

IDAHO POWER CO  
Form 10-Q  
August 02, 2012  
Table of Contents

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

FORM 10-Q  
(Mark One)

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

For the quarterly period ended June 30, 2012

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

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 X 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 X No \_\_\_ Idaho Power Company: Yes X 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	X	Accelerated filer	Non-accelerated filer	Smaller reporting company
-------------------------	---	-------------------	-----------------------	---------------------------

Idaho Power Company:

Large accelerated filer		Accelerated filer	Non-accelerated filer X	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 X

Edgar Filing: IDAHO POWER CO - Form 10-Q

Number of shares of common stock outstanding as of July 27, 2012:

IDACORP, Inc.: 50,154,714

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 Instruction (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

---

Table of Contents

COMMONLY USED TERMS

The following select abbreviations, terms, or acronyms are commonly used or found in multiple locations in this report:

ADITC	- Accumulated Deferred Investment Tax Credits
AFUDC	- Allowance for Funds Used During Construction
BCC	- Bridger Coal Company, a joint venture of IERCo
CAA	- Clean Air Act
CAMP	- Comprehensive Aquifer Management Plan
CO <sub>2</sub>	- Carbon Dioxide
CSPP	- Cogeneration and Small Power Production
EGUs	- Electric Utility Steam Generating Units
EPA	- U.S. Environmental Protection Agency
EPS	- Earnings Per Share
ESPA	- Eastern Snake Plain Aquifer
FCA	- Fixed Cost Adjustment
FERC	- Federal Energy Regulatory Commission
FIP	- Federal Implementation Plan
GHG	- Greenhouse Gas
HAPs	- Hazardous Air Pollutants
HCC	- Hells Canyon Complex
IDACORP	- IDACORP, Inc., an Idaho corporation
Idaho Power	- Idaho Power Company, an Idaho corporation
Idaho ROE	- Idaho-jurisdiction return on year-end equity
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
IRP	- Integrated Resource Plan
kW	- Kilowatt
MD&A	- Management's Discussion and Analysis of Financial Condition and Results of Operations
MW	- Megawatt
MWh	- Megawatt-hour
NO <sub>x</sub>	- Nitrous Oxide
NSPS	- New Source Performance Standards
O&M	- Operations and Maintenance
OATT	- Open Access Transmission Tariff
OPUC	- Oregon Public Utility Commission
PCA	- Power Cost Adjustment
PURPA	- Public Utility Regulatory Policies Act of 1978
REC	- Renewable Energy Certificate
SEC	- U.S. Securities and Exchange Commission
SIP	- State Implementation Plan
SO <sub>2</sub>	- Sulfur Dioxide
USBR	- U.S. Bureau of Reclamation
Valmy	- North Valmy Steam Electric Generating Plant
VIEs	- Variable Interest Entities



Table of Contents

## TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements (unaudited)	
IDACORP, Inc.:	
Condensed Consolidated Statements of Income	<u>6</u>
Condensed Consolidated Statements of Comprehensive Income	<u>7</u>
Condensed Consolidated Balance Sheets	<u>8</u>
Condensed Consolidated Statements of Cash Flows	<u>10</u>
Condensed Consolidated Statements of Equity	<u>11</u>
Idaho Power Company:	
Condensed Consolidated Statements of Income	<u>12</u>
Condensed Consolidated Statements of Comprehensive Income	<u>13</u>
Condensed Consolidated Balance Sheets	<u>14</u>
Condensed Consolidated Statements of Capitalization	<u>16</u>
Condensed Consolidated Statements of Cash Flows	<u>17</u>
Notes to the Condensed Consolidated Financial Statements	<u>18</u>
Reports of Independent Registered Public Accounting Firm	<u>36</u>
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	<u>38</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>65</u>
Item 4. Controls and Procedures	<u>66</u>
Part II. Other Information:	
Item 1. Legal Proceedings	<u>67</u>
Item 1A. Risk Factors	<u>67</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>67</u>
Item 4. Mine Safety Disclosures	<u>67</u>
Item 5. Other Information	<u>67</u>
Item 6. Exhibits	<u>67</u>
Signatures	<u>68</u>
Exhibit Index	<u>69</u>

