swaps sold	11,728,279	1
Natural gas swing swaps purchased	1,044,576	1
Natural gas swing swaps sold	12,623,950	1
(Tons)		
Coal tons sold	961,046	1
Coal tons purchased	1,074,046	1

June 30, 2000	Volume Covered	Max. Term (Years)
(MMBtus)		
Natural gas basis swaps purchased	26,692,328	3
Natural gas basis swaps sold	23,072,000	3
Natural gas fixed-for-float swaps purchased	8,390,437	1
Natural gas fixed-for-float swaps sold	10,312,447	1

December 31, 2000	Volume Covered	Max. Term (Years)
(MMBtus)		
Natural gas basis swaps purchased	25,577,894	2
Natural gas basis swaps sold	26,059,621	2
Natural gas fixed-for-float swaps purchased	6,476,222	1
Natural gas fixed-for-float swaps sold	7,360,560	1
(Tons)		
Coal tons sold	988,000	1
Coal tons purchased	896,000	1

As required under SFAS 133 and EITF 98-10, derivatives and energy trading activities were marked to fair value on June 30, 2001, and the gains and losses recognized in earnings. The amounts related to the accompanying consolidated balance sheet and income statement as of and for the three, six and twelve month periods ended June 30, 2001 are as follows (in thousands):

Instrument	Asset	Liability	Three Month Gain (Loss)	Six Month Gain (Loss)	Twelve Month Gain (Loss)
Natural gas basis swaps	$ 7,708	$11,272	$1,773	$7,029	$(1,439)
Natural gas fixed-for-float swaps	16,424	22,765	(5,210)	(3,869)	(4,177)
Natural gas physical	20,104	4,944	3,532	1,197	9,882
Coal transactions	7,363	5,507	314	945	1,855
Crude oil transactions	7,153	6,475	23	155	678
Totals	$ 58,752	$ 50,963	$ 432	$5,457	$ 6,799

There were no significant differences between the fair values of derivative assets and liabilities at June 30, 2000.

Non-trading Energy Activities

To reduce risk from fluctuations in the price of oil and natural gas, the Company enters into swaps and costless collar transactions. The transactions are used to hedge price risk from sales of the Company's forecasted crude oil and natural gas production. For such transactions, the Company utilizes hedge accounting as allowed under SFAS 133.

At June 30, 2001, the Company had fixed-for-float swaps and costless collars to hedge portions of its crude oil and natural gas production. These transactions were identified as cash flow hedges, properly documented, and effectiveness testing established. At quarter-end, the hedges met the effectiveness testing criteria and retained their cash flow hedge status. The crude oil hedges recorded ineffectiveness due to basis risk and time value. The effective portion of the gain or loss on these derivatives is reported in other comprehensive income and the ineffective portion is reported in earnings.

At June 30, 2001, the Company had fixed-for-float swaps for 17,000 barrels of crude oil per month through December of 2001 with a net fair value of $0.1 million and 10,000 barrels of crude oil per month for January through September of 2002 with a net fair value of $0.1 million. The Company had costless collars (purchased put - sold call) for 10,000 barrels of crude oil per month for 2001 with a net fair value of $0.1 million. In addition, the Company hedged a portion of its forecasted 2001 natural gas production with fixed-for-float swaps. At June 30, 2001 these natural gas swaps were for 676,000 MMBtus with a net fair value of $0.9 million.

The effective portion of the gains and losses on these derivatives was recorded in other comprehensive income. At June 30, 2001, accumulated other comprehensive income for all non-trading energy swaps and options was approximately $1.2 million.

Derivative fair value gains and losses are recorded in other comprehensive income for the effective portion of the hedge and in earnings for the ineffective portion. The ineffective portion includes both time value and basis risk. The net gain recognized in earnings prior to actual cash settlement is $0.1 million.

Financing Activities

To reduce risk from fluctuations in interest rates, the Company enters into interest rate swap transactions. These transactions are used to hedge interest rate risk for variable rate debt financing. For such transactions, the Company utilizes hedge accounting per the requirements of SFAS 133. These transactions were identified as cash flow hedges, properly documented, and effectiveness testing established. At quarter-end, these hedges met effectiveness testing criteria and retained their cash flow hedge status. At June 30, 2001, the Company had interest rate swaps with an average balance notional amount of $162.7 million, having a maximum term of six years and a fair value of $(9.1) million. Because these hedges are fully effective (no time value or basis risk), the entire derivative fair value is recorded in accumulated other comprehensive income.

