

IDAHO POWER CO
 Form 10-Q
 November 03, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D. C. 20549

FORM 10-Q
 (Mark One)

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

For the quarterly period ended September 30, 2011

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 1-14465 1-3198	Exact name of registrants as specified in their charters, address of principal executive offices, zip code and telephone number IDACORP, Inc. Idaho Power Company 1221 W. Idaho Street Boise, Idaho 83702-5627 (208) 388-2200 State of Incorporation: Idaho None	I.R.S. Employer Identification Number 82-0505802 82-0130980
--	---	---

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

Indicate by check mark whether the registrants (1) have 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 registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web sites, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files). IDACORP, Inc.: Yes No Idaho Power Company: Yes No

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers, or smaller reporting companies. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one):
 IDACORP, Inc.:

Large accelerated filer	<input checked="" type="checkbox"/> Accelerated filer	<input type="checkbox"/> Non-accelerated filer	<input type="checkbox"/> Smaller reporting company
Idaho Power Company:			
Large accelerated filer	<input type="checkbox"/> Accelerated filer	<input type="checkbox"/> Non-accelerated filer	<input checked="" type="checkbox"/> Smaller reporting company

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act).
 Yes No

Number of shares of common stock outstanding as of October 28, 2011:

Edgar Filing: IDAHO POWER CO - Form 10-Q

IDACORP, Inc.: 49,768,118
Idaho Power Company: 39,150,812, all held by IDACORP, Inc.

This combined Form 10-Q represents separate filings by IDACORP, Inc. and Idaho Power Company. Information contained herein relating to an individual registrant is filed by that registrant on its own behalf. Idaho Power Company makes no representations as to the information relating to IDACORP, Inc.'s other operations.

Idaho Power Company meets the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and is therefore filing this report on Form 10-Q with the reduced disclosure format.

1

COMMONLY USED TERMS

The following select abbreviations or acronyms are commonly used in this report:

ADITC	- Accumulated Deferred Investment Tax Credits
AFUDC	- Allowance for Funds Used During Construction
AMI	- Advanced Metering Infrastructure
APCU	- Annual Power Cost Update
BCC	- Bridger Coal Company, a joint venture of IERCo
CAA	- Clean Air Act
CAMP	- Comprehensive Aquifer Management Plan
DSR	- Demand-Side Resources
EGUs	- Electric Utility Steam Generating Units
EPA	- United States Environmental Protection Agency
EPS	- Earnings Per Share
ESPA	- Eastern Snake Plain Aquifer
FASB	- Financial Accounting Standards Board
FCA	- Fixed Cost Adjustment Mechanism
FERC	- Federal Energy Regulatory Commission
GHG	- Greenhouse Gas
HAPs	- Hazardous Air Pollutants
HCC	- Hells Canyon Complex
Ida-West	- Ida-West Energy, a subsidiary of IDACORP, Inc.
IE	- IDACORP Energy, a subsidiary of IDACORP, Inc.
IERCo	- Idaho Energy Resources Co., a subsidiary of Idaho Power Company
IFS	- IDACORP Financial Services, a subsidiary of IDACORP, Inc.
IPUC	- Idaho Public Utilities Commission
IRS	- Internal Revenue Service
Joint Committee	- U.S. Congress Joint Committee on Taxation
kW	- Kilowatt
LCAR	- Load Change Adjustment Rate
MD&A	- Management's Discussion and Analysis of Financial Condition and Results of Operations
MW	- Megawatt
MWh	- Megawatt-hour
NSPS	- New Source Performance Standards
O&M	- Operations and Maintenance
OATT	- Open Access Transmission Tariff
OPUC	- Oregon Public Utility Commission
PCA	- Power Cost Adjustment
PCAM	- Power Cost Adjustment Mechanism
PURPA	- Public Utility Regulatory Policies Act of 1978
REC	- Renewable Energy Certificate
RES	- Renewable Energy Standard
SEC	- Securities and Exchange Commission
SO ₂	- Sulfur Dioxide
SRBA	- Snake River Basin Adjudication
USBR	- U.S. Bureau of Reclamation
Valmy	- North Valmy Steam Electric Generating Plant
VIEs	- Variable Interest Entities

WECC - Western Electricity Coordinating Council

2

TABLE OF CONTENTS

	Page
Part I. Financial Information:	
Item 1. Financial Statements (unaudited)	
IDACORP, Inc.:	
Condensed Consolidated Statements of Income	<u>4</u>
Condensed Consolidated Balance Sheets	<u>4</u>
Condensed Consolidated Statements of Cash Flows	<u>6</u>
Condensed Consolidated Statements of Comprehensive Income	<u>7</u>
Condensed Consolidated Statements of Equity	<u>7</u>
Idaho Power Company:	
Condensed Consolidated Statements of Income	<u>8</u>
Condensed Consolidated Balance Sheets	<u>9</u>
Condensed Consolidated Statements of Capitalization	<u>11</u>
Condensed Consolidated Statements of Cash Flows	<u>12</u>
Condensed Consolidated Statements of Comprehensive Income	<u>12</u>
Notes to the Condensed Consolidated Financial Statements	<u>13</u>
Reports of Independent Registered Public Accounting Firm	<u>30</u>
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	<u>32</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>61</u>
Item 4. Controls and Procedures	<u>62</u>
Part II. Other Information:	
Item 1. Legal Proceedings	<u>62</u>
Item 1A. Risk Factors	<u>62</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>63</u>
Item 5. Other Information	<u>63</u>
Item 6. Exhibits	<u>64</u>
Signatures	<u>65</u>
Exhibit Index	<u>66</u>
SAFE HARBOR STATEMENT	

This Quarterly Report on Form 10-Q contains “forward-looking statements” intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Forward-looking statements should be read with the cautionary statements and important factors included in this Form 10-Q at Part I, Item 2 - “MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - FORWARD-LOOKING STATEMENTS,” in Part II, Item 1A - “RISK FACTORS,” and in

Edgar Filing: IDAHO POWER CO - Form 10-Q

IDACORP, Inc.'s and Idaho Power Company's Annual Report on Form 10-K for the year ended December 31, 2010, at Part I, Item 1A - "RISK FACTORS" and Part II, Item 7 - "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS." Forward-looking statements are all statements other than statements of historical fact, including, without limitation, those that are identified by the use of the words "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects," "may result," "may continue," or similar expressions.

3

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

IDACORP, Inc.
Condensed Consolidated Statements of Income
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	(thousands of dollars except for per share amounts)			
Operating Revenues:				
Electric utility:				
General business	\$252,313	\$266,270	\$649,881	\$674,293
Off-system sales	24,083	12,070	74,648	64,245
Other revenues	31,649	30,128	68,502	63,181
Total electric utility revenues	308,045	308,468	793,031	801,719
Other	1,585	889	3,076	2,354
Total operating revenues	309,630	309,357	796,107	804,073
Operating Expenses:				
Electric utility:				
Purchased power	66,141	62,227	127,658	113,750
Fuel expense	41,195	51,339	90,801	116,083
Power cost adjustment	(10,189)	(20,934)	36,618	55,461
Other operations and maintenance	84,562	71,939	240,695	219,159
Energy efficiency programs	18,504	19,549	31,011	33,348
Depreciation	30,115	29,137	89,272	86,446
Taxes other than income taxes	7,302	5,645	21,696	17,130
Total electric utility expenses	237,630	218,902	637,751	641,377
Other	607	1,462	2,573	3,051
Total operating expenses	238,237	220,364	640,324	644,428
Operating Income	71,393	88,993	155,783	159,645
Other Income, Net	6,010	3,550	15,589	11,042
Earnings (Losses) of Unconsolidated Equity-Method Investments	2,085	3,442	(3,657)	1,444
Interest Expense:				
Interest on long-term debt	19,499	20,135	59,850	59,003
Other interest, net of AFUDC	(2,053)	(1,390)	(5,876)	(3,881)
Total interest expense, net	17,446	18,745	53,974	55,122
Income Before Income Taxes	62,042	77,240	113,741	117,009
Income Tax (Benefit) Expense	(45,372)	10,115	(44,137)	(5,210)
Net Income	107,414	67,125	157,878	122,219
Adjustment for (income) loss attributable to noncontrolling interests	(347)	10	(170)	188
Net Income Attributable to IDACORP, Inc.	\$107,067	\$67,135	\$157,708	\$122,407
Weighted Average Common Shares Outstanding - Basic (000's)	49,520	48,086	49,411	47,917
	49,622	48,252	49,499	48,062

Edgar Filing: IDAHO POWER CO - Form 10-Q

Weighted Average Common Shares Outstanding - Diluted
(000's)

Earnings Per Share of Common Stock:

Earnings Attributable to IDACORP, Inc. - Basic	\$2.16	\$1.40	\$3.19	\$2.55
Earnings Attributable to IDACORP, Inc. - Diluted	\$2.16	\$1.39	\$3.19	\$2.55
Dividends Declared Per Share of Common Stock	\$0.30	\$0.30	\$0.90	\$0.90

The accompanying notes are an integral part of these statements.

IDACORP, Inc.

Condensed Consolidated Balance Sheets

(unaudited)

	September 30, 2011	December 31, 2010
	(thousands of dollars)	
Assets		
Current Assets:		
Cash and cash equivalents	\$31,314	\$228,677
Receivables:		
Customer (net of allowance of \$1,378 and \$1,499, respectively)	75,540	62,114
Other (net of allowance of \$205 and \$1,471, respectively)	10,693	10,157
Income taxes receivable	—	12,130
Accrued unbilled revenues	49,368	47,964
Materials and supplies (at average cost)	46,558	45,601
Fuel stock (at average cost)	49,742	27,547
Prepayments	11,245	11,063
Deferred income taxes	3,850	10,715
Current regulatory assets	26,438	6,216
Other	4,507	1,854
Total current assets	309,255	464,038
Investments	192,343	202,944
Property, Plant and Equipment:		
Utility plant in service	4,451,427	4,332,054
Accumulated provision for depreciation	(1,669,123)	(1,614,013)
Utility plant in service - net	2,782,304	2,718,041
Construction work in progress	547,777	416,950
Utility plant held for future use	6,974	7,076
Other property, net of accumulated depreciation	18,991	19,315
Property, plant and equipment - net	3,356,046	3,161,382
Other Assets:		
American Falls and Milner water rights	20,275	22,120
Company-owned life insurance	24,084	26,672
Regulatory assets	880,412	753,172
Long-term receivables (net of allowance of \$3,304 and \$1,861, respectively)	5,041	3,965
Other	39,479	41,762
Total other assets	969,291	847,691
Total	\$4,826,935	\$4,676,055

The accompanying notes are an integral part of these statements.

IDACORP, Inc.
Condensed Consolidated Balance Sheets
(unaudited)

	September 30, 2011	December 31, 2010
	(thousands of dollars)	
Liabilities and Equity		
Current Liabilities:		
Current maturities of long-term debt	\$ 1,667	\$ 122,572
Notes payable	51,500	66,900
Accounts payable	90,088	103,100
Income taxes accrued	8,785	—
Interest accrued	23,388	23,937
Uncertain tax positions	—	74,436
Current regulatory liabilities	16,067	8,011
Other	62,966	50,103
Total current liabilities	254,461	449,059
Other Liabilities:		
Deferred income taxes	750,001	566,473
Regulatory liabilities	332,675	298,094
Other	341,442	338,158
Total other liabilities	1,424,118	1,202,725
Long-Term Debt	1,487,468	1,488,287
Commitments and Contingencies		
Equity:		
IDACORP, Inc. shareholders' equity:		
Common stock, no par value (shares authorized 120,000,000; 49,774,042 and 49,419,452 shares issued, respectively)	820,271	807,842
Retained earnings	846,873	733,879
Accumulated other comprehensive loss	(10,268	) (9,568)
Treasury stock (11,675 and 14,302 shares at cost, respectively)	(29	) (40)
Total IDACORP, Inc. shareholders' equity	1,656,847	1,532,113
Noncontrolling interests	4,041	3,871
Total equity	1,660,888	1,535,984
Total	\$ 4,826,935	\$ 4,676,055

The accompanying notes are an integral part of these statements.

