

BLACK HILLS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,	2007	2006	2005
		(in thousands)	
Operating activities:			
Net income	\$ 98,772	\$ 81,019	\$ 33,420
Loss (income) from discontinued operations, net of tax	1,352	(6,973)	(628)
Income from continuing operations	100,124	74,046	32,792
Adjustments to reconcile income from continuing operations to net cash provided by operating activities-			
Depreciation, depletion and amortization	99,700	94,083	88,116
Impairment of long-lived assets	3,315	—	52,175
Issuance of common stock and treasury stock for operating expense	4,585	2,760	1,917
Net change in derivative assets and liabilities	(10,763)	8,864	(6,536)
Deferred income taxes	31,409	33,233	(8,783)
Change in operating assets and liabilities-			
Materials, supplies and fuel	18,331	(8,300)	(16,787)
Accounts receivable and other current assets	(32,808)	2,208	(46,333)
Accounts payable and other current liabilities	49,258	28,853	52,515
Regulatory assets and liabilities	(9,434)	18,879	17,254
Other operating activities	2,867	7,631	7,278
Net cash provided by operating activities of continuing operations	256,584	262,257	173,608
Net cash (used in) provided by operating activities of discontinued operations	(4,505)	(2,562)	1,241
Net cash provided by operating activities	252,079	259,695	174,849
Investing activities:			
Property, plant and equipment additions	(261,371)	(308,450)	(136,279)
Payment for acquisition of net assets, net of cash acquired	—	—	(65,118)
Other investing activities	(3,110)	(1,154)	(3,861)
Net cash used in investing activities of continuing operations	(264,481)	(309,604)	(205,258)
Net cash provided by investing activities of discontinued operations	4,209	41,507	95,551
Net cash used in investing activities	(260,272)	(268,097)	(109,707)
Financing activities:			
Dividends paid on common and preferred stock	(50,300)	(43,960)	(42,212)
Common stock issued	150,787	4,059	12,212
(Decrease) increase in short-term borrowings, net	(108,500)	90,500	31,000
Long-term debt – issuance	110,000	90,000	—
Long-term debt – repayments	(47,891)	(126,518)	(94,171)
Other financing activities	(2,178)	(2,347)	(2,279)
Net cash provided by (used in) financing activities of continuing operations	51,918	11,734	(95,450)
Net cash provided by financing activities of discontinued operations	—	—	—
Net cash provided by (used in) financing activities	51,918	11,734	(95,450)
Increase (decrease) in cash and cash equivalents	43,725	3,332	(30,308)
Cash and cash equivalents:			
Beginning of year	37,530 ^(b)	34,198 ^(c)	64,506 ^(d)
End of year	\$ 81,255 ^(a)	\$ 37,530 ^(b)	\$ 34,198 ^(c)
Supplemental disclosure of cash flow information:			
Non-cash investing and financing activities-			
Property, plant and equipment acquired with accrued liabilities	\$ 25,901	\$ 25,029	\$ 13,270
Cash paid during the period for-			
Interest (net of amount capitalized)	\$ 44,700	\$ 48,905	\$ 47,987
Income taxes paid (refunded)	\$ 14,204	\$ (2,685)	\$ 12,743

(a) Includes approximately \$0.3 million of cash included in the assets of discontinued operations.

(b) Includes approximately \$0.6 million of cash included in the assets of discontinued operations.

(c) Includes approximately \$2.4 million of cash included in the assets of discontinued operations.

(d) Includes approximately \$8.6 million of cash included in the assets of discontinued operations.

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