At June 30, 2001, the Company had $363.2 million of outstanding, floating-rate debt of which $187.0 million was not offset with interest rate swap transactions that effectively convert the debt to a fixed rate.

Credit Risk

In addition to the risk associated with price movements, credit risk is also inherent in the Company's risk management activities. Credit risk relates to the risk of loss resulting from non-performance of contractual obligations by a counterparty. While the Company has not experienced significant losses due to the credit risk associated with these arrangements, the Company has off-balance sheet risk to the extent that the counterparties to these transactions may fail to perform as required by the terms of each such contract.

(10) COMMON STOCK OFFERING

During the first quarter of 2001, the Company announced the public offering of 3 million shares of common stock with an option for the underwriters to purchase 450,000 additional shares. Credit Suisse First Boston, Lehman Brothers, CIBC World Markets and UBS Warburg acted as the managers of the underwriting syndicate.

Early in the second quarter of 2001 the Company announced the offering price was set at $52 per share and all 3 million shares were sold with the underwriters exercising their over-allotment option to purchase an additional 383,000 shares. Net proceeds were approximately $163 million after commissions and expenses. The proceeds were used to repay a portion of current indebtedness under revolving credit facilities.

(11) ACQUISITIONS

Early in the second quarter of 2001, the Company's independent power subsidiary, Black Hills Energy Capital, closed on the purchase of the Fountain Valley facility, a 240 megawatt generation facility located near Colorado Springs, Colorado, featuring six LM-6000 simple-cycle, gas-fired turbines. The facility is currently under construction and is expected to come on-line early in the third quarter of 2001. The facility was purchased from Enron Corporation. Total cost of the project is expected to be $183 million and has been financed primarily with non-recourse financing from Union Bank of California. The Company has obtained an 11-year contract with Public Service of Colorado to utilize the facility for peaking purposes. The contract is a tolling arrangement in which the Company assumes no fuel risk.

(12) SUBSEQUENT EVENT

Early in the third quarter of 2001, Black Hills Energy Capital announced it had signed a definitive agreement to purchase a 273 MW gas-fired power generation complex located in North Las Vegas, Nevada from Enron North America, a wholly-owned subsidiary of Enron Corporation. The transaction is expected to close during the third quarter 2001.

Expansion of the present 51 MW co-generation site near Las Vegas is now under way. Construction of a new combined cycle generation facility adjacent to the existing plant will add approximately 222 MW of capacity to the existing plant site. The Company anticipates total acquisition and construction costs for the 273 MW complex to be approximately $330 million. The new generation is expected to phase in operations in the third quarter of 2002. The facility will feature LM-6000 gas-fired turbine technology comparable to the Company facilities in Colorado and Wyoming. The Company has initiated discussions with several banks and expects to finance the project primarily with non-recourse debt.

As part of the transaction, the Company also has secured long-term contracts for the output of the facility. Nearly all of the capacity and energy produced by the existing 51 MW plant is under contract through 2024 with the remainder being merchant power. The power of the planned 222 MW combined-cycle plant is sold under a 15-year contract. The contract requires the purchaser to provide fuel to the power plant when the plant is dispatched.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We are a growth oriented, diversified energy holding company operating principally in the United States. Our regulated and unregulated businesses have expanded significantly in recent years. Our independent energy group produces and markets power and fuel. We produce and sell electricity in a number of markets, with a strong emphasis in the western United States. We also produce coal, natural gas and crude oil primarily in the Rocky Mountain region and market fuel products nationwide. We also own Black Hills Power, Inc., an electric utility serving approximately 58,600 customers in South Dakota, Wyoming and Montana. Our communications group offers state-of-the-art broadband communications services to residential and business customers in Rapid City and the northern Black Hills region of South Dakota.

The following discussion should be read in conjunction with Item 7. - Management's Discussion and Analysis of Financial Condition and Results of Operations - included in our 2000 Annual Report on Form 10-K filed with the Securities and Exchange Commission. Our business and industry outlooks as disclosed in that filing continue to be consistent with management's current expectations and assessments.

Results of Operations

Consolidated Results

Consolidated earnings for the three month period ended June 30, 2001 were $34.6 million or $1.34 per share compared to $8.1 million or $0.38 per share in the same period of the prior year. Consolidated earnings for the six month periods ended June 30, 2001 and 2000 were $66.6 or $2.71 per share and $17.1 million, or $0.80 per share respectively, and consolidated earnings for the twelve month period ended June 30, 2001 were $102.2 million or $4.28 per share compared to $37.4 or $1.74 per share for the same period of the prior year.

