

**BLACK HILLS CORPORATION**  
**Consolidated Statements of Cash Flows**

Years ended December 31,	2006	2005	2004
		(in thousands)	
<b>Operating activities:</b>			
Net income	\$ 81,019	\$ 33,420	\$ 57,973
Income from discontinued operations, net of tax	(6,973)	(628)	(1,692)
Income from continuing operations	74,046	32,792	56,281
Adjustments to reconcile income from continuing operations to net cash provided by operating activities-			
Depreciation, depletion and amortization	94,083	88,116	72,979
Impairment of long-lived assets	-	52,175	-
Issuance of common stock and treasury stock for operating expense	2,760	1,917	1,030
Net change in derivative assets and liabilities	8,864	(6,536)	2,541
Deferred income taxes	33,233	(8,783)	27,674
Allowance for funds used during construction – equity	2,647	-	-
Change in operating assets and liabilities-			
Materials, supplies and fuel	(8,300)	(16,787)	(55,066)
Accounts receivable and other current assets	2,208	(46,333)	(35,898)
Accounts payable and other current liabilities	28,853	52,515	44,154
Regulatory assets and liabilities	18,879	17,254	(2,995)
Other operating activities	4,984	7,278	15,228
Net cash provided by operating activities of continuing operations	262,257	173,608	125,928
Net cash (used in) provided by operating activities of discontinued operations	(2,562)	1,241	11,077
Net cash provided by operating activities	259,695	174,849	137,005
<b>Investing activities:</b>			
Property, plant and equipment additions	(308,450)	(136,279)	(82,611)
Proceeds from sale of business operations	40,735	103,010	500
Payment for acquisition of net assets, net of cash acquired	-	(65,118)	-
Other investing activities	(1,154)	(3,861)	(2,392)
Net cash used in investing activities of continuing operations	(268,869)	(102,248)	(84,503)
Net cash provided by (used in) investing activities of discontinued operations	772	(7,459)	(8,363)
Net cash used in investing activities	(268,097)	(109,707)	(92,866)
<b>Financing activities:</b>			
Dividends paid on common and preferred stock	(43,960)	(42,212)	(40,531)
Common stock issued	4,059	12,212	4,031
Increase in short-term borrowings, net	90,500	31,000	24,000
Long-term debt – issuance	90,000	-	18,650
Long-term debt – repayments	(126,518)	(94,171)	(155,021)
Other financing activities	(2,347)	(2,279)	(3,519)
Net cash provided by (used in) financing activities of continuing operations	11,734	(95,450)	(152,390)
Net cash provided by financing activities of discontinued operations	-	-	-
Net cash provided by (used in) financing activities	11,734	(95,450)	(152,390)
Increase (decrease) in cash and cash equivalents	3,332	(30,308)	(108,251)
<b>Cash and cash equivalents:</b>			
Beginning of year	34,198 <sup>(b)</sup>	64,506 <sup>(c)</sup>	172,757 <sup>(d)</sup>
End of year	\$ 37,530 <sup>(a)</sup>	\$ 34,198 <sup>(b)</sup>	\$ 64,506 <sup>(c)</sup>

Supplemental disclosure of cash flow information:

Non-cash investing and financing activities –

Property, plant and equipment acquired with accrued liabilities	\$ 25,029	\$ 13,270	\$ -
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Cash paid during the period for –

Interest (net of amount capitalized)	\$ 48,905	\$ 47,987	\$ 49,546
Income taxes paid (refunded)	\$ (2,685)	\$ 12,743	\$ (21,927)

(a) Includes approximately \$0.6 million at December 31, 2006 of cash included in the assets of discontinued operations.

(b) Includes approximately \$2.4 million at December 31, 2005 of cash included in the assets of discontinued operations.

(c) Includes approximately \$8.6 million at December 31, 2004 of cash included in the assets of discontinued operations.

(d) Includes approximately \$5.9 million at December 31, 2003 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.