IDACORP, Inc.

Condensed Consolidated Statements of Cash Flows
(unaudited)

	Nine months ended September 30,	
	2011	2010
	(thousands of dollars)	
Operating Activities:		
Net income	\$ 157,878	\$ 122,219
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	92,646	91,257
Deferred income taxes and investment tax credits	(54,340)	) 37,095
Changes in regulatory assets and liabilities	55,044	50,338
Pension and postretirement benefit plan expense	17,279	10,474
Contributions to pension and postretirement benefit plans	(20,194)	) (64,269)
Losses (earnings) of unconsolidated equity-method investments	3,657	(1,444)
Distributions from unconsolidated equity-method investments	2,375	1,280
Allowance for equity funds used during construction	(18,264)	) (11,878)
Other non-cash adjustments to net income, net	3,731	2,104
Change in:		
Accounts receivable and prepayments	(12,121)	) 9,652
Accounts payable and other accrued liabilities	(2,209)	) (5,786)
Taxes accrued/receivable	31,472	(34,799)
Other current assets	(24,556)	) 2,914
Other current liabilities	1,375	21,591
Other assets	4,595	(3,443)
Other liabilities	(3,458)	) (4,776)
Net cash provided by operating activities	234,910	222,529
Investing Activities:		
Additions to property, plant and equipment	(266,991)	) (249,437)
Proceeds from the sale of utility assets	—	18,982
Proceeds from the sale of emission allowances and RECs	5,163	5,399
Investments in affordable housing	(955)	) (9,337)
Other	2,435	3,826
Net cash used in investing activities	(260,348)	) (230,567)
Financing Activities:		
Issuance of long-term debt	—	200,000
Retirement of long-term debt	(121,064)	) (1,064)
Dividends on common stock	(44,808)	) (43,213)
Net change in short-term borrowings	(15,400)	) (49,750)
Issuance of common stock	10,408	38,086
Acquisition of treasury stock	(1,933)	) (846)
Other	872	(2,849)
Net cash (used in) provided by financing activities	(171,925)	) 140,364
Net (decrease) increase in cash and cash equivalents	(197,363)	) 132,326
Cash and cash equivalents at beginning of the period	228,677	52,987
Cash and cash equivalents at end of the period	\$ 31,314	\$ 185,313
Supplemental Disclosure of Cash Flow Information:		
Cash (received) paid during the period for:		

Edgar Filing: IDAHO POWER CO - Form 10-Q

Income taxes	\$(11,543	) \$836
Interest (net of amount capitalized)	\$52,505	\$47,356
Non-cash investing activities:		
Additions to property, plant and equipment in accounts payable	\$22,715	\$21,551
Investments in affordable housing	\$—	\$1,509

The accompanying notes are an integral part of these statements.

6

Edgar Filing: IDAHO POWER CO - Form 10-Q

IDACORP, Inc.
Condensed Consolidated Statements of Comprehensive Income
(unaudited)

	Three months ended September 30, 2011		2010		Nine months ended September 30, 2011		2010	
	(thousands of dollars)							
Net Income	\$ 107,414	\$ 67,125	\$ 157,878	\$ 122,219				
Other Comprehensive Income:								
Net unrealized holding (losses) gains arising during the period, net of tax of (\$1,259), \$632, (\$900), and \$140	(1,961	) 984	(1,401	) 218				
Unfunded pension liability adjustment, net of tax of \$150, \$114, \$450, and \$341	234	177	701	532				
Total Comprehensive Income	105,687	68,286	157,178	122,969				
Comprehensive (income) loss attributable to noncontrolling interests	(347	) 10	(170	) 188				
Comprehensive Income Attributable to IDACORP, Inc.	\$ 105,340	\$ 68,296	\$ 157,008	\$ 123,157				

The accompanying notes are an integral part of these statements.

IDACORP, Inc.
Condensed Consolidated Statements of Equity
(unaudited)

	Nine months ended September 30, 2011		2010	
	(thousands of dollars)			
Common Stock				
Balance at beginning of period	\$ 807,842	\$ 756,475		
Issued	10,408	38,086		
Other	2,021	1,954		
Balance at end of period	820,271	796,515		
Retained Earnings				
Balance at beginning of period	733,879	649,180		
Net income attributable to IDACORP, Inc.	157,708	122,407		
Common stock dividends (\$0.90 per share)	(44,714	) (43,321)	
Balance at end of period	846,873	728,266		
Accumulated Other Comprehensive (Loss) Income				
Balance at beginning of period	(9,568	) (8,267)	
Unrealized (loss) gain on securities (net of tax)	(1,401	) 218		
Unfunded pension liability adjustment (net of tax)	701	532		
Balance at end of period	(10,268	) (7,517)	
Treasury Stock				
Balance at beginning of period	(40	) (53)	
Issued	1,944	882		

Edgar Filing: IDAHO POWER CO - Form 10-Q

Acquired	(1,933	) (846)
Balance at end of period	(29	) (17)
Total IDACORP, Inc. shareholders' equity at end of period	1,656,847	1,517,247	
Noncontrolling Interests			
Balance at beginning of period	3,871	4,209	
Net income (loss) attributable to noncontrolling interests	170	(188)
Balance at end of period	4,041	4,021	
Total equity at end of period	\$1,660,888	\$1,521,268	

The accompanying notes are an integral part of these statements.

7

Idaho Power Company
Condensed Consolidated Statements of Income
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	(thousands of dollars)			
Operating Revenues:				
General business	\$ 252,313	\$ 266,270	\$ 649,881	\$ 674,293
Off-system sales	24,083	12,070	74,648	64,245
Other revenues	31,649	30,128	68,502	63,181
Total operating revenues	308,045	308,468	793,031	801,719
Operating Expenses:				
Operation:				
Purchased power	66,141	62,227	127,658	113,750
Fuel expense	41,195	51,339	90,801	116,083
Power cost adjustment	(10,189)	(20,934)	36,618	55,461
Other operations and maintenance	84,562	71,939	240,695	219,159
Energy efficiency programs	18,504	19,549	31,011	33,348
Depreciation	30,115	29,137	89,272	86,446
Taxes other than income taxes	7,302	5,645	21,696	17,130
Total operating expenses	237,630	218,902	637,751	641,377
Income from Operations	70,415	89,566	155,280	160,342
Other Income (Expense):				
Allowance for equity funds used during construction	6,570	3,858	18,264	11,878
Earnings of unconsolidated equity-method investments	3,741	5,402	1,172	7,738
Other expense, net	(293)	(766)	(2,669)	(1,937)
Total other income	10,018	8,494	16,767	17,679
Interest Charges:				
Interest on long-term debt	19,499	20,135	59,850	59,003
Other interest	1,026	852	3,551	2,883
Allowance for borrowed funds used during construction	(3,188)	(2,303)	(9,777)	(7,781)
Total interest charges	17,337	18,684	53,624	54,105
Income Before Income Taxes	63,096	79,376	118,423	123,916
Income Tax (Benefit) Expense	(41,776)	14,726	(36,997)	2,216
Net Income	\$ 104,872	\$ 64,650	\$ 155,420	\$ 121,700

The accompanying notes are an integral part of these statements.

Idaho Power Company
Condensed Consolidated Balance Sheets
(unaudited)

	September 30, 2011	December 31, 2010
	(thousands of dollars)	
Assets		
Electric Plant:		
In service (at original cost)	\$4,451,427	\$4,332,054
Accumulated provision for depreciation	(1,669,123	) (1,614,013)
In service - net	2,782,304	2,718,041
Construction work in progress	547,777	416,950
Held for future use	6,974	7,076
Electric plant - net	3,337,055	3,142,067
Investments and Other Property	116,124	120,641
Current Assets:		
Cash and cash equivalents	24,993	224,233
Receivables:		
Customer (net of allowance of \$1,378 and \$1,499, respectively)	75,540	62,114
Other (net of allowance of \$205 and \$142, respectively)	10,577	8,835
Income taxes receivable	—	21,063
Accrued unbilled revenues	49,368	47,964
Materials and supplies (at average cost)	46,558	45,601
Fuel stock (at average cost)	49,742	27,547
Prepayments	11,132	10,910
Deferred income taxes	3,837	7,334
Current regulatory assets	26,438	6,216
Other	4,507	1,238
Total current assets	302,692	463,055
Deferred Debits:		
American Falls and Milner water rights	20,275	22,120
Company-owned life insurance	24,084	26,672
Regulatory assets	880,412	753,172
Other	38,531	40,666
Total deferred debits	963,302	842,630
Total	\$4,719,173	\$4,568,393

The accompanying notes are an integral part of these statements.

Idaho Power Company
Condensed Consolidated Balance Sheets
(unaudited)

	September 30, 2011	December 31, 2010
	(thousands of dollars)	
Capitalization and Liabilities		
Capitalization:		
Common stock equity:		
Common stock, \$2.50 par value (50,000,000 shares authorized; 39,150,812 shares outstanding)	\$97,877	\$97,877
Premium on capital stock	688,758	688,758
Capital stock expense	(2,097)	) (2,097)
Retained earnings	740,911	630,259
Accumulated other comprehensive loss	(10,268)	) (9,568)
Total common stock equity	1,515,181	1,405,229
Long-term debt	1,487,468	1,488,287
Total capitalization	3,002,649	2,893,516
Current Liabilities:		
Long-term debt due within one year	1,064	121,064
Accounts payable	89,615	102,474
Accounts payable to related parties	1,812	1,110
Income taxes accrued	3,986	—
Interest accrued	23,388	23,930
Uncertain tax positions	—	74,436
Current regulatory liabilities	16,067	8,011
Other	62,316	48,733
Total current liabilities	198,248	379,758
Deferred Credits:		
Deferred income taxes	846,324	661,165
Regulatory liabilities	332,675	298,094
Other	339,277	335,860
Total deferred credits	1,518,276	1,295,119
Commitments and Contingencies		
Total	\$4,719,173	\$4,568,393

The accompanying notes are an integral part of these statements.

Idaho Power Company
Condensed Consolidated Statements of Capitalization
(unaudited)

	September 30, 2011	December 31, 2010	
	(thousands of dollars)		
Common Stock Equity:			
Common stock	\$97,877	\$97,877	
Premium on capital stock	688,758	688,758	
Capital stock expense	(2,097	) (2,097)
Retained earnings	740,911	630,259	
Accumulated other comprehensive loss	(10,268	) (9,568)
Total common stock equity	1,515,181	1,405,229	
Long-Term Debt:			
First mortgage bonds:			
6.60% Series due 2011	—	120,000	
4.75% Series due 2012	100,000	100,000	
4.25% Series due 2013	70,000	70,000	
6.025% Series due 2018	120,000	120,000	
6.15% Series due 2019	100,000	100,000	
4.50 % Series due 2020	130,000	130,000	
3.40% Series due 2020	100,000	100,000	
6 % Series due 2032	100,000	100,000	
5.50% Series due 2033	70,000	70,000	
5.50% Series due 2034	50,000	50,000	
5.875% Series due 2034	55,000	55,000	
5.30% Series due 2035	60,000	60,000	
6.30% Series due 2037	140,000	140,000	
6.25% Series due 2037	100,000	100,000	
4.85% Series due 2040	100,000	100,000	
Total first mortgage bonds	1,295,000	1,415,000	
Amount due within one year	—	(120,000)
Net first mortgage bonds	1,295,000	1,295,000	
Pollution control revenue bonds:			
5.15% Series due 2024	49,800	49,800	
5.25% Series due 2026	116,300	116,300	
Variable Rate Series 2000 due 2027	4,360	4,360	
Total pollution control revenue bonds	170,460	170,460	
American Falls bond guarantee	19,885	19,885	
Milner Dam note guarantee	6,382	7,446	
Note guarantee due within one year	(1,064	) (1,064)
Unamortized premium/discount - net	(3,195	) (3,440)
Total long-term debt	1,487,468	1,488,287	
Total Capitalization	\$3,002,649	\$2,893,516	

The accompanying notes are an integral part of these statements.