Increases in earnings for the three, six and twelve month periods ended June 30, 2001 were primarily driven by continued strong performance in our wholesale natural gas marketing business and increased off-system wholesale electricity sales. Strong results in our independent energy business group and electric utility business group were partially offset by losses in our communications group.

Unusual energy market conditions stemming primarily from gas and electricity shortages in the West contributed to the strong financial performance in the second quarter of 2001. The Company estimated that more than half of the reported $1.34 earnings per share for the three months ended June 30, 2001 could be attributed to high prices of natural gas and electricity and high gas trading margins during April and May. Energy prices decreased substantially beginning in June 2001.

Consolidated revenues for the three, six and twelve month periods ended June 30, 2001 were $419.0 million, $980.7 million and $2.0 billion, respectively. Revenues for the same periods ended June 30, 2000 were $337.0 million, $585.0 million and $1.0 billion, respectively.

The growth in revenues was a result of high energy commodity prices through May 2001 and increased volumes of fuel marketed, primarily as a result of extreme price volatility in the western markets, acquisitions and growth in the independent energy business group and increases in off-system sales by our electric utility.

Consolidated operating expenses have increased significantly during the three, six and twelve month periods ended June 30, 2001, primarily due to operating costs of acquired and expanded businesses, increased employee costs for growing operations and higher commissions related to performance levels in our fuel marketing and wholesale energy businesses. In addition, for the six and twelve month periods there were significant increases in fuel costs associated with operation of our combustion turbines and purchased power costs related to excess capacity being sold to western markets.

Revenue and net income (loss) provided by each business group as a percentage of our total revenue and net income were as follows:

	Three Months Ended June 30		Six Months Ended June 30		Twelve Months Ended June 30	
	2001	2000	2001	2000	2001	2000
Revenues						
Independent energy	84%	89%	86%	88%	87%	86%
Electric utility	15	11	13	12	12	14
Communications	1	-	1	-	1	-
	100%	100%	100%	100%	100%	100%
Net Income/(Loss)						
Independent energy	59%	42%	60%	42%	60%	36%
Electric utility	48	88	51	83	55	80
Communications and other	(7)	(30)	(11)	(25)	(15)	(16)
	100%	100%	100%	100%	100%	100%

We expect that earnings growth from the independent energy group over the next few years will be driven primarily by our continued expansion in the independent power production segment. We also believe that strength in commodity prices and increased volumes produced and marketed will provide the opportunity for strong results in our fuel marketing and oil and gas production operations.

Our electric utility has continued to produce modest growth in revenue and earnings from the retail business over the past two years. We believe that this trend is stable and that, absent unplanned system outages, it will continue for the next several years due to the extension of our electric utility's rate freeze until January 1, 2005. The share of the utility's future earnings generated from wholesale off-system sales will depend on many factors, including native load growth, plant availability and commodity prices in available markets.

Although our communications business continues to significantly increase residential and business customers, losses are expected to continue as the group proceeds with completing the network and increasing the customer base. Net income is expected to be achieved by 2004. We have increased our previously disclosed estimate of net losses in 2001 to $12 million due to an increase in certain reserves for inventory and carrier billings.

The following business group and segment information does not include intercompany eliminations:

Independent Energy Group

	Three Months Ended June 30		Six Months Ended June 30		Twelve Months Ended June 30	
	2001	2000	2001	2000	2001	2000
	(in thousands)					
Revenue	$363,614	$299,709	$854,394	$513,903	$1,798,064	$881,687
Expenses	326,122	294,966	778,922	503,475	1,672,126	864,431
Operating income	$ 37,492	$ 4,743	$ 75,472	$ 10,428	$ 125,938	$ 17,256
Net income	$ 20,654	$ 3,358	$ 40,129	$ 7,211	$ 61,862	$ 13,379
EBITDA	$ 44,122	$ 6,227	$ 86,570	$ 13,283	$ 138,046	$ 26,558

EBITDA represents earnings before interest, income taxes, depreciation and amortization. EBITDA is used by management and some investors as an indicator of a company's historical ability to service debt. Management believes that an increase in EBITDA is an indicator of improved ability to service existing debt, to sustain potential future increases in debt and to satisfy capital requirements. However, EBITDA is not intended to represent cash flows for the period, nor has it been presented as an alternative to either operating income, or as an indicator of operating performance or cash flows from operating, investing and financing activities, as determined by accounting principles generally accepted in the United States. EBITDA as presented may not be comparable to other similarly titled measures of other companies.