Table of Contents

FORWARD-LOOKING STATEMENTS

In addition to the historical information contained in this report, this report contains (and oral communications made by IDACORP, Inc. and Idaho Power Company may contain) statements that relate to future events and expectations, such as statements regarding projected or future financial performance, cash flows, capital expenditures, dividends, capital structure or ratios, strategic goals, challenges, and objectives, and plans for future operations. Such statements constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, or future events or performance, often, but not always, through the use of words or phrases such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects," "may result," "may continue," or similar expressions, are not statements of historical facts and may be forward-looking. Forward-looking statements are not guarantees of future performance and involve estimates, assumptions, risks, and uncertainties. Actual results, performance, or outcomes may differ materially from the results discussed in the statements. In addition to any assumptions and other factors and matters referred to specifically in connection with such forward-looking statements, factors that could cause actual results or outcomes to differ materially from those contained in forward-looking statements include those factors set forth in this report; IDACORP's and Idaho Power's Annual Report on Form 10-K for the year ended December 31, 2011, particularly Item 1A - "Risk Factors" and Part II, Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations," subsequent reports filed by IDACORP and Idaho Power with the Securities and Exchange Commission, and the following important factors:

the effect of regulatory decisions by the Idaho Public Utilities Commission, the Oregon Public Utility Commission, the Federal Energy Regulatory Commission, and other regulators affecting Idaho Power's ability to recover costs and/or earn a reasonable rate of return;

- variable hydrological conditions and over-appropriation of surface and groundwater in the Snake River basin, which can impact stream flows and the amount of generation from Idaho Power's hydroelectric facilities and cause Idaho Power to rely more heavily on more expensive generation resources and market power purchases;

the cost and availability of materials, fuel, and commodities, and their impact on Idaho Power's infrastructure costs, power costs, and ability to meet required loads, and their impact on the wholesale energy market in the western United States;

costs and delays associated with construction and maintenance of power generation, transmission, and distribution facilities, including the inability to obtain required governmental permits and approvals, hydroelectric plant licenses under reasonable terms (and the costs resulting from conditions in such licenses), rights-of-way, and siting, and risks related to contracting, construction, and start-up;

disruptions or outages of Idaho Power's generation or transmission systems or the western interconnected transmission system affecting Idaho Power's ability to deliver power to its customers and requiring the dispatch of more expensive generation resources or purchasing power, which may ultimately increase costs;

increased costs associated with the legislatively mandated purchase of intermittent power, such as wind, at above-market rates, and the costs and other challenges of integrating intermittent power sources into Idaho Power's resource portfolio;

population growth and changes in residential, commercial, and industrial growth and demographic patterns within Idaho Power's service area, the loss or change in the business of significant customers, and the associated impact on loads;

- the impact of weak economic conditions in Idaho Power's service territory and elsewhere, including the potential for decreased demand for electricity, reducing revenue from sales of excess energy during periods of low wholesale market prices, impaired financial soundness of vendors and service providers, and elevated levels of uncollectible customer accounts;

changes in and costs of compliance with laws, regulations, and policies relating to the environment, natural resources, and endangered species and the adoption and interpretation of laws and regulations addressing greenhouse gas

emissions, global climate change, and energy policies intended to mitigate carbon dioxide, mercury, and other emissions;

global climate change and regional or national weather variations, which affect customer demand and hydroelectric generation and can impact the ability and cost to procure adequate supplies of natural gas, coal, or purchased power to serve customers;

inclement weather and other natural phenomena such as earthquakes, floods, droughts, lightning, wind, and fire, which, in addition to affecting customer demand for power, could significantly affect the ability and cost to procure adequate supplies of fuel or power to serve customers, and could increase the costs to repair and maintain Idaho Power's generating facilities, transmission and distribution systems, and other infrastructure;

Table of Contents

transaction risks, including increases in costs, associated with Idaho Power's energy commodity and other derivative instruments, the failure of Idaho Power's energy risk management policies to work as intended, exposure to counterparty credit risk, and potential higher costs of hedging activities due to new regulations pertaining to swaps and derivatives;

wholesale market conditions, including the volatility of prices and availability of power on the spot market and the ability to enter into commodity financial hedges with creditworthy counterparties, and the cost of those hedges, which may affect the prices Idaho Power must pay for power as well as the prices at which Idaho Power can sell any excess power;

deteriorating values in the equity markets, changes in interest rates and credit spreads, reductions in demand for investment-grade commercial paper, inflation, and other financial market conditions, as well as changes in government regulations, which affect, among other things, the cost of capital and the ability to access the capital markets, indebtedness obligations, and the amount and timing of required contributions to benefit plans;

failure of Idaho Power to comply with state and federal laws, policies, and regulations, including new interpretations and enforcement initiatives by regulatory and oversight bodies, including, but not limited to, the Federal Energy Regulatory Commission, the North American Electric Reliability Corporation, the Western Electricity Coordinating Council, the U.S. Environmental Protection Agency, and Idaho and Oregon state regulatory commissions, which may result in penalties, increase the cost of compliance, change the nature and extent of costly investigations and audits, and increase the costs of remediation;