Idaho Power Company
Condensed Consolidated Statements of Cash Flows
(unaudited)

	Nine months ended September 30,	
	2011	2010
	(thousands of dollars)	
Operating Activities:		
Net income	\$ 155,420	\$ 121,700
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	92,232	90,785
Deferred income taxes and investment tax credits	(56,078)	) 67,516
Changes in regulatory assets and liabilities	55,044	50,338
Pension and postretirement benefit plan expense	17,279	10,474
Contributions to pension and postretirement benefit plans	(20,194)	) (64,269)
Earnings of unconsolidated equity-method investments	(1,172)	) (7,738)
Distributions from unconsolidated equity-method investments	1,075	455
Allowance for equity funds used during construction	(18,264)	) (11,878)
Other non-cash adjustments to net income	1,383	(729)
Change in:		
Accounts receivables and prepayments	(12,213)	) 8,830
Accounts payable	(2,120)	) (5,652)
Taxes accrued/receivable	35,496	(80,853)
Other current assets	(24,556)	) 2,914
Other current liabilities	1,375	21,590
Other assets	4,595	(3,443)
Other liabilities	(2,702)	) (4,206)
Net cash provided by operating activities	226,600	195,834
Investing Activities:		
Additions to utility plant	(266,991)	) (249,437)
Proceeds from the sale of utility assets	—	18,982
Proceeds from the sale of emission allowances and RECs	5,163	5,399
Other	1,820	3,274
Net cash used in investing activities	(260,008)	) (221,782)
Financing Activities:		
Issuance of long-term debt	—	200,000
Retirement of long-term debt	(121,064)	) (1,064)
Dividends on common stock	(44,768)	) (43,325)
Capital contribution from parent	—	30,000
Other	—	(2,746)
Net cash (used in) provided by financing activities	(165,832)	) 182,865
Net (decrease) increase in cash and cash equivalents	(199,240)	) 156,917
Cash and cash equivalents at beginning of the period	224,233	21,625
Cash and cash equivalents at end of the period	\$ 24,993	\$ 178,542
Supplemental Disclosure of Cash Flow Information:		
Cash (received) paid during the period for:		
Income taxes	\$ (6,689)	) \$ 21,815
Interest (net of amount capitalized)	\$ 52,148	\$ 46,338

Edgar Filing: IDAHO POWER CO - Form 10-Q

Non-cash investing activities:

Additions to property, plant and equipment in accounts payable	\$22,715	\$21,551
--	----------	----------

The accompanying notes are an integral part of these statements.

Idaho Power Company

Condensed Consolidated Statements of Comprehensive Income

(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	(thousands of dollars)			
Net Income	\$104,872	\$64,650	\$155,420	\$121,700
Other Comprehensive Income:				
Net unrealized holding (losses) gains arising during the period, net of tax of (\$1,259), \$632, (\$900), and \$140	(1,961	) 984	(1,401	) 218
Unfunded pension liability adjustment, net of tax of \$150, \$114, \$450, and \$341	234	177	701	532
Total Comprehensive Income	\$103,145	\$65,811	\$154,720	\$122,450

The accompanying notes are an integral part of these statements.

IDACORP, INC. AND IDAHO POWER COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This Quarterly Report on Form 10-Q is a combined report of IDACORP, Inc. (IDACORP) and Idaho Power Company (Idaho Power). Therefore, these Notes to Condensed Consolidated Financial Statements apply to both IDACORP and Idaho Power. However, Idaho Power makes no representation as to the information relating to IDACORP's other operations.

Nature of Business

IDACORP is a holding company formed in 1998 whose principal operating subsidiary is Idaho Power. Idaho Power is an electric utility with a service territory covering approximately 24,000 square miles in southern Idaho and eastern Oregon. Idaho Power is regulated by the Federal Energy Regulatory Commission (FERC) and the state regulatory commissions of Idaho and Oregon. Idaho Power is the parent of Idaho Energy Resources Co. (IERCo), a joint venturer in Bridger Coal Company (BCC), which mines and supplies coal to the Jim Bridger generating plant owned in part by Idaho Power.

IDACORP's other subsidiaries include IDACORP Financial Services, Inc. (IFS), an investor in affordable housing and other real estate investments; Ida-West Energy Company (Ida-West), an operator of small hydroelectric generation projects that satisfy the requirements of the Public Utility Regulatory Policies Act of 1978 (PURPA); and IDACORP Energy (IE), a marketer of energy commodities, which wound down operations in 2003.

Principles of Consolidation

IDACORP's and Idaho Power's consolidated financial statements include the accounts of each company, the subsidiaries that the companies control, and any variable interest entities (VIEs) for which the companies are the primary beneficiaries. Intercompany balances have been eliminated in consolidation. Investments in subsidiaries that the companies do not control and investments in VIEs for which the companies are not the primary beneficiaries, but have the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method of accounting.

The entities that IDACORP and Idaho Power consolidate consist primarily of the wholly-owned subsidiaries discussed above. In addition, IDACORP consolidates one VIE, Marysville Hydro Partners (Marysville), which is a joint venture owned 50 percent by Ida-West and 50 percent by Environmental Energy Company (EEC). Marysville has approximately \$20 million of assets, primarily a hydroelectric plant, and approximately \$16 million of intercompany long-term debt, which is eliminated in consolidation. EEC has borrowed amounts from Ida-West to fund a portion of its required capital contributions to Marysville. The loans are payable from EEC's share of distributions and are secured by the stock of EEC and EEC's interest in Marysville. Ida-West is the primary beneficiary because the ownership of the intercompany note and the EEC note result in it controlling the entity. Creditors of Marysville have no recourse to the general credit of IDACORP and there are no other arrangements that could require IDACORP to provide financial support to Marysville or expose IDACORP to losses.

Through IERCo, Idaho Power holds a variable interest in BCC, a VIE for which it is not the primary beneficiary. IERCo is not the primary beneficiary because the power to direct the activities that most significantly impact the economic performance of BCC is shared with the joint venture partner. The carrying value of BCC is \$91 million at September 30, 2011, and Idaho Power's maximum exposure to loss is the carrying value, plus any additional future

contributions to BCC and a \$63 million guarantee for mine reclamation costs, which is discussed further in Note 8 – “Commitments.”

Through IFS, IDACORP also holds variable interests in VIEs for which it is not the primary beneficiary. These VIEs are affordable housing developments and other real estate investments in which IFS holds limited partnership interests ranging from 5 to 99 percent. As a limited partner, IFS does not control these entities and they are not consolidated. These investments were acquired between 1996 and 2010. IFS’s maximum exposure to loss in these developments is limited to its net carrying value, which was \$66 million at September 30, 2011.

Financial Statements

In the opinion of management of IDACORP and Idaho Power, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly each company's consolidated financial positions as of September 30, 2011, consolidated results of operations for the three and nine months ended September 30, 2011 and 2010, and consolidated cash flows for the nine months ended September 30, 2011 and 2010. These adjustments are of a normal and recurring nature. These financial statements do not contain the complete detail or footnote disclosure concerning accounting policies and other matters that would be included in full-year financial statements and should be read in conjunction with the audited consolidated financial statements included in IDACORP's and Idaho Power's Annual Report on Form 10-K for the year ended December 31, 2010. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year.

Use of Estimates

The preparation of condensed consolidated financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities, as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results experienced could differ materially from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation, including amounts related to regulatory assets and liabilities in the condensed consolidated balance sheets. Net income, cash flows, and shareholders' equity were not affected by these reclassifications.

New Accounting Pronouncements

The Financial Accounting Standards Board (FASB) has issued the following accounting guidance, which is effective for periods beginning after December 15, 2011:

In May 2011, the FASB issued guidance to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between generally accepted accounting principles in the United States and International Financial Reporting Standards. The guidance changes certain fair value measurement principles and enhances the disclosure requirements, particularly for Level 3 fair value measurements. IDACORP and Idaho Power are currently assessing the impact of the guidance but do not believe that the adoption of this guidance will have a material effect on their consolidated financial statements.

In June 2011, the FASB issued guidance on the presentation of comprehensive income in an entity's financial statements. The guidance requires that comprehensive income be presented either in one continuous statement or in two separate but consecutive statements presenting the components of net income and its total, the components of other comprehensive income and its total, and total comprehensive income. The guidance also requires that reclassification adjustments from other comprehensive income to net income be presented in both the components of net income and the components of other comprehensive income. IDACORP and Idaho Power do not expect the adoption of this guidance to have a material effect on their consolidated financial statements.

2. INCOME TAXES

In accordance with interim reporting requirements, IDACORP and Idaho Power use an estimated annual effective tax rate for computing their provisions for income taxes. An estimate of annual income tax expense (or benefit) is made each interim period using estimates for annual pre-tax income, income tax adjustments, and tax credits. The estimated annual effective tax rates do not include discrete events such as tax law changes, examination settlements, or method changes. Discrete events are recorded in the interim period in which they occur.

The estimated annual effective tax rate is applied to year-to-date pre-tax income to determine income tax expense (or benefit) for the interim period consistent with the annual estimate. In subsequent interim periods, income tax expense (or benefit) for the period is computed as the difference between the year-to-date amount reported for the previous interim period and the current period's year-to-date amount.

Income Tax Expense

An analysis of income tax expense (benefit) for the three and nine months ended September 30 is as follows (in thousands of dollars):

	IDACORP		Idaho Power		
	2011	2010	2011	2010	
Three months ended September 30,					
Income tax at statutory rates (federal and state)	\$24,123	\$30,204	\$24,671	\$31,036	
Additional ADITC amortization reversal	6,750	—	6,750	—	
Accounting method change	—	(7,374)	—	(7,374))
Examination settlement - uniform capitalization	(56,898)	—	(56,898)	—)
Other	(19,347)	(12,715)	(16,299)	(8,936))
Income tax (benefit) expense	\$(45,372)	\$10,115	\$(41,776)	\$14,726)
Effective tax rate	(73.5)	)% 13.1	% (66.2)	)% 18.6	%
Nine months ended September 30,					
Income tax at statutory rates (federal and state)	\$44,407	\$45,824	\$46,303	\$48,451	
Accounting method change	—	(32,561)	—	(32,561))
Examination settlement - capitalized repairs	(3,428)	—	(3,428)	—)
Examination settlement - uniform capitalization	(56,898)	—	(56,898)	—)
Other	(28,218)	(18,473)	(22,974)	(13,674))
Income tax (benefit) expense	\$(44,137)	\$(5,210)	\$(36,997)	\$2,216)
Effective tax rate	(38.9)	)% (4.4)	)% (31.2)	)% 1.8	%

The changes in year-to-date 2011 income tax expense as compared to the same period in 2010 were primarily due to an income tax benefit in 2010 related to Idaho Power's tax accounting method change for capitalized repair expenditures, an income tax benefit in 2011 related to the examination settlement of Idaho Power's uniform capitalization method, increased 2011 flow-through tax adjustments related to both methods, and lower 2011 pre-tax earnings. Other net regulatory flow-through tax adjustments at Idaho Power and tax credits at IFS for the nine months ended September 30, 2011 were comparable to the same period in 2010.