The following table provides a summary of certain operating statistics of our independent energy group:

	Three Months Ended June 30		Six Months Ended June 30		Twelve Months Ended June 30	
	2001	2000	2001	2000	2001	2000
Fuel production:						
Tons of coal sold	775,000	585,400	1,592,800	1,378,700	3,264,400	3,011,500
Mcf equivalent sales	1,677,400	1,186,900	3,275,900	2,378,000	6,175,600	4,717,500
Average price per barrel of oil sold (including hedge transactions)	$25.26	$20.95	$24.67	$20.71	$23.66	$18.39
Average price per Mcf of natural gas sold (including hedge transactions)	$5.09	$2.35	$5.24	$2.26	$4.31	$2.20
Fuel marketing average daily volumes:						
Natural gas - MMBtus	912,700	822,300	889,600	726,300	942,200	610,000
Crude oil - barrels	38,400	47,000	37,900	45,400	40,800	32,300
Coal - tons	6,300	4,200	6,200	4,400	5,300	4,500

The independent energy business group's revenues increased 21 percent, 66 percent and 104 percent for the three, six and twelve month periods, respectively. Earnings from the Independent Energy business group increased from 2000 amounts by $17.3 million, or $0.67 per share, and $32.9 million, or $1.33 per share, and $48.5 million, or $2.02 per share for the three, six and twelve month periods ended June 30, 2001, respectively. The revenue and earnings increase for the periods were a direct result of increased volumes, increased fuel and power prices related to gas and electricity shortages in the West Coast markets, and the closing of various acquisitions. In addition, the increase in the twelve-month period was aided by the sale of our ownership interest in a power fund management company which resulted in a $3.7 million pre-tax gain. Daily volumes of natural gas marketed increased 11 percent, 22 percent and 54 percent for the three, six and twelve month periods, respectively.

Coal Mining Segment

	Three Months Ended June 30		Six Months Ended June 30		Twelve Months Ended June 30	
	2001	2000	2001	2000	2001	2000
			(in thousands)			
Revenue	$7,881	$5,818	$16,144	$13,913	$32,761	$30,252
Operating income	$2,160	$1,890	$ 4,834	$ 5,204	$ 8,424	$11,557
Net income	$2,211	$1,441	$ 4,275	$ 3,804	$ 7,174	$ 8,291
EBITDA	$3,183	$2,474	$ 6,513	$ 6,275	$11,101	$12,995

A planned five-week overhaul of the Wyodak plant during the second quarter of 2000 resulted in lower coal earnings for the prior three and six month periods compared to the current year.

Oil and Gas Segment

	Three Months Ended June 30		Six Months Ended June 30		Twelve Months Ended June 30	
	2001	2000	2001	2000	2001	2000
			(in thousands)			
Revenue	$9,275	$4,272	$17,857	$8,234	$29,951	$15,242
Operating income	$4,496	$1,723	$ 8,893	$3,052	$13,747	$ 5,717
Net income	$2,963	$1,226	$ 5,919	$2,116	$ 8,783	$ 3,776
EBITDA	$6,478	$2,423	$12,605	$4,520	$20,079	$ 8,411

Revenue and earnings of the oil and gas production business segment increased for the three, six and twelve month periods due to increases in gas volumes sold of 48 percent, 44 percent and 41 percent, respectively, while average gas prices realized after hedged transactions were 117 percent, 132 percent and 96 percent higher than the same periods in the prior year, respectively. Barrels of oil sold increased 33 percent, 29 percent and 17 percent for the three, six and twelve month periods while average prices realized after hedged transactions were 21 percent, 19 percent and 29 percent higher than the same periods in the prior year, respectively.

The following is a summary of our estimated oil and gas reserves at June 30 determined using constant product prices at the end of the respective period. Estimates of economically recoverable reserves are based on a number of variables, which may differ from actual results.

	2001	2000
Barrels of oil (in millions)	4.5	4.3
Bcf of natural gas	25.6	17.9
Total in Bcf equivalents	52.6	43.7

During the first quarter we announced the acquisition of operating and non-operating interests in 74 gas and oil wells from Stewart Petroleum for approximately $10 million. The acquisition was closed early in the second quarter of 2001 and increased our proved reserves by approximately 10 billion cubic feet equivalent of which approximately 86 percent are natural gas.