the cost and outcome of litigation, dispute resolution, and regulatory proceedings, and penalties, settlements, or awards that influence the companies' business and operations;

reductions in credit ratings, which could adversely impact access to capital markets and would require the posting of additional collateral to counterparties;

the ability to obtain debt and equity financing or refinance existing debt when necessary or on favorable terms, which can be affected by factors such as credit ratings, volatility in the financial markets, the companies' financial performance, and other economic conditions;

whether the companies will be able to continue to pay dividends under the terms of their respective financing and credit agreements and regulatory limitations, and whether the companies' boards of directors will continue to declare common stock dividends based on the boards of directors' periodic consideration of factors ordinarily affecting dividend policy, such as current and prospective financial condition, earnings and liquidity, prospective business conditions, regulatory factors, and restrictions in applicable agreements;

the potential effects of negative publicity regarding business practices, whether true or not, which could result in, among other things, costly litigation and a decline in IDACORP's common stock price;

changes in tax laws or related regulations or new interpretations of applicable law by the Internal Revenue Service or state and local taxing jurisdictions, and the availability and use by IDACORP or Idaho Power of tax credits;

- employee workforce factors, including the ability to attract and retain skilled workers, unionization or the attempt to unionize all or part of the companies' workforce, the ability to adjust the labor cost structure to changes in growth within Idaho Power's service territory, and increasing health care and other benefit costs;

the failure of information systems or the failure to secure information system data, security breaches, or the direct or indirect effect on the companies' business resulting from the occurrence of cyber attacks, terrorist incidents or the threat of terrorist incidents, and acts of war;

adoption of or changes in accounting policies, principles, or estimates, including the potential adoption of all or a portion of International Financial Accounting Standards; and

new accounting or Securities and Exchange Commission or New York Stock Exchange requirements, or new interpretations of existing requirements.

Any forward-looking statement speaks only as of the date on which such statement is made. New factors emerge from time to time and it is not possible for management to predict all such factors, nor can it assess the impact of any such factor on the business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. IDACORP and Idaho Power disclaim any

obligation to update publicly any forward-looking information, whether in response to new information, future events, or otherwise, except as required by applicable law.

Table of Contents

## PART I – FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

IDACORP, Inc.

Condensed Consolidated Statements of Income

(unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2012	2011	2012	2011
	(thousands of dollars except for per share amounts)			
Operating Revenues:				
Electric utility:				
General business	\$220,529	\$194,296	\$417,958	\$397,568
Off-system sales	11,418	20,720	39,126	50,565
Other revenues	21,600	18,908	36,946	36,853
Total electric utility revenues	253,547	233,924	494,030	484,986
Other	1,154	1,059	1,812	1,491
Total operating revenues	254,701	234,983	495,842	486,477
Operating Expenses:				
Electric utility:				
Purchased power	45,178	36,423	79,456	61,517
Fuel expense	21,285	19,704	54,036	49,606
Power cost adjustment	(3,211)	) 15,501	5,798	46,807
Other operations and maintenance	86,005	85,472	164,517	156,133
Energy efficiency programs	8,084	5,796	12,561	12,507
Depreciation	29,879	29,693	60,421	59,157
Taxes other than income taxes	7,849	7,182	15,949	14,394
Total electric utility expenses	195,069	199,771	392,738	400,121
Other	832	913	1,959	1,966
Total operating expenses	195,901	200,684	394,697	402,087
Operating Income	58,800	34,299	101,145	84,390
Other Income, Net	6,571	5,041	13,163	9,579
Losses of Unconsolidated Equity-Method Investments	(1,928)	) (4,447)	) (509)	) (5,741)
Interest Expense:				
Interest on long-term debt	20,083	19,504	39,582	40,351
Other interest, net of AFUDC	(2,647)	) (1,936)	) (4,940)	) (3,823)
Total interest expense, net	17,436	17,568	34,642	36,528
Income Before Income Taxes	46,007	17,325	79,157	51,700
Income Tax Expense (Benefit)	10,569	(3,652)	) 18,902	1,235
Net Income	35,438	20,977	60,255	50,465
Adjustment for (income) loss attributable to noncontrolling interests	(137)	) (76)	) (25)	) 176
Net Income Attributable to IDACORP, Inc.	\$35,301	\$20,901	\$60,230	\$50,641
Weighted Average Common Shares Outstanding - Basic (000's)	49,927	49,420	49,893	49,355
Weighted Average Common Shares Outstanding - Diluted (000's)	49,984	49,516	49,944	49,436

Edgar Filing: IDAHO POWER CO - Form 10-Q

Earnings Per Share of Common Stock:

Earnings Attributable to IDACORP, Inc. - Basic	\$0.71	\$0.42	\$1.21	\$1.03
Earnings Attributable to IDACORP, Inc. - Diluted	\$0.71	\$0.42	\$1.21	\$1.02
Dividends Declared Per Share of Common Stock	\$0.33	\$0.30	\$0.66	\$0.60

The accompanying notes are an integral part of these statements.