Idaho Power's January 2010 settlement agreement with the Idaho Public Utilities Commission (IPUC) and other parties provides for additional amortization of accumulated deferred investment tax credits (ADITC) if Idaho Power's actual return on year-end equity in its Idaho jurisdiction is below 9.5 percent in any calendar year from 2009 to 2011. Idaho Power has up to \$25 million of additional ADITC amortization available for use in 2011 under the settlement agreement. In the third quarter of 2011, Idaho Power reversed \$6.8 million of additional ADITC amortization previously recorded in the first six months of 2011, based on its estimate that 2011 Idaho jurisdictional return on year-end equity will exceed 9.5 percent.

Status of Audit Proceedings and Tax Method Changes

In September 2010, Idaho Power adopted a tax accounting method change for capitalized repair expenditures on utility assets concurrent with the filing of IDACORP's 2009 consolidated federal income tax return. Also in 2010, Idaho Power reached an agreement with the U.S. Internal Revenue Service (IRS), subject to subsequent review by the U.S. Congress Joint Committee on Taxation (Joint Committee), regarding the allocation of mixed service costs in its method of uniform capitalization. Both methods were subject to audit under IDACORP's 2009 IRS examination.

In April 2011, IDACORP and the IRS reached an agreement on Idaho Power's tax accounting method change for capitalized repairs. Accordingly, the IRS finalized the 2009 examination and submitted its report on the 2009 tax year to the Joint Committee for review. Idaho Power considers the capitalized repairs method effectively settled and believes that no material income tax uncertainties remain for the method. As such, Idaho Power recognized \$3.4 million of its previously unrecognized tax benefits for this method in the second quarter of 2011.

In September 2011, the IRS notified IDACORP that the Joint Committee had completed its review and approved the uniform capitalization method agreement. Idaho Power considers the uniform capitalization method effectively settled and believes that no material income tax uncertainties remain for the method. Accordingly, Idaho Power recognized \$56.9 million of its previously unrecognized tax benefits for tax years 2009 and prior in the third quarter of 2011. Idaho Power also increased its uniform capitalization tax deduction estimate in its current year tax provision, which resulted in an additional \$2.0 million income tax benefit for the nine months ended September 30, 2011.

Completion of the Joint Committee review allowed the IRS to finalize its 2009 examination, process the income tax changes, and close the case prior to September 30, 2011. In the fourth quarter of 2011, IDACORP and Idaho Power will pay previously accrued income tax liabilities of \$3.9 million and \$8.1 million, respectively, related to the capitalized repairs examination agreement. The difference in liabilities is due to IDACORP's utilization of deferred federal general business tax credits and Idaho investment tax credits. There are no 2011 cash impacts related to the uniform capitalization method settlement as income tax refunds for the method change were received in 2010. In early 2011, IDACORP requested and received the return of \$13 million of previously made estimated tax payments for the 2010 tax year.

3. REGULATORY MATTERS

Recent and Pending Idaho Regulatory Matters

Idaho General Rate Case

On June 1, 2011, Idaho Power filed with the IPUC a general rate case and proposed rate schedules for its Idaho jurisdiction, Case No. IPC-E-11-08. The filing was based on a 2011 test year and requested approximately \$82.6 million in additional Idaho jurisdiction annual revenues in base rates, a 9.9 percent overall average rate increase for Idaho customers. The filing requested an authorized rate of return on equity of 10.5 percent (an overall 8.17 percent rate of return in the Idaho jurisdiction) on an Idaho retail rate base of approximately \$2.4 billion, and the following additional items:

- Authority to treat demand response incentive payments (payments Idaho Power has made in connection with certain energy efficiency activities) as power supply expenses and establish a base or "normal" level of cost recovery for those payments in base rates. Idaho Power included approximately \$11.3 million associated with forecasted fixed demand response incentive payments for 2011 in the Idaho jurisdictional revenue requirement calculations included in the general rate case application, which would be subject to true-up under the Idaho PCA mechanism.

Approval of the current fixed cost adjustment (FCA) mechanism pilot program as a permanent rate mechanism for residential and small commercial class customers. The FCA allows Idaho Power to recover the difference between certain fixed costs recovered and the fixed costs authorized for recovery in Idaho Power's most recent rate case.

An updated load change adjustment rate (LCAR) of \$19.28 per megawatt-hour (MWh). The LCAR adjusts power supply cost recovery within the Idaho power cost adjustment (PCA) formula by adjusting recovery upwards or downwards for differences between actual load and the load used in calculating base rates.

On September 23, 2011, Idaho Power, the Staff of the IPUC, and other interested parties publicly filed a settlement stipulation with the IPUC resolving most of the key contested issues in the Idaho general rate case. The settlement stipulation is subject to approval by the IPUC.

The settlement stipulation provides that Idaho Power would implement revised tariff schedules designed to recover \$34.0 million in additional annual revenue from Idaho jurisdictional base rates effective January 1, 2012, representing a 4.07 percent overall average increase in Idaho Power's annual Idaho jurisdictional base rate revenues. The \$34.0 million of additional annual revenue is inclusive of approximately \$11.3 million of base level demand response incentive payments (made in connection with certain energy efficiency activities) to be tracked as part of the Idaho PCA mechanism. The settlement stipulation also provides that approximately \$23 million of Idaho jurisdictional revenue associated with the recovery of power supply expenses from PURPA projects would not be included in base rates, but would instead be eligible for 100 percent recovery through the PCA mechanism. The settlement stipulation also provides for a 7.86 percent authorized rate of return on an Idaho jurisdictional rate base of approximately \$2.4 billion, and for the IPUC to allow Idaho Power to earn an authorized rate of return of 7.86 percent in any Idaho Power regulatory matter until subsequently changed by IPUC order.

The settlement stipulation provides for an LCAR of \$18.16 per MWh, compared to the rate of \$19.67 per MWh in effect on the date of filing of the general rate case, to become effective on the date that Idaho Power's new base rates become effective. The settlement stipulation provides that the determination of whether the FCA pilot program should be made permanent and the appropriate percentage amount for Idaho Power's energy efficiency rider would be examined in subsequent proceedings.

The parties to the settlement stipulation have requested that the IPUC issue an order approving the agreed-upon rates effective January 1, 2012. If the IPUC were to deny the settlement stipulation or materially change its terms, no party would be bound by the terms of the stipulation. Idaho Power is unable to predict whether the IPUC will approve the settlement stipulation or the ultimate outcome of the general rate case proceedings.

January 2010 Idaho Settlement Agreement and Sharing Mechanism

On January 13, 2010, the IPUC approved a rate settlement agreement among Idaho Power, several of Idaho Power's customers, the IPUC Staff, and other parties. The settlement agreement provided for (a) the use of additional ADITC to help achieve a minimum 9.5 percent return on year-end equity in the Idaho jurisdiction, and (b) an equal sharing of any Idaho jurisdiction earnings exceeding a return on year-end equity of 10.5 percent in the Idaho jurisdiction. Recognition of tax benefits in the third quarter of 2011, discussed in further detail in Note 2, had a significant impact on Idaho Power's estimate of return on 2011 year-end equity and contributed to triggering of the sharing mechanism under the January 2010 settlement agreement. As a result of the terms of the settlement agreement, Idaho Power also recorded an \$18.1 million regulatory liability, reflecting 50 percent of Idaho Power's estimated Idaho jurisdictional earnings over a 10.5 percent return on year-end equity required to be shared with customers.

On November 2, 2011, Idaho Power filed an application with the IPUC requesting an extension of the two elements of the January 2010 settlement agreement described above, with the following terms:

If Idaho Power's Idaho jurisdiction return on year-end equity for 2012 or 2013 is less than 9.5 percent, then Idaho Power may continue to use up to \$45 million of deferred investment tax credits to help achieve a minimum 9.5 percent return on year-end equity in the Idaho jurisdiction in those years. Idaho Power may use an aggregate of \$45 million of additional ADITC in 2012 and 2013, comprised of up to a maximum of \$25 million of additional ADITC in 2012 and any unused portion carried forward to 2013.

If Idaho Power's Idaho jurisdictional return on year-end equity for 2012 or 2013 exceeds 10.0 percent, the amount exceeding 10.0 percent would be shared equally between Idaho Power and its customers in the applicable year.

Idaho Power would allocate to customers 50 percent of Idaho Power's share of estimated 2011 Idaho jurisdictional earnings over a 10.5 percent return on year-end equity, reflected as a reduction in customer rates or an offset to amounts that would otherwise be collected from rates.

The application provides that it is independent and separate from the 2011 general rate case proceeding and the associated settlement stipulation, and further provides that Idaho Power will withdraw the application in the event Idaho Power's base rate revenues are not increased in accordance with the terms of the general rate case settlement stipulation. The application also states that Idaho Power's proposal to apply a one-time adjustment to the 2011 sharing calculation is contingent on the completion of a signed settlement stipulation agreeing to the extension and modification of the ADITC amortization and sharing mechanisms, as described above, on or before December 31, 2011.

Idaho Power Cost Adjustment Order

In both its Idaho and Oregon jurisdictions, Idaho Power's PCA mechanisms address the volatility of power supply costs and provide for annual adjustments to the rates charged to its retail customers. The PCA mechanisms compare Idaho Power's actual net power supply costs (primarily fuel and purchased power less off-system sales) against net power supply costs currently being recovered in retail rates. In its Idaho jurisdiction, the annual PCA rate adjustments are based on two components:

- a forecast component, based on a forecast of net power supply costs in the coming year as compared to net power supply costs included in base rates; and

- a true-up component, based on the difference between the previous year's actual net power supply costs and the previous year's forecast. This component also includes a balancing mechanism so that, over time, the actual collection or refund of authorized true-up dollars matches the amounts authorized.

On May 31, 2011, the IPUC issued an order approving Idaho Power's requested \$40.4 million Idaho PCA rate decrease, with the new PCA rates effective for the period from June 1, 2011 to May 31, 2012. The reduction to Idaho PCA rates was net of \$10.0 million of Idaho Power's energy efficiency rider deferral balance that the IPUC had previously authorized for recovery in Idaho Power's Idaho PCA rates.

Load Change (Formerly "Load Growth") Adjustment Rate Order

On May 31, 2011, the IPUC issued an order revising the LCAR used in PCA calculations to \$19.67 per MWh (through a June 1, 2011 errata), effective as of April 1, 2011. The September 23, 2011 general rate case settlement stipulation, if approved, would result in an LCAR of \$18.16 per MWh, effective January 1, 2012.

Fixed Cost Adjustment Mechanism

On March 15, 2011, Idaho Power filed an application with the IPUC requesting authorization to implement revised FCA rates for electric service from June 1, 2011 through May 31, 2012. Idaho Power's application requested an aggregate increase of \$3.0 million in FCA rates for the residential and small general service customer classes in its Idaho jurisdiction. On May 31, 2011, the IPUC issued an order approving Idaho Power's application, with the \$3.0 million FCA rate increase to be effective for the period from June 1, 2011 to May 31, 2012. On October 19, 2011, Idaho Power filed an application with the IPUC requesting that the FCA pilot program become a permanent rate mechanism for residential and small general service customer classes. The FCA pilot program is set to expire on December 31, 2011.

Recovery of Defined Benefit Pension Plan Contributions

In September 2010, Idaho Power elected to make a \$60 million contribution to its defined benefit pension plan, rather than the minimum required funding amount, to bring the defined benefit pension plan to a more funded position, potentially reducing future required contributions and Pension Benefit Guaranty Corporation premiums. On March 15, 2011, Idaho Power filed an application with the IPUC requesting an increase in the amount included in base rates for recovery of the Idaho-allocated portion of Idaho Power's cash contributions to its defined benefit pension plan from the then-current amount of \$5.4 million to approximately \$17.1 million annually. The requested increase was intended to recover the balance of the Idaho jurisdictional allocation of the \$60 million pension contribution over a three year period. On May 19, 2011, the IPUC approved Idaho Power's application, with new rates effective on June 1, 2011.