Fuel Marketing Segment

	Three Months Ended June 30		Six Months Ended June 30		Twelve Months Ended June 30	
	2001	2000	2001	2000	2001	2000
	(in thousands)					
Revenue	$321,483	$289,461	$777,373	$491,514	$1,652,830	$835,951
Operating income	$ 18,812	$ 995	$ 44,180	$ 1,983	$ 65,932	$ (142)
Net income	$ 11,793	$ 593	$ 27,353	$ 1,161	$ 40,211	$ 1,225
EBITDA	$ 19,285	$ 1,323	$ 45,108	$ 2,512	$ 66,869	$ 5,240

Revenues and earnings increased primarily due to a significant increase in natural gas volumes marketed during the current three, six and twelve month periods while margins received also increased substantially.

The significant increases can, in part, be attributed to the unusual market conditions in the western markets, which primarily stem from the natural gas and electricity shortages in California and may not recur in the future. However, we believe that the continued growth in demand for natural gas will create opportunities for us to continue to generate strong fuel marketing operating results in the future.

Independent Power Production Segment

	Three Months Ended June 30		Six Months Ended June 30		Twelve Months Ended June 30	
	2001	2000	2001	2000	2001	2000
	(in thousands)					
Revenue	$24,975	$ 158	$43,020	$ 242	$82,522	$ 242
Operating income	$12,024	$ 135	$17,565	$ 189	$37,835	$ 124
Net income	$ 3,687	$ 98	$ 2,582	$ 130	$ 5,694	$ 87
EBITDA	$15,176	$ 7	$22,344	$ (24)	$39,997	$ (88)

Current periods results stem from our acquisition of Indeck Capital in the third quarter of 2000.

Early in the second quarter of 2001, we closed on the purchase of the Fountain Valley facility, a 240 megawatt generation facility located near Colorado Springs, Colorado, featuring six LM-6000 simple-cycle, gas-fired turbines. The facility is currently under construction and is expected to come on-line early in the third quarter of 2001. In addition, we obtained an 11-year contract with Public Service of Colorado to utilize the facility for peaking purposes. The contract is a tolling arrangement in which the Company assumes no fuel risk.

Electric Utility Group

	Three Months Ended June 30		Six Months Ended June 30		Twelve Months Ended June 30	
	2001	2000	2001	2000	2001	2000
			(in thousands)			
Revenue	$61,601	$35,899	$132,180	$69,198	$236,291	$138,615
Expenses	32,291	22,919	74,206	42,573	136,733	83,435
Operating income	$29,310	$12,980	$ 57,974	$26,625	$ 99,558	$ 55,180
Net income	$16,626	$ 7,094	$ 33,964	$14,292	$ 56,776	$ 29,782
EBITDA	$33,179	$16,924	$ 66,346	$34,401	$115,238	$ 70,638

Electric utility revenues increased 72 percent, 91 percent and 70 percent for the three, six and twelve month periods ended June 30, 2001, respectively, compared to the same periods in the prior year. Earnings from the electric utility increased $9.5 million, or $0.37 per share, $19.7 million, or $0.80 per share, and $27.0 million, or $1.13 per share for the three, six and twelve month periods ended June 30, 2001, respectively. Increased earnings continued to be driven by off-system sales in the wholesale markets; average prices were approximately double the three-month average price received and more than triple the six and twelve month average price received compared to the same periods of the prior year. However, in June 2001, wholesale electricity prices decreased in response to changes in western energy market conditions. Off-system megawatt hours sold increased 138 percent for the three months, 141 percent for the six months and 111 percent for the twelve months ended June 30, 2001 compared to the same periods in 2000, due to higher market prices and the 40 MW generating capacity added in 2000. In addition, the electric utility had modest gains in firm residential and commercial electric sales for all periods presented and a reduction of reserves in the second quarter related to reduced exposure in the stabilizing western markets. These increases were partially offset by higher fuel and operating costs associated with operation of the gas turbines and other power plant operations, and higher purchased power costs. The following table provides certain operating statistics.