6

---

Table of Contents

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
	(thousands of dollars)			
Net Income	\$35,438	\$20,977	\$60,255	\$50,465
Other Comprehensive Income:				
Net unrealized holding (losses) gains arising during the period, net of tax of \$(344), \$4, \$530, and \$359	(536	) 6	826	560
Unfunded pension liability adjustment, net of tax of \$170, \$150, \$340, and \$300	265	234	530	467
Total Comprehensive Income	35,167	21,217	61,611	51,492
Comprehensive (income) loss attributable to noncontrolling interests	(137	) (76	) (25	) 176
Comprehensive Income Attributable to IDACORP, Inc.	\$35,030	\$21,141	\$61,586	\$51,668

The accompanying notes are an integral part of these statements.

Table of Contents

IDACORP, Inc.  
 Condensed Consolidated Balance Sheets  
 (unaudited)

	June 30, 2012	December 31, 2011
	(thousands of dollars)	
Assets		
Current Assets:		
Cash and cash equivalents	\$14,374	\$27,813
Receivables:		
Customer (net of allowance of \$1,199 and \$1,239, respectively)	62,814	66,296
Other (net of allowance of \$173 and \$196, respectively)	15,612	8,197
Income taxes receivable	743	421
Accrued unbilled revenues	60,246	46,441
Materials and supplies (at average cost)	48,354	46,490
Fuel stock (at average cost)	59,204	47,865
Prepayments	13,506	12,405
Deferred income taxes	46,627	16,159
Current regulatory assets	33,975	34,279
Other	2,629	4,606
Total current assets	358,084	310,972
Investments		
Property, Plant and Equipment:		
Utility plant in service	4,843,874	4,466,873
Accumulated provision for depreciation	(1,676,814	) (1,677,609
Utility plant in service - net	3,167,060	2,789,264
Construction work in progress	280,150	591,475
Utility plant held for future use	7,107	6,974
Other property, net of accumulated depreciation	18,708	18,877
Property, plant and equipment - net	3,473,025	3,406,590
Other Assets:		
American Falls and Milner water rights	18,430	20,015
Company-owned life insurance	23,313	24,060
Regulatory assets	979,277	953,068
Long-term receivables (net of allowance of \$2,824 and \$2,743, respectively)	5,621	5,621
Other	47,170	40,352
Total other assets	1,073,811	1,043,116
Total	\$5,103,003	\$4,960,609

The accompanying notes are an integral part of these statements.

Table of Contents

IDACORP, Inc.  
 Condensed Consolidated Balance Sheets  
 (unaudited)

	June 30, 2012	December 31, 2011
	(thousands of dollars)	
Liabilities and Equity		
Current Liabilities:		
Current maturities of long-term debt	\$1,064	\$101,064
Notes payable	64,700	54,200
Accounts payable	92,024	100,432
Income taxes accrued	5,513	505
Interest accrued	22,095	21,797
Current regulatory liabilities	49,964	29,738
Other	61,275	60,511
Total current liabilities	296,635	368,247
Other Liabilities:		
Deferred income taxes	832,647	772,047
Regulatory liabilities	333,786	332,057
Pension and other postretirement benefits	341,913	363,209
Other	65,117	75,805
Total other liabilities	1,573,463	1,543,118
Long-Term Debt	1,536,514	1,387,550
Commitments and Contingencies		
Equity:		
IDACORP, Inc. shareholders' equity:		
Common stock, no par value (shares authorized 120,000,000; 50,155,886 and 49,964,172 shares issued, respectively)	834,547	828,389
Retained earnings	868,066	840,916
Accumulated other comprehensive loss	(10,266	) (11,622
Treasury stock (1,172 and 12,177 shares at cost, respectively)	(21	) (29
Total IDACORP, Inc. shareholders' equity	1,692,326	1,657,654
Noncontrolling interests	4,065	4,040
Total equity	1,696,391	1,661,694
Total	\$5,103,003	\$4,960,609

The accompanying notes are an integral part of these statements.

Table of Contents

IDACORP, Inc.

Condensed Consolidated Statements of Cash Flows  
(unaudited)

	Six months ended	
	June 30,	
	2012	2011
	(thousands of dollars)	
Operating Activities:		
Net income	\$60,255	\$50,465
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	62,929	61,390