Energy Efficiency and Demand Response Programs

Idaho Power has implemented and/or manages a wide range of opportunities for its customers to participate in energy efficiency and demand response programs. On August 18, 2011, the IPUC issued an order approving Idaho Power's March 2011 application requesting that the IPUC designate Idaho Power's 2010 Idaho energy efficiency rider expenditures of approximately \$42 million as prudently incurred expenses.

On October 22, 2010, Idaho Power filed an application with the IPUC requesting acceptance of the company's demand-side resources (DSR) business model, which included a request for authorization to (a) move demand response incentive payments out of the energy efficiency rider and into the Idaho PCA on a prospective basis beginning on June 1, 2011, and thus subject to a true-up under the PCA mechanism; (b) establish a regulatory asset for the direct incentive payments associated with Idaho Power's energy efficiency program for large commercial and industrial customers, beginning January 1, 2011, so that Idaho Power may capitalize the direct incentive payments associated with the program, include the costs associated with the program incentive payments in its rate base, and thus earn a rate of return on a portion of its DSR activities; and (c) change the carrying charge on the existing energy

efficiency rider balancing account (from the then-current interest rate of 1.0 percent to Idaho Power's authorized rate of return). On April 1, 2011, the IPUC issued an order stating that certain issues raised in the application are more properly considered in a general rate case proceeding. However, the IPUC noted in its order that Idaho Power's energy efficiency rider balance includes approximately \$10 million in expenditures that have been previously approved by the IPUC for recovery, and thus authorized recovery of \$10 million of the rider balance in Idaho Power's Idaho PCA rates, beginning June 1, 2011. The IPUC did not approve a change to the energy efficiency rider balance carrying charge.

On May 17, 2011, the IPUC issued an order stating that it will allow Idaho Power to account for specified direct incentive payments associated with Idaho Power's energy efficiency program for large commercial and industrial customers as a regulatory asset beginning January 1, 2011, but with an amortization period to be determined later by the IPUC.

In its June 1, 2011 general rate case filing, Idaho Power requested authorization to treat demand response incentive payments as power supply costs and establish a base or "normal" level of cost recovery of approximately \$11.3 million for those demand response incentive payments in rates. The Idaho general rate case settlement stipulation filed with the IPUC on September 23, 2011 provides that the \$11.3 million of base level demand response incentive payments would be tracked as part of the Idaho PCA mechanism.

Transmission Rate Refunds and Shortfall Filing

On January 15, 2009, the FERC issued an order that required Idaho Power to reduce its transmission service rates to FERC jurisdictional customers and refund to transmission customers \$13.3 million of transmission revenues that Idaho Power had received starting in 2006. This refund resulted in an overstatement of the revenue credits in the Idaho jurisdictional revenue requirement in certain of Idaho Power's general rate cases. On October 30, 2009, the IPUC approved Idaho Power's request for authorization to defer the difference between the revenue credits in the last two completed general rate cases and the amount of OATT revenues Idaho Power had received since March 2008 and expected to receive through May 2010. Based on actual and projected transmission revenues from March 2008 through May 2010, Idaho Power recorded a \$4.7 million regulatory asset in 2009 for future recovery.

On October 13, 2010, Idaho Power refreshed its filing with the IPUC for its deferral related to unrecovered transmission revenues. Termination of a transmission arrangement with PacifiCorp and adjustments to other transmission arrangements allowed Idaho Power to reduce its prior deferral amount to \$2.1 million. On February 9, 2011, the IPUC issued an order reducing the deferral amount to \$2.1 million, as requested by Idaho Power, but denied Idaho Power's request to begin amortization on January 1, 2012. Idaho Power's January 2010 settlement agreement would not permit potential inclusion of the deferral amount in rates until after January 1, 2012. The IPUC ordered that Idaho Power advise the IPUC when the FERC has issued its order on rehearing, following which Idaho Power may request a commencement date for the amortization period. In August 2011, Idaho Power filed a motion with the FERC requesting that the FERC take action on the matter expeditiously.

Recent and Pending Oregon Regulatory Matters

Oregon General Rate Case Filing

On July 29, 2011, Idaho Power filed a general rate case and proposed rate schedules with the OPUC, Case No. UE 233. The filing requests a \$5.8 million increase in annual Oregon jurisdictional revenues which, if approved, would result in a 14.7 percent overall average rate increase for customers in the Oregon jurisdiction. The filing requests an authorized rate of return on equity of 10.5 percent with an Oregon retail rate base of approximately \$121.9 million, and a rate of return on capital of 8.17 percent. Idaho Power is unable to predict the outcome of the general rate case but anticipates that new rates, if approved by the OPUC, would not become effective until June 1, 2012.

Oregon Power Cost Adjustment Mechanism Filings

Idaho Power's Oregon PCA mechanism has two components: the annual power cost update (APCU) and the Oregon power cost adjustment mechanism (PCAM).

The APCU allows Idaho Power to reestablish its Oregon base net power supply costs annually, separate from a general rate case, and to forecast net power supply costs for the upcoming water year. The APCU has two components: the "October Update," Idaho Power's calculation of estimated normalized net power supply costs for the following April through March test period, and the "March Forecast," Idaho Power's forecast of expected net power supply costs for the same test period, updated for a number of variables including the most recent stream flow data

and future wholesale electric prices. On May 31, 2011, the OPUC approved Idaho Power's March 2011 request for a \$0.9 million annual decrease in amounts collected through Oregon jurisdiction customer rates, with new rates effective June 1, 2011. On October 20, 2011, Idaho Power filed the October Update portion of the APCU, requesting a \$1.4 million increase in amounts collected through Oregon jurisdiction customer rates, effective June 1, 2012.

The PCAM is a true-up filed annually in February. The filing calculates the deviation between actual net power supply costs incurred for the preceding calendar year and the net power supply costs recovered through the APCU for the same period. Under the PCAM, Idaho Power is subject to a portion of the business risk or benefit associated with this deviation through application of an asymmetrical deadband (or range of deviations) within which Idaho Power absorbs cost increases or decreases. On February 28, 2011, Idaho Power submitted its 2010 PCAM true-up, stating that actual net power supply costs were within the deadband, resulting in no deferral.

Annual OATT Update

On September 1, 2011, Idaho Power filed its 2011 Final Informational Filing (FIF) for its OATT with the FERC and posted the FIF on its Open Access Same-Time Information System (OASIS) Internet platform, for rates that became effective on October 1, 2011 for a one-year period. The FIF is the computation of Idaho Power's transmission formula rate for service under its OATT, which is updated annually. The new rate posted by Idaho Power was \$19.79 per kW/yr, reflective of a \$107 million net annual transmission revenue requirement. The previous OATT rate was \$19.60 per kW/yr.

4. LONG-TERM DEBT

As of September 30, 2011, IDACORP had approximately \$539 million remaining on a shelf registration statement filed with the U.S. Securities and Exchange Commission (SEC) that can be used for the issuance of debt securities or IDACORP common stock.

In May 2010, Idaho Power registered with the SEC up to \$500 million of first mortgage bonds and debt securities. On June 17, 2010, Idaho Power entered into a selling agency agreement with ten banks named in the agreement in connection with the potential issuance and sale from time to time of up to \$500 million aggregate principal amount of first mortgage bonds. As of September 30, 2011, \$300 million remained on Idaho Power's shelf registration for the issuance of first mortgage bonds and debt securities.

On March 2, 2011, Idaho Power repaid at maturity \$120 million of first mortgage bonds using proceeds from first mortgage bonds issued in August 2010.

5. NOTES PAYABLE

Credit Facilities

On October 26, 2011, each of IDACORP and Idaho Power entered into a Second Amended and Restated Credit Agreement with Wells Fargo Bank, National Association, as administrative agent, swingline lender, and LC issuer; JPMorgan Chase Bank, N.A., as syndication agent and LC issuer; KeyBank National Association and Union Bank, N.A., as documentation agents; Wells Fargo Securities, LLC, J.P. Morgan Securities Inc., Keybank Capital Markets, and Union Bank, N.A. as joint lead arrangers and joint book runners; and the other financial institutions party thereto, as lenders. The new credit agreements amend and restate IDACORP's and Idaho Power's existing \$100 million and \$300 million, respectively, credit facilities dated April 25, 2007, that were to expire on April 25, 2012. The credit facilities will be used for general corporate purposes and commercial paper backup. IDACORP's credit agreement provides for the issuance of a revolving line of credit not to exceed the aggregate principal amount at any one time outstanding of \$125 million, including swingline loans in an aggregate principal amount at any time outstanding not to exceed \$15 million, and letters of credit in an aggregate principal amount at any time outstanding not to exceed \$50 million. Idaho Power's credit agreement provides for the issuance of loans and standby letters of credit not to exceed the aggregate principal amount at any one time outstanding of \$300 million, including swingline loans in an aggregate principal amount at any time outstanding not to exceed \$30 million. IDACORP and Idaho Power have the right to request an increase in the aggregate principal amount of the facilities to \$150 million and \$450 million, respectively, in each case subject to certain conditions. The credit agreements mature on October 26, 2016, though IDACORP and Idaho Power have the right to request up to two one-year extensions of the credit agreement, in each case subject to certain conditions.

Edgar Filing: IDAHO POWER CO - Form 10-Q

The IDACORP and Idaho Power credit agreements have similar terms and conditions. The interest rates for any borrowings under the facilities are based on either (1) a floating rate that is equal to the highest of the prime rate, federal funds rate plus 0.5 percent, or LIBOR rate plus 1.0 percent, or (2) the LIBOR rate, plus, in each case, an applicable margin. The margin is based on IDACORP's or Idaho Power's, as applicable, senior unsecured long-term indebtedness credit rating by Moody's Investors Service, Inc., Standard and Poor's Ratings Services, and Fitch Rating Services, Inc., as set forth on a schedule to the credit agreements. Under their respective facilities, the companies pay a facility fee on the commitment based on the respective company's credit rating for senior unsecured long-term debt securities.

At September 30, 2011, no loans were outstanding under either IDACORP's or Idaho Power's facilities then in effect. At September 30, 2011, Idaho Power had regulatory authority to incur up to \$450 million of short-term indebtedness.

Balances and interest rates of IDACORP's short-term borrowings were as follows at September 30, 2011 and December 31, 2010 (in thousands of dollars):

	September 30, 2011	December 31, 2010		
Commercial paper outstanding	\$51,500	\$66,900		
Weighted-average annual interest rate	0.42	% 0.43		%

Idaho Power had no short-term borrowings outstanding at either date.

6. COMMON STOCK

IDACORP Common Stock

During the nine months ended September 30, 2011, IDACORP issued an aggregate of 354,590 shares of common stock pursuant to its IDACORP, Inc. Dividend Reinvestment and Stock Purchase Plan, Idaho Power Company Employee Savings Plan, IDACORP, Inc. Restricted Stock Plan, and IDACORP, Inc. 2000 Long-Term Incentive and Compensation Plan.

IDACORP enters into sales agency agreements as a means of selling its common stock from time to time pursuant to a continuous equity program. IDACORP's current sales agency agreement, which expires in November 2011, is with BNY Mellon Capital Markets, LLC. As of September 30, 2011, there were approximately 1.2 million shares remaining available to be sold under the current sales agency agreement. No shares were issued under the sales agency agreement during the nine months ended September 30, 2011.