	Three Months Ended June 30		Six Months Ended June 30		Twelve Months Ended June 30	
	2001	2000	2001	2000	2001	2000
Firm (system) sales - MWh	464,000	462,000	990,000	958,000	2,005,000	1,938,000
Off-system sales - MWh	293,000	123,000	550,000	228,000	1,006,000	478,000

Communications Group

	Three Months Ended June 30		Six Months Ended June 30		Twelve Months Ended June 30	
	2001	2000	2001	2000	2001	2000
	(in thousands)					
Revenue	$ 4,637	$ 1,370	$ 8,563	$ 1,859	$ 14,392	$ 2,137
Expenses	7,437	3,577	15,134	6,228	29,082	9,246
Operating income	$(2,800)	$(2,207)	$(6,571)	$(4,369)	$(14,690)	$(7,109)
Net income	$(2,791)	$(2,232)	$(6,683)	$(4,131)	$(14,579)	$(5,338)
EBITDA	$ (337)	$(1,088)	$(1,773)	$(2,553)	$ (6,123)	$(3,795)

As previously disclosed, communication losses are expected to continue as the group proceeds with completing the network and increasing the customer base. Net income is expected to be achieved by 2004. We have increased our previously disclosed estimate of net losses in 2001 to $12 million due to an increase in certain reserves for inventory and carrier billings. The following table provides certain operating statistics:

	June 30 2001	March 31 2001	December 31 2000	June 30 2000
Business customers	1,440	980	650	270
Residential customers	12,000	10,060	8,370	3,960

Liquidity and Capital Resources

During the three, six and twelve month periods ended June 30, 2001, we generated sufficient cash flow from operations to meet our operating needs, to pay dividends on common and preferred stock, to pay long-term debt maturities and substantially increase our cash position over June 30, 2000. We continue to fund property and investment additions primarily related to construction of additional electric generation facilities for our independent energy business group through a combination of operating cash flow, increased short-term debt and long-term non-recourse project financing. Investing and financing activities increased primarily due to short and long-term borrowings related to project financing.

During the first quarter of 2001, the Company announced the public offering of 3 million shares of common stock with an option for the underwriters to purchase 450,000 additional shares. Credit Suisse First Boston, Lehman Brothers, CIBC World Markets and UBS Warburg acted as the managers of the underwriting syndicate.

Early in the second quarter of 2001 the Company announced the offering price was set at $52 per share and all 3 million shares were sold with the underwriters exercising their over-allotment option to purchase an additional 383,000 shares. Net proceeds were approximately $163 million after commissions and expenses. The proceeds were used to repay a portion of current indebtedness under revolving credit facilities.

Capital Requirements

Early in the third quarter 2001, we announced a definitive agreement to purchase a gas-fired generation complex in North Las Vegas, Nevada from Enron North America, a wholly-owned subsidiary of Enron Corporation. We anticipate total acquisition and construction costs for the 273 MW complex to be approximately $330 million. The project is expected to be primarily financed with project-level non-recourse debt. The capital necessary to fund this project was not included in our forecasted capital requirements reported in our 2000 Annual Report on Form 10-K filed with the Securities Exchange Commission.

There have been no additional material changes in our forecasted changes in liquidity and capital requirements from those reported in Item 7 of our 2000 Annual Report on Form 10-K filed with the Securities Exchange Commission.

Forward Looking Statements

The above information includes "forward-looking statements" as defined by the Securities and Exchange Commission. These statements concern the Company's plans, expectations and objectives for future operations. All statements, other than statements of historical facts, included above that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future are forward-looking statements. The words believe, intend, anticipate, estimate, aim, project and similar expressions are also intended to identify forward-looking statements. These forward-looking statements may include, among others, such things as expansion and growth of the Company's business and operations; future financial performance; future acquisition and development of power plants; future production of coal, oil and natural gas; reserve estimates; future communications customers; and business strategy. These forward-looking statements are based on assumptions which the Company believes are reasonable based on current expectations and projections about future events and industry conditions and trends affecting the Company's business. However, whether actual results and developments will conform to the Company's expectations and predictions is subject to a number of risks and uncertainties which could cause actual results to differ materially from those contained in the forward-looking statements, including the following factors: prevailing governmental policies and regulatory actions with respect to allowed rates of return, industry and rate structure, acquisition and disposal of assets and facilities, operation and construction of plant facilities, recovery of purchased power and other capital investments, and present or prospective wholesale and retail competition; changes in and compliance with environmental and safety laws and policies; weather conditions; population growth and demographic patterns; competition for retail and wholesale customers; pricing and transportation of commodities; market demand, including structural market changes; changes in tax rates or policies or in rates of inflation; changes in project costs; unanticipated changes in operating expenses or capital expenditures; capital market conditions; counterparty credit risk; technological advances; competition for new energy development opportunities; legal and administrative proceedings that influence the Company's business and profitability; and unanticipated developments in the western power markets, including unanticipated governmental intervention, deterioration in the financial condition of counterparties, default on amounts due, adverse changes in current or future litigation and adverse changes in the tariffs of the California Independent System Operator Corporation. Any such forward-looking statements should be considered in conjunction with Black Hills Corporation's most recent annual report on Form 10-K and its interim quarterly reports on Form 10-Q on file with the Securities and Exchange Commission. New factors that could cause actual results to differ materially from those described in forward-looking statements emerge from time to time, and it is not possible for the Company to predict all such factors, or to the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. The Company assumes no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events, or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Other than changes in price risk management activities as disclosed in Note 9 to the Consolidated Financial Statements in this Form 10-Q, there have been no material changes in market risk faced by the Company from those reported in the Company's 2000 Annual Report on Form 10-K filed with the Securities Exchange Commission. For more information on market risk, see Part II, Item 7 in the Company's 2000 Annual Report on Form 10-K, and Notes to Consolidated Financial Statements in this Form 10-Q.

