

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported) August 11, 2006

BLACK HILLS CORPORATION
(Exact name of registrant as specified in its charter)

South Dakota
(State or other jurisdiction of incorporation)

001-31303

(Commission File
Number)

46-0458824

(IRS Employer
Identification No.)

**625 Ninth Street, PO Box 1400
Rapid City, South Dakota**
(Address of principal executive offices)

57709-1400

(Zip Code)

605.721.1700

(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events

As disclosed in previous filings with the Securities and Exchange Commission, the Registrant's subsidiary, Black Hills Power, Inc. was involved in litigation with the State and Federal Government related to the Hells Canyon and Grizzly Gulch forest fires. On August 11, 2006, Black Hills Power issued a press release announcing that on August 10, 2006, it settled State and Federal government claims related to the Hell Canyon and Grizzly Gulch forest fires. In the settlement of the claims, Black Hills Power did not admit liability or responsibility for the fires, but agreed to pay \$1.3 million and \$5.9 million, respectively, to terminate the lawsuits.

Additional claims have been made for individual and business losses relating to personal and real property, and lost income, as a result of the Grizzly Gulch forest fire. Black Hills Power will vigorously defend all claims brought by private parties. The settlement and additional claims are not expected to have a material adverse effect on the Company's financial condition or results of operations.

The press release is attached as Exhibit 99 to this Form 8-K.

SAFE HARBOR FOR FORWARD-LOOKING INFORMATION

This Report on Form 8-K includes a "forward-looking statement" as defined by the Securities and Exchange Commission, or SEC. We make this forward-looking statement in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. The statement regarding our belief that the settlement and additional claims are not expected to have a material adverse effect on the Company's financial condition or results of operation is a forward-looking statement. This forward-looking statement is based on assumptions which we believe are reasonable based on current expectations and projections about future events and industry conditions and trends affecting our business. However, whether actual results and developments will conform to our expectations and predictions is subject to a number of risks and uncertainties that, among other things, could cause actual results to differ materially from those contained in the forward-looking statement, including the risk factors described in Item 1A of Part I of our 2005 Annual Report on Form 10-K and in Item 1A of Part II of our quarterly reports on Form 10-Q filed with the SEC.

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 us to predict all such factors, or 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. We assume no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events, or otherwise.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

99 Press release dated August 11, 2006.

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 hereunto duly authorized.

BLACK HILLS CORPORATION

By: /s/ Mark T. Thies
Mark T. Thies
Executive Vice President
and Chief Financial Officer

Date: August 14, 2006

Settlement Reached on Forest Fire Litigation

\$1 million directed immediately to Emergency Drought and Fire Relief Fund

RAPID CITY, SD—August 11, 2006—Today Black Hills Power, Inc. announced that it reached a settlement of governmental claims litigation relating to the Grizzly Gulch fire. Under the settlement agreement, Black Hills Power maintains its position that lightning caused the fire, but agrees to pay the state and federal governments a compromised sum of \$5.9 million. Out of this sum, \$1 million will be contributed to the State of South Dakota Special Emergency Disaster Revenue Fund, which was recently activated by Governor Mike Rounds' declaration of an emergency relating to drought and fire hazard conditions.

“This settlement enables all parties to avoid the burden and cost of a lengthy and contentious trial,” said Linden R. Evans, President and Chief Operating Officer of Black Hills Corporation's retail companies, including Black Hills Power. “More importantly, the settlement enables Black Hills Power to provide an immediate benefit to communities in the area that are currently affected by extreme drought and wildland fire conditions.”

The Grizzly Gulch fire was discovered on June 29, 2002 on a timbered ridge southeast of Lead, South Dakota, near Highway 385. The fire ultimately covered over 11,000 acres of federal, state and private land before it was deemed under control on July 12, 2002. A Black Hills Power 69 kilovolt power line crosses the ridge where the fire originated.

Even before the fire was entirely extinguished, then-Governor William Janklow made public accusations that the fire was caused by contact between power lines and aspen trees located in the power line right-of-way. In September 2002, the State of South Dakota commenced litigation against Black Hills Power asserting claims to recover fire suppression and related costs. The federal government brought its claims early in 2003, also seeking to recover for fire suppression costs, timber loss and vegetation rehabilitation. Black Hills Power denied these claims and asserted that the fire was caused by lightning. The litigation underwent extensive discovery and pretrial motions in U.S. District Court in Rapid City over the past four years. A trial, estimated to take up to ten weeks, was set to commence on August 22, 2006.

In documents filed in federal court, Black Hills Power described the extensive investigation it performed following the fire, as well as the results of further investigation performed by government experts. “Almost immediately, residents in the area reported seeing lightning activity in the vicinity of Grizzly Gulch the evening before the fire was discovered,” said Evans. “From there we identified unusual burn patterns on the power pole structure just above the point where a small fire was burning when first responders arrived on the scene in the early afternoon of June 29.”

“In addition, Evans said, “our investigators documented a pattern of small spot fires caused by hot pentachlorophenol (a petroleum-based substance used to treat wood power poles) blown out from the pole as a result of a lightning strike. Fire fighters arriving on the scene initially surrounded one small fire underneath the power lines. They also identified a second, separate and more intense fire some distance from the power lines, which suddenly began to crown in the trees. It was this second fire, not the fire under the power lines,

which caused fire fighters to evacuate the ridge, and which quickly spread to become the Grizzly Gulch fire. The vast majority of all wildland fires in the Black Hills and elsewhere are caused by lightning, and we believe the Grizzly Gulch fire was as well,” Evans continued.

“The trial of this case, however, was set to last many weeks into the fall, at great expense to all parties,” said Evans. “Dozens of experts in a variety of fields, including arborists, engineers, metallurgists and weather experts were scheduled to testify for both sides to address disputed issues relating to the cause of the fire. Even though Black Hills Power does not admit liability or responsibility for causing the Grizzly Gulch fire, we agreed to pay a total of \$5.9 million to the state and federal governments to terminate the litigation.”

“We provided, however, that \$1 million of this amount will be deposited into the state’s emergency drought and fire relief fund,” Evans said. “This fund, which is unrelated to the Grizzly Gulch fire, is available to respond to the extreme drought and fire conditions that currently grip all of western South Dakota and the Black Hills. The fund is authorized to receive public and private contributions for the purpose of providing financial assistance to state and local fire departments to ensure that firefighters and their equipment are available to respond when needed.”

“Black Hills Power is grateful to Governor Rounds for his cooperation, and for his agreement that the settlement of the litigation can also provide an avenue for positive relief to others affected by fires and drought conditions in the region this summer,” Evans concluded.

Black Hills Corporation also indicated that the litigation settlement is not expected to have a material impact on its financial condition or results of operations.

Black Hills Corporation is a diversified energy company. Our retail businesses are Black Hills Power, an electric utility serving western South Dakota, northeastern Wyoming, and southeastern Montana; and Cheyenne Light, Fuel & Power, an electric and gas distribution company serving the Cheyenne, Wyoming, vicinity. Black Hills Energy, our wholesale energy unit, generates electricity, produces natural gas, oil and coal, and markets energy. More information is available at our Internet web site: www.blackhillscorp.com.