Restrictions on Dividends

A covenant under IDACORP's credit facility and Idaho Power's credit facility requires IDACORP and Idaho Power to maintain leverage ratios of consolidated indebtedness to consolidated total capitalization, as defined therein, of no more than 65 percent at the end of each fiscal quarter. Idaho Power's ability to pay dividends on its common stock held by IDACORP and IDACORP's ability to pay dividends on its common stock are limited to the extent payment of such dividends would violate the covenants in their respective credit facilities or Idaho Power's Revised Code of Conduct. At September 30, 2011, the leverage ratios for IDACORP and Idaho Power were 48 percent and 50 percent, respectively. Based on these restrictions, IDACORP's and Idaho Power's dividends were limited to \$827 million and \$714 million, respectively, at September 30, 2011. There are additional facility covenants, subject to exceptions, that prohibit or restrict specified investments or acquisitions, mergers, or the sale or disposition of property without consent; the creation of specified forms of liens; and any agreements restricting dividend payments to the company from any material subsidiary. At September 30, 2011, IDACORP and Idaho Power were in compliance with all facility covenants.

Idaho Power's Revised Code of Conduct, approved by the IPUC on April 21, 2008, states that Idaho Power will not pay any dividends to IDACORP that will reduce Idaho Power's common equity capital below 35 percent of its total adjusted capital without IPUC approval.

Idaho Power's articles of incorporation contain restrictions on the payment of dividends on its common stock if preferred stock dividends are in arrears. Idaho Power has no preferred stock outstanding.

In addition to contractual restrictions on the amount and payment of dividends, the Federal Power Act prohibits the payment of dividends from "capital accounts." The term "capital accounts" is undefined in the Federal Power Act, but if conservatively interpreted could limit the payment of dividends by Idaho Power to the amount of Idaho Power's retained earnings.

7. EARNINGS PER SHARE

The following table presents the computation of IDACORP's basic and diluted earnings per share (EPS) for the three and nine months ended September 30, 2011 and 2010 (in thousands, except for per share amounts):

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Numerator:				
Net income attributable to IDACORP, Inc.	\$ 107,067	\$ 67,135	\$ 157,708	\$ 122,407
Denominator:				
Weighted-average common shares outstanding - basic	49,520	48,086	49,411	47,917
Effect of dilutive securities:				
Options	12	30	15	37
Restricted Stock	90	136	73	108
Weighted-average common shares outstanding - diluted	49,622	48,252	49,499	48,062
Basic earnings per share	\$ 2.16	\$ 1.40	\$ 3.19	\$ 2.55
Diluted earnings per share	\$ 2.16	\$ 1.39	\$ 3.19	\$ 2.55

The diluted EPS computation excludes 134,772 and 183,840 options for the three and nine months ended September 30, 2011, respectively, because the options' exercise prices were greater than the average market price of the common stock during that period. For the same period in 2010, the computation excludes 321,891 and 337,242 options for the same reason. In total, 169,295 options were outstanding at September 30, 2011, with expiration dates between 2011 and 2015.

8. COMMITMENTS

Purchase Obligations

The following items are the only material changes to long-term purchase commitments during the nine months ended September 30, 2011:

In 2011, Idaho Power entered into several power purchase agreements with wind and other alternative energy developers. Payments pursuant to these agreements are expected to total approximately \$128 million from 2011 to 2037.

The IPUC issued orders on June 8, 2011 that disapproved 13 wind power purchase agreements. The orders were subject to a 21-day reconsideration period and reconsiderations were denied by the IPUC on July 27, 2011. At this time, Idaho Power considers all of these agreements to be terminated, though two of the projects have filed appeals with the Idaho Supreme Court. Payments pursuant to these 13 agreements were expected to total approximately \$1.3 billion over the terms of the agreements and had previously been reported as purchase obligations.

Guarantees

Idaho Power has agreed to guarantee a portion of the performance of reclamation activities and obligations at BCC, of which IERCo owns a one-third interest. This guarantee, which is renewed each December, was \$63 million at September 30, 2011, representing IERCo's one-third share of BCC's total reclamation obligation of \$189 million. BCC has a reclamation trust fund set aside specifically for the purpose of paying these reclamation costs. At September 30, 2011, the value of the reclamation trust fund totaled \$74 million. BCC periodically assesses the adequacy of the reclamation trust fund and its estimate of future reclamation costs. To ensure that the reclamation trust fund maintains adequate reserves, BCC has the ability to add a per-ton surcharge to coal sales. Starting in 2010,

BCC began applying a nominal surcharge to coal sales in order to maintain adequate reserves in the reclamation trust fund. Because of the existence of the fund and the ability to apply a per-ton surcharge, the estimated fair value of this guarantee is minimal.

IDACORP and Idaho Power enter into financial agreements and power purchase and sale agreements that include indemnification provisions relating to various forms of claims or liabilities that may arise from the transactions contemplated by these agreements. Generally, a maximum obligation is not explicitly stated in the indemnification provisions and, therefore, the overall maximum amount of the obligation under such indemnification provisions cannot be reasonably estimated. IDACORP and Idaho Power periodically evaluate the likelihood of incurring costs under such indemnities based on their

historical experience and the evaluation of the specific indemnities. As of September 30, 2011, management believes the likelihood is remote that IDACORP or Idaho Power would be required to perform under such indemnification provisions or otherwise incur any significant losses with respect to such indemnification obligations. Neither IDACORP nor Idaho Power has recorded any liability on their respective condensed consolidated balance sheets with respect to these indemnification obligations.

9. CONTINGENCIES

IDACORP and Idaho Power have in the past and expect in the future to become involved in various claims, controversies, disputes, and other contingent matters, including the items described in this Note 9. Some of these claims, controversies, disputes, and other contingent matters involve litigation and regulatory or other contested proceedings. IDACORP and Idaho Power intend to vigorously protect and defend their interests and pursue their rights. However, the ultimate resolution and outcome of litigation and regulatory proceedings is inherently difficult to determine, particularly where (i) the remedies or penalties sought are indeterminate, (ii) the proceedings are in the early stages or the substantive issues have not been well developed, or (iii) the matters involve complex or novel legal theories or a large number of parties. In accordance with applicable accounting guidance, IDACORP and Idaho Power, as applicable, establish an accrual for legal proceedings when those matters proceed to a stage where they present loss contingencies that are both probable and reasonably estimable. In such cases, there may be a possible exposure to loss in excess of any amounts accrued. IDACORP and Idaho Power monitor those matters for developments that could affect the likelihood of a loss and the accrued amount, if any, thereof, and adjust the amount as appropriate. If the loss contingency at issue is not both probable and reasonably estimable, IDACORP and Idaho Power do not establish an accrual and the matter will continue to be monitored for any developments that would make the loss contingency both probable and reasonably estimable. As of the date of this report, IDACORP's and Idaho Power's accruals for legal proceedings are not material to their financial statements as a whole; however, future accruals could be material in a given period. IDACORP's and Idaho Power's determination is based on currently available information, and estimates presented in financial statements and other financial disclosures involve significant judgment and may be subject to significant uncertainty. As available information changes, the matters for which IDACORP and Idaho Power are able to estimate the loss will change, and the estimates themselves will change.

For certain of those matters described in this report for which IDACORP or Idaho Power have determined a loss contingency may, in the future, be at least reasonably possible, IDACORP and Idaho Power have stated that they are unable to estimate the possible loss or a range of possible loss that may result from those matters. Depending on a range of factors, such as the complexity of the facts, the unique nature of the legal theories, the pace of discovery, the timing of court decisions, and the adverse party's willingness to negotiate towards a resolution, it may be months or years after the filing of a case before IDACORP or Idaho Power may be in a position to estimate the possible loss or range of possible loss for those matters.

Given the substantial or indeterminate amounts sought in certain of the matters described below, and the inherent unpredictability of such matters, an adverse outcome in certain of these matters could have a material adverse effect on IDACORP's and Idaho Power's financial condition, results of operations, or cash flows in particular quarterly or annual periods. For matters that affect Idaho Power's operations, Idaho Power intends to seek, to the extent permissible and appropriate, recovery of incurred costs through the ratemaking process.

Western Energy Proceedings at the FERC

High prices for electricity, energy shortages, and blackouts in California and in western wholesale markets during 2000 and 2001 caused numerous purchasers of electricity in those markets to initiate proceedings seeking refunds or other forms of relief and the FERC to initiate its own investigations. Some of these proceedings remain pending before the FERC or are on appeal to the United States Court of Appeals for the Ninth Circuit (Ninth Circuit). Except

as to the matters described below under “Pacific Northwest Refund,” Idaho Power and IE believe that settlement releases they have obtained will restrict potential claims that might result from the disposition of the pending Ninth Circuit review petitions and predict that these matters will not have a material adverse effect on their consolidated financial positions, results of operations, or cash flows.

Pacific Northwest Refund: On July 25, 2001, the FERC issued an order establishing a proceeding to determine whether there may have been unjust and unreasonable charges for spot market sales in the Pacific Northwest during the period December 25, 2000 through June 20, 2001, because the spot market in the Pacific Northwest was affected by the dysfunction in the California market. During that period, Idaho Power or IE both sold and purchased electricity in the Pacific Northwest. In 2003, the FERC terminated the proceeding and declined to order refunds, but in 2007 the Ninth Circuit issued an opinion, in *Port of Seattle, Washington v. FERC*, remanding to the FERC the orders that declined to require refunds. The Ninth Circuit's opinion instructed the FERC to consider whether evidence of market manipulation would have altered the agency's conclusions about refunds and directed the FERC to include sales originating in the Pacific Northwest to the California Department of Water Resources (CDWR) in the scope of proceeding. The Ninth Circuit officially returned the case to the FERC on April 16, 2009. On October 3, 2011, the FERC issued its order on remand. The FERC ordered that the record be re-opened to permit parties seeking refunds to submit seller-specific evidence in support of their claims for sales made during the period confined to December 25, 2000 through June 20, 2001. The seller-specific claims must show that a seller engaged in unlawful market activity with a causal connection to have directly affected the negotiation of the specific contract or contracts to which the seller was a party. Neither claims of general dysfunction in the California markets nor in the Pacific Northwest market will be sufficient to support claims. While directing a trial-type hearing, the FERC also directed that the hearings be held in abeyance so that the matter may be presented to a settlement judge to be appointed within fifteen days of the issuance of its order.

IE and Idaho Power intend to continue to defend their positions in the Pacific Northwest refund proceedings vigorously. As of the date of this report, it is difficult to meaningfully predict the eventual outcome of this matter given the uncertainties that attended the FERC's earlier orders in this case, the fact that specific claims conforming to the FERC's October 3, 2011 order have not yet been submitted, and that the FERC's order remains subject to rehearing and reconsideration. Idaho Power and IE are unable to predict whether the FERC will order refunds, which contracts would be subject to refunds, or how the refunds would be calculated. As a result of these factors, as of the date of this report, Idaho Power and IE are unable to estimate the possible loss or range of possible loss that Idaho Power or IE could incur as a result of this matter.

Sierra Club Lawsuit and EPA Notice of Violation - Boardman

In September 2008, the Sierra Club and four other non-profit corporations filed a complaint against Portland General Electric Company (PGE) in the U.S. District Court for the District of Oregon alleging opacity permit limit and Clean Air Act (CAA) violations at the Boardman coal-fired plant located in Morrow County, Oregon. The complaint sought, in addition to injunctive remedies, civil penalties of up to \$32,500 per day per violation, and reimbursement of plaintiffs' costs of litigation, including reasonable attorneys' fees. Idaho Power was not a party to this proceeding but has a 10 percent ownership interest in the Boardman plant and may have an obligation to reimburse PGE for costs incurred and losses resulting from the proceeding. PGE owns 65 percent of the plant and is the operator of the plant. In July 2011, the parties filed a consent decree with the court that resolves all of the plaintiffs' claims. The consent decree provides that PGE will pay \$2.5 million to the Oregon Community Foundation to be used for environmentally beneficial projects and will pay \$1.0 million of the plaintiff's legal expenses. Further, the consent decree imposes certain SO₂ emission caps on the Boardman coal-fired boiler and would allow continued operation of the Boardman plant through December 31, 2020. The court entered the consent decree on September 13, 2011, following the conclusion of the CAA's statutory review period. Idaho Power considers the matter resolved, and payment of the settlement amount did not have a material adverse effect on Idaho Power's financial position, results of operations, or cash flows.