BLACK HILLS CORPORATION

Part II - Other Information

Item 1. Legal Proceedings

On April 3, 2001, we reached a settlement of ongoing litigation with PacifiCorp filed in the United States District Court, District of Wyoming (File No. 00CV-155B). For more information on this legal proceeding, see Note 8 - LEGAL PROCEEDINGS - of Notes to Consolidated Financial Statements in this Form 10-Q.

Item 2. Changes In Securities and Use of Proceeds

(c) On April 20, 2001 we issued the following unregistered securities pursuant to the 2000 earn-out consideration agreed to in the acquisition of Indeck Capital, Inc. on July 7, 2000. The unregistered securities were issued under Rule 506 of Regulation D of the Securities Act of 1933.

Stockholder	Common Shares Issued	Series 2000-A Preferred Stock Issued
Gerald R. Forsythe	21,786	554
John W. Salyer	4,216	107
Michelle R. Fawcett	2,284	58
Marsha Fournier	2,284	58
Monica Breslow	2,284	58
Melissa S. Forsythe	2,284	58

Item 4. Submission of Matters to a Vote of Security Holders

(a) The Annual Meeting of Shareholders was held on May 30, 2001.

(b) The following Directors were elected to serve until the Annual Meeting of Shareholders in 2004.

Adil M. Ameer
Everett E. Hoyt
Thomas J. Zeller

Other Directors whose term of office continues are:

Bruce B. Brundage
David C. Ebertz
Gerald R. Forsythe
John R. Howard
Kay S. Jorgensen
Daniel P. Landguth
David S. Maney

(c) Matters Voted Upon at the Meeting

1. Elected three Class III Directors to serve until the Annual Meeting of Shareholders in 2004.

Adil M. Ameer		
	Votes For	18,957,958
	Votes Withheld	597,843
Everett E. Hoyt		
	Votes For	19,083,821
	Votes Withheld	471,980
Thomas J. Zeller		
	Votes For	19,087,569
	Votes Withheld	468,232

2. Approved an increase in authorized indebtedness from $500 million to $2 billion.

Votes For	14,542,445
Votes Against	1,358,473
Abstain	312,657
Broker Non-Votes	3,292,225

3. Approved the Black Hills Corporation Omnibus Incentive Compensation Plan.

Votes For	13,764,992
Votes Against	2,157,885
Abstain	340,699
Broker Non-Votes	3,292,225

4. Ratified the appointment of Arthur Andersen LLP to serve as Black Hills Corporation's independent auditors in 2001.

Votes For	19,379,082
Votes Against	89,934
Abstain	86,785
Broker Non-Votes	-0-

Item 6. Exhibits and Reports of Form 8-K

(a) Exhibits - None

(b) Reports on Form 8-K

We have filed the following Reports on Form 8-K since March 31 2001.

Form 8-K dated April 6, 2001.

Reported the Settlement of the PacifiCorp Litigation.

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/ Roxann R. Basham

Roxann R. Basham, Vice President - Controller
(Principal Accounting Officer)

/s/ Mark T. Thies

Mark T. Thies, Senior VP & CFO
(Principal Financial Officer)

Dated: August 14, 2001