In September 2010, the United States Environmental Protection Agency (EPA) issued a Notice of Violation to PGE, alleging that PGE had violated the New Source Performance Standards (NSPS) and operating permit requirements under the CAA as a result of modifications made to the Boardman plant in 1998 and 2004. The Notice of Violation states the maximum civil penalties the EPA is authorized to impose under the CAA for violations of the NSPS (which range from \$25,000 to \$37,500 per day), but it does not impose any penalties or specify the amount of any proposed penalties with respect to the alleged violations. It is difficult to meaningfully predict the eventual outcome of this matter given the complexity of the environmental statutes and claims cited in the Notice of Violation and the matters at issue, the unspecified nature of the penalty or other remedy sought, and the absence of factual information given the early stage of the proceedings. As of the date of this report, based on available information and the status of this matter, Idaho Power is unable to estimate the possible loss or range of possible loss that Idaho Power could incur as a result of this matter. However, PGE, the plant operator, has stated that based on its understanding of the penalties authorized under the CAA, the maximum penalty that could be imposed for the alleged violations is approximately \$60 million, with Idaho Power's share of any such penalty being limited to 10 percent of the amount ultimately assessed, if any. The projects alleged to have triggered the NSPS in the Notice of Violation were also included in the Sierra Club's claims in the litigation described immediately above.

Water Rights - Snake River Basin Adjudication

Idaho Power holds water rights, acquired under applicable state law, for its hydroelectric projects. In addition, Idaho Power holds water rights for domestic, irrigation, commercial, and other necessary purposes related to project lands and other holdings within the states of Idaho and Oregon. Idaho Power's water rights for power generation are, to varying degrees, subordinated to future upstream appropriations for irrigation and other authorized consumptive uses.

Over time, increased irrigation development and other consumptive uses within the Snake River watershed led to a reduction in flows of the Snake River. In the late 1970's and early 1980's these reduced flows resulted in a conflict between the exercise of Idaho Power's water rights at certain hydroelectric projects on the Snake River and upstream consumptive diversions. The Swan Falls Agreement, signed by Idaho Power and the State of Idaho on October 25, 1984, resolved the conflict and provided a level of protection for Idaho Power's hydropower water rights at specified projects on the Snake River through the establishment of minimum stream flows and an administrative process governing future development of water rights that may affect those minimum stream flows. In 1987, Congress enacted legislation directing the FERC to issue an order approving the Swan Falls settlement together with a finding that the agreement was neither inconsistent with the terms and conditions of Idaho Power's project licenses nor the Federal Power Act. The FERC entered an order implementing the legislation on March 25, 1988.

The Swan Falls Agreement provided that the resolution and recognition of Idaho Power's water rights together with the State Water Plan provided a sound comprehensive plan for management of the Snake River watershed. The Swan Falls Agreement also recognized, however, that in order to effectively manage the waters of the Snake River basin, a general adjudication to determine the nature, extent, and priority of the rights of all water uses in the basin was necessary. Consistent with that recognition, in 1987 the State of Idaho initiated the Snake River Basin Adjudication (SRBA), and pursuant to the commencement order issued by the SRBA court that same year, all claimants to water rights within the basin were required to file water right claims in the SRBA. Idaho Power has filed claims to its water rights and has been actively participating in the SRBA since its commencement. Questions concerning the effect of the Swan Falls Agreement on Idaho Power's water right claims, including the nature and extent of the subordination of Idaho Power's rights to upstream uses, resulted in the filing of litigation in the SRBA in 2007 between Idaho Power and the State of Idaho. This litigation was resolved by the Framework Reaffirming the Swan Falls Settlement (Framework) signed by Idaho Power and the State of Idaho on March 25, 2009. In that Framework, the parties acknowledged that the effective management of Idaho's water resources remains critical to the public interest of the State of Idaho by sustaining economic growth, maintaining reasonable electric rates, protecting and preserving existing water rights, and protecting water quality and environmental values. The Framework further provided that the State of Idaho and Idaho Power would cooperate in exploring approaches to resolve issues of mutual concern relating to the management of Idaho's water resources. Idaho Power continues to work with the State of Idaho and

other interested parties on these issues.

One such issue involves the management of the Eastern Snake Plain Aquifer (ESPA), a large underground aquifer in southeastern Idaho that is hydrologically connected to the Snake River. House Concurrent Resolution No. 28, adopted by the Idaho Legislature in 2007, directed the Idaho Water Resource Board to pursue the development of a comprehensive management plan for the ESPA, to include measures that would enhance aquifer levels, springs, and river flows on the eastern Snake River plain to the benefit of both agricultural development and hydropower generation. In May of 2007, the Idaho Water Resource Board appointed an advisory committee, charged with the responsibility of developing a management plan for the ESPA. Idaho Power was a member of that committee. In January 2009, the Idaho Water Resource Board, based on the committee's recommendations, adopted a Comprehensive Aquifer Management Plan (CAMP) for the ESPA. The Idaho Legislature approved the CAMP that same year. Idaho Power is a member of the CAMP Implementation Committee, and is currently working with the Idaho Water Resource Board, other stakeholders, and the Idaho Legislature in implementing the provisions of the CAMP management plan.

Idaho Power also continues its active participation in the SRBA in seeking to ensure that its water rights are protected and that the operation of its hydroelectric projects is not adversely impacted. While Idaho Power cannot predict the outcome, Idaho Power does not anticipate any material modification of its water rights as a result of the SRBA process.

U.S. Bureau of Reclamation Proceedings

Idaho Power filed a complaint on October 15, 2007, and an amended complaint on September 30, 2008, in the U.S. District Court of Federal Claims in Washington, D.C. against the U.S. Bureau of Reclamation (USBR). The complaint relates to a 1923 spaceholder contract right for storage and delivery of water to Idaho Power from American Falls Reservoir, a USBR storage reservoir on the Snake River. In the complaint, Idaho Power alleged that the USBR breached the contract by the failure to implement certain contract provisions relating to secondary storage capacity and claimed damages for the lost generation resulting from reduced flows downstream of the reservoir, and requested a prospective declaration of the rights and obligations of the parties under the 1923 contract. The USBR claimed that the referenced provisions of the 1923 contract were abrogated or amended by subsequent contracts associated with the 1976 rebuild of American Falls Reservoir and that the provisions of the 1923 contract no longer apply. The water rights for, and the operation of, American Falls Reservoir are also the subject of litigation in the SRBA, described above.

During the pendency of the proceedings, Idaho Power worked with the USBR and Idaho interests (including the State of Idaho and upstream water users) in an effort to resolve the contested contract issues that are common to both the SRBA and the pending federal case with the USBR. These efforts were focused on a recognition in state policy and the Idaho State Water Plan that will promote more efficient operation of the upper Snake River reservoir system to optimize the use of Snake River flows for hydroelectric generation downstream while recognizing and protecting in-reservoir spaceholder contract rights. These discussions resulted in a resolution passed by the Idaho Water Resource Board in March 2011 that established a standing committee, referred to as the Upper Snake River Advisory Committee (USRAC). The USRAC is comprised of a member of the Idaho Water Resource Board, representatives of Idaho Power, the USBR, and the Committee of Nine, a committee comprised of upstream water users that hold USBR contract rights to reservoir space that advises the State of Idaho and the USBR on reservoir operations. The USRAC is tasked with collaboratively working to identify and implement measures to optimize the operation and management of the reservoir system above Milner Dam to benefit existing and future beneficial uses, including hydropower below Milner Dam. This collaborative process will include a review of existing water bank and rental pool procedures to encourage and facilitate opportunities for the rental, acquisition, and transfer of reservoir storage water and water rights for beneficial uses, including hydropower. The passage of the resolution and establishment of the USRAC has effectively resolved the critical issues outstanding in the pending litigation pertaining to the 1923 contract. While Idaho Power is unable to predict the ultimate impact of the collaborative process, as of the date of this report it does

not expect the outcome of the process will have a material adverse effect on its financial position, results of operations, or cash flows.

Other Legal Proceedings

IDACORP and Idaho Power are parties to legal claims, actions, and proceedings in addition to those discussed above. However, as of the date of this report the companies believe that resolution of these matters will not have a material adverse effect on their consolidated financial positions, results of operations, or cash flows.

10. BENEFIT PLANS

Idaho Power has a noncontributory defined benefit pension plan covering most employees. The benefits under the plan are based on years of service and the employee's final average earnings. In addition, Idaho Power has a nonqualified defined benefit plan for certain senior management employees and directors called the Senior Management Security Plan (SMSP). Idaho Power also maintains a defined benefit postretirement plan (consisting of health care and death benefits) that covers all employees who were enrolled in the active group plan at the time of retirement as well as their spouses and qualifying dependents. Idaho Power also has an Employee Savings Plan that complies with Section 401(k) of the Internal Revenue Code and covers substantially all employees. Idaho Power matches specified percentages of employee contributions to the Employee Savings Plan.

The following table shows the components of net periodic benefit costs for the pension, SMSP, and postretirement benefits plans for the three months ended September 30 (in thousands of dollars):

	Pension Plan		Senior Management Security Plan		Postretirement Benefits	
	2011	2010	2011	2010	2011	2010
Service cost	\$5,120	\$4,417	\$487	\$385	\$330	\$340
Interest cost	7,581	7,279	773	751	859	898
Expected return on plan assets	(7,968)	(7,270)	—	—	(660)	(641)
Amortization of transition obligation	—	—	—	—	510	510
Amortization of prior service cost	130	163	61	59	(105)	(133)
Amortization of net loss	2,168	1,918	323	232	144	143
Net periodic benefit cost	7,031	6,507	1,644	1,427	1,078	1,117
Costs not recognized due to the effects of regulation ⁽¹⁾	(2,371)	(4,624)	—	—	—	—
Net periodic benefit cost recognized for financial reporting ⁽¹⁾	\$4,660	\$1,883	\$1,644	\$1,427	\$1,078	\$1,117

⁽¹⁾ Net periodic benefit costs for the pension plan are recognized based upon the authorization of each regulatory jurisdiction Idaho Power operates within. Under IPUC order, income statement recognition of pension plan costs has been deferred until costs are recovered through rates. See Note 3 – “Regulatory Matters” for information on Idaho Power’s 2011 Idaho pension rate order, which increased Idaho jurisdiction recovery to \$17.1 million annually, effective June 1, 2011.

Edgar Filing: IDAHO POWER CO - Form 10-Q

The following table shows the components of net periodic benefit costs for the pension, SMSP, and postretirement benefits plans for the nine months ended September 30 (in thousands of dollars):

	Pension Plan		Senior Management Security Plan		Postretirement Benefits	
	2011	2010	2011	2010	2011	2010
Service cost	\$15,359	\$13,253	\$1,463	\$1,156	\$992	\$1,020
Interest cost	22,742	21,839	2,319	2,253	2,576	2,693
Expected return on plan assets	(23,903)	(19,847)	—	—	(1,981)	(1,921)
Amortization of transition obligation	—	—	—	—	1,530	1,530
Amortization of prior service cost	389	488	183	175	(316)	(401)
Amortization of net loss	6,505	5,756	969	698	433	430
Net periodic benefit cost	21,092	21,489	4,934	4,282	3,234	3,351
Costs not recognized due to the effects of regulation (1)	(11,981)	(18,650)	—	—	—	—
Net periodic benefit cost recognized for financial reporting (1)	\$9,111	\$2,839	\$4,934	\$4,282	\$3,234	\$3,351

(1) Net periodic benefit costs for the pension plan are recognized based upon the authorization of each regulatory jurisdiction Idaho Power operates within. Under IPUC order, income statement recognition of pension plan costs has been deferred until costs are recovered through rates. See Note 3 – “Regulatory Matters” for information on Idaho Power’s 2011 Idaho pension rate order, which increased Idaho-jurisdiction recovery to \$17.1 million annually, effective June 1, 2011.

In September 2011, Idaho Power contributed \$18.5 million to its pension plan. The contribution was in excess of the \$6 million minimum contribution requirement for the 2011 calendar year. Idaho Power elected to contribute more than the minimum requirement in order to bring the pension plan to a more funded position, to reduce future required contributions, and to reduce Pension Benefit Guaranty Corporation premiums.

11. INVESTMENTS IN DEBT AND EQUITY SECURITIES

Investments in securities classified as available-for-sale securities are reported at fair value, using either specific identification or average cost to determine the cost for computing gains or losses. Any unrealized gains or losses on available-for-sale securities are included in other comprehensive income.

The following table summarizes investments in debt and equity securities by IDACORP and Idaho Power as of September 30, 2011 and December 31, 2010 (in thousands of dollars):

	September 30, 2011			December 31, 2010		
	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Available-for-sale securities	\$2,612	\$37	\$21,346	\$4,876	\$—	\$24,561

At the end of each reporting period, IDACORP and Idaho Power analyze securities in loss positions to determine whether they have experienced a decline in market value that is considered other-than-temporary. At September 30, 2011, one security was in an unrealized loss position. The following table summarizes the security that was in an unrealized loss position at September 30, 2011, but for which no other-than-temporary impairment was recognized (in thousands of dollars):

Less than 12 months		12 months or longer	
Aggregate Unrealized	Aggregate Related Fair	Aggregate Unrealized	Aggregate Related Fair

Edgar Filing: IDAHO POWER CO - Form 10-Q

	Loss	Value	Loss	Value
Available-for-sale securities	\$37	\$1,222	\$—	\$—

No other-than-temporary impairment was recognized for the security due to the limited severity and duration of the unrealized loss position. At December 31, 2010, no securities were in an unrealized loss position.

There were no sales of available-for-sale securities during the three and nine months ended September 30, 2011 or 2010.

12. DERIVATIVE FINANCIAL INSTRUMENTS

Commodity Price Risk

Idaho Power is exposed to market risk relating to electricity, natural gas, and other fuel commodity prices, all of which are heavily influenced by supply and demand. Market risk may also be influenced by market participants' nonperformance of their contractual obligations and commitments, which affects the supply of or demand for the commodity. Idaho Power uses derivative instruments, such as physical and financial forward contracts, for both electricity and fuel to manage the risks relating to these commodity price exposures. The objective of Idaho Power's energy purchase and sale activity is to meet the demand of retail electric customers, maintain appropriate physical reserves to ensure reliability, and make economic use of temporary surpluses that may develop.

All commodity-related derivative instruments not meeting the normal purchases and normal sales exception to derivative accounting are recorded at fair value on the balance sheet. Because of Idaho Power's PCA mechanisms, unrealized gains and losses associated with the changes in fair value of these derivative instruments are recorded as regulatory assets or liabilities. With the exception of forward contracts for the purchase of natural gas for use at Idaho Power's natural gas generation facilities, Idaho Power's physical forward contracts qualify for the normal purchases and normal sales exception.

All of Idaho Power's derivative instruments have been entered into for the purpose of economically hedging forecasted purchases and sales, though none of these instruments have been designated as cash flow hedges under derivative accounting guidance.

The following tables present the fair values and locations of derivative instruments not designated as hedging instruments recorded on the balance sheets at September 30, 2011 and December 31, 2010 (in thousands of dollars):

	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
September 30, 2011				
Current:				
Financial swaps	Other current assets	\$4,192	Other current assets	\$900
Financial swaps	Other current liabilities	—	Other current liabilities	356
Forward contracts	Other current assets	80	Other current liabilities	406
Long-term:				
Financial swaps	Other assets	559	Other assets	25
Financial swaps			Other liabilities	344
Total		\$4,831		\$2,031
December 31, 2010				

Edgar Filing: IDAHO POWER CO - Form 10-Q

Current:			
Financial swaps	Other current assets	\$930	Other current assets \$356
Financial swaps	Other current liabilities	2,440	Other current liabilities 4,172
Forward contracts			Other current liabilities 508
Long-term:			
Financial swaps	Other liabilities	100	Other liabilities 138
Total		\$3,470	\$5,174

Edgar Filing: IDAHO POWER CO - Form 10-Q

The following table presents the gains and losses on derivatives not designated as hedging instruments for the three and nine months ended September 30, 2011 and 2010 (in thousands of dollars):

Commodity Derivatives	Location of Gain/(Loss) on Derivatives Recognized in Income	Gain/(Loss) on Derivatives Recognized in Income ⁽¹⁾
Three months ended September 30, 2011:		
Financial swaps	Off-system sales	\$441
Financial swaps	Purchased power	(6,982)
Financial swaps	Fuel expense	115
Financial swaps	Other operations and maintenance	120
Three months ended September 30, 2010:		
Financial swaps	Off-system sales	\$2,332
Financial swaps	Purchased power	(6,749)
Financial swaps	Fuel expense	(101)
Forward contracts	Fuel expense	(721)
Nine months ended September 30, 2011:		
Financial swaps	Off-system sales	\$6,947
Financial swaps	Purchased power	(6,954)
Financial swaps	Fuel expense	501
Financial swaps	Other operations and maintenance	347
Nine months ended September 30, 2010:		
Financial swaps	Off-system sales	\$3,284
Financial swaps	Purchased power	(9,135)
Financial swaps	Fuel expense	(101)
Forward contracts	Fuel expense	(721)

(1) Excludes changes in fair value of derivatives, which are recorded on the balance sheet as regulatory assets or regulatory liabilities.

Settlement gains and losses on electricity swap contracts are recorded on the income statement in off-system sales or purchased power depending on the forecasted position being economically hedged by the derivative contract. Settlement gains and losses on both financial and physical contracts for natural gas are reflected in fuel expense. Settlement gains and losses on diesel derivatives are recorded in other operations and maintenance expense. See Note 13 - "Fair Value Measurements" for additional information concerning the determination of fair value for Idaho Power's assets and liabilities from price risk management activities.

Idaho Power had the following volumes of derivative commodity forward contracts and swaps outstanding at September 30, 2011 and 2010:

Commodity	Units	September 30,	
		2011	2010
Electricity purchases	MWh	197,800	443,250
Electricity sales	MWh	1,038,095	237,000
Natural gas purchases	MMBtu	2,292,738	325,500
Natural gas sales	MMBtu	77,500	—
Diesel purchases	Gallons	266,375	208,980

Credit Risk

At September 30, 2011, Idaho Power did not have material credit exposure from financial instruments, including derivatives. Idaho Power monitors credit risk exposure through reviews of counterparty credit quality, corporate-wide counterparty credit exposure, and corporate-wide counterparty concentration levels. Idaho Power manages these risks by establishing appropriate credit and concentration limits on transactions with counterparties and requiring contractual guarantees, cash deposits, or letters of credit from counterparties or their affiliates, as deemed necessary. Idaho Power's physical power contracts are under Western Systems Power Pool agreements, physical gas contracts are under North American Energy Standards Board contracts, and financial transactions are under International Swaps and Derivatives Association, Inc. contracts. These contracts all contain adequate assurance clauses requiring collateralization if a counterparty has debt that is downgraded below investment grade by at least one rating agency.

Credit-Contingent Features

Certain of Idaho Power's derivative instruments contain provisions that require Idaho Power's unsecured debt to maintain an investment grade credit rating from Moody's Investors Service and Standard & Poor's Ratings Services. If Idaho Power's unsecured debt were to fall below investment grade, it would be in violation of these provisions, and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a liability position at September 30, 2011, was \$2.0 million. Idaho Power posted \$1.6 million of collateral related to this amount. If the credit-risk-related contingent features underlying these agreements were triggered on September 30, 2011, Idaho Power would have been required to post \$0.9 million of additional cash collateral to its counterparties.

13. FAIR VALUE MEASUREMENTS

IDACORP and Idaho Power have categorized their financial instruments into a three-level fair value hierarchy, based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the condensed consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

- Level 1: Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that IDACORP and Idaho Power has the ability to access.
- Level 2: Financial assets and liabilities whose values are based on the following:
 - a) Quoted prices for similar assets or liabilities in active markets;
 - b) Quoted prices for identical or similar assets or liabilities in non-active markets;
 - c) Pricing models whose inputs are observable for substantially the full term of the asset or liability; and
 - d) Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

IDACORP and Idaho Power Level 2 inputs are based on quoted market prices adjusted for location using corroborated, observable market data.

- Level 3: Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Idaho Power's derivatives are contracts entered into as part of its management of loads and resources. Electricity swaps are valued on the Intercontinental Exchange with quoted prices in an active market. Natural gas and diesel derivative valuations are performed using New York Mercantile Exchange (NYMEX) pricing, adjusted for location basis, which are also quoted under NYMEX. Trading securities consist of employee-directed investments held in a Rabbi Trust and are related to an executive deferred compensation plan. Available-for-sale securities are related to the SMSP and are held in a Rabbi Trust and are actively traded money market and equity funds with quoted prices in active markets.

Edgar Filing: IDAHO POWER CO - Form 10-Q

The table below presents information about IDACORP's and Idaho Power's assets and liabilities measured at fair value on a recurring basis as of September 30, 2011 and December 31, 2010 (in thousands of dollars). IDACORP's and Idaho Power's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy. There were no transfers between levels for the periods presented.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
September 30, 2011				
IDACORP				
Assets:				
Derivatives	\$3,826	\$80	\$—	\$3,906
Money market funds	100	—	—	100
Trading securities: Equity securities	3,239	—	—	3,239
Available-for-sale securities: Equity securities	21,346	—	—	21,346
Liabilities:				
Derivatives	\$130	\$977	\$—	\$1,107
Idaho Power				
Assets:				
Derivatives	\$3,826	\$80	\$—	\$3,906
Money market funds	100	—	—	100
Trading securities: Equity securities	3,239	—	—	3,239
Available-for-sale securities: Equity securities	21,346	—	—	21,346
Liabilities:				
Derivatives	\$130	\$977	\$—	\$1,107
December 31, 2010				
IDACORP				
Assets:				
Derivatives	\$573	\$—	\$—	\$573
Money market funds	151,975	—	—	151,975
Trading securities: Equity securities	5,361	—	—	5,361
Available-for-sale securities: Equity securities	24,561	—	—	24,561
Liabilities:				
Derivatives	\$—	\$508	\$—	\$508
Idaho Power				
Assets:				
Derivatives	\$573	\$—	\$—	\$573
Money market funds	151,173	—	—	151,173
Trading securities: Equity securities	4,746	—	—	4,746
Available-for-sale securities: Equity securities	24,561	—	—	24,561
Liabilities:				
Derivatives	\$—	\$508	\$—	\$508

The table below presents the carrying value and estimated fair value of financial instruments that are not reported at fair value, as of September 30, 2011 and December 31, 2010, using available market information and appropriate valuation methodologies. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. Cash and cash equivalents, deposits, customer and other receivables, notes payable, accounts payable, interest accrued, and taxes accrued are reported at their carrying value as these are a reasonable estimate of their fair value. The estimated fair values for notes receivable and long-term debt are based upon quoted market prices of the same or similar issues or discounted cash flow analysis as appropriate.

	September 30, 2011		December 31, 2010	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
(thousands of dollars)				
IDACORP				
Assets:				
Notes receivable	\$2,946	\$2,946	\$2,946	\$2,946
Liabilities:				
Long-term debt	1,492,330	1,72		