IDAHO POWER CO
Form 10-Q
August 02, 2012
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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 Number	Exact name of registrants as specified in their charters, address of principal executive offices, zip code and telephone number	I.R.S. Employer Identification Number
1-14465	IDACORP, Inc.	82-0505802
1-3198	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

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.

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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_2	-	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
NOx	-	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_2	-	Sulfur Dioxide
USBR	-	U.S. Bureau of Reclamation
Valmy	-	North Valmy Steam Electric Generating Plant
VIEs	-	Variable Interest Entities

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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;

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- 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.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three months ended June 30,		Six months ended 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

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.

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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.

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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	198,083	199,931
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.

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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.

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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
Deferred income taxes and investment tax credits	11,864	(21,994)
Changes in regulatory assets and liabilities	13,805	52,068
Pension and postretirement benefit plan expense	15,204	9,897
Contributions to pension and postretirement benefit plans	(36,816)	(1,510)
Losses of unconsolidated equity-method investments	509	5,741
Distributions from unconsolidated equity-method investments	4,200	—
Allowance for equity funds used during construction	(15,449)	(11,694)
Other non-cash adjustments to net income, net	2,802	1,920
Change in:		
Accounts receivable and prepayments	602	(954)
Accounts payable and other accrued liabilities	(6,759)	(13,843)
Taxes accrued/receivable	8,789	38,543
Other current assets	(27,007)	(22,365)
Other current liabilities	(3,769)	12,276
Other assets	(2,342)	546
Other liabilities	(5,780)	(3,592)
Net cash provided by operating activities	83,037	156,894
Investing Activities:		
Additions to property, plant and equipment	(123,091)	(186,043)
Proceeds from the sale of emission allowances and RECs	1,896	3,497
Investments in affordable housing	(313)	(905)
Investments in unconsolidated affiliates	—	(1,100)
Other	(1,136)	1,689
Net cash used in investing activities	(122,644)	(182,862)
Financing Activities:		
Issuance of long-term debt	150,000	—
Retirement of long-term debt	(101,064)	(121,064)
Dividends on common stock	(33,470)	(29,962)
Net change in short-term borrowings	10,500	(500)
Issuance of common stock	4,839	8,254
Acquisition of treasury stock	(2,062)	(1,933)
Other	(2,575)	812
Net cash provided by (used in) financing activities	26,168	(144,393)
Net decrease in cash and cash equivalents	(13,439)	(170,361)
Cash and cash equivalents at beginning of the period	27,813	228,677
Cash and cash equivalents at end of the period	$14,374	$58,316
Supplemental Disclosure of Cash Flow Information:		
Cash paid (received) during the period for:		

Income taxes	$1,171	$(12,696)
Interest (net of amount capitalized)	$33,196	$36,848
Non-cash investing activities:		
Additions to property, plant and equipment in accounts payable	$24,957	$32,681

The accompanying notes are an integral part of these statements.

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

	Six months ended June 30,	
	2012	2011
	(thousands of dollars)	
Common Stock		
Balance at beginning of period	$828,389	$807,842
Issued	4,804	8,254
Other	1,354	795
Balance at end of period	834,547	816,891
Retained Earnings		
Balance at beginning of period	840,916	733,879
Net income attributable to IDACORP, Inc.	60,230	50,641
Common stock dividends ($0.66 and $0.60 per share)	(33,080)	(29,749)
Balance at end of period	868,066	754,771
Accumulated Other Comprehensive (Loss) Income		
Balance at beginning of period	(11,622)	(9,568)
Unrealized gain on securities (net of tax)	826	560
Unfunded pension liability adjustment (net of tax)	530	467
Balance at end of period	(10,266)	(8,541)
Treasury Stock		
Balance at beginning of period	(29)	(40)
Issued	2,070	1,944
Acquired	(2,062)	(1,933)
Balance at end of period	(21)	(29)
Total IDACORP, Inc. shareholders’ equity at end of period	1,692,326	1,563,092
Noncontrolling Interests		
Balance at beginning of period	4,040	3,871
Net income (loss) attributable to noncontrolling interests	25	(176)
Balance at end of period	4,065	3,695
Total equity at end of period	$1,696,391	$1,566,787

The accompanying notes are an integral part of these statements.

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Idaho Power Company
Condensed Consolidated Statements of Income
(unaudited)

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
	(thousands of dollars)			
Operating Revenues:				
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 operating revenues	253,547	233,924	494,030	484,986
Operating Expenses:				
Operation:				
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 operating expenses	195,069	199,771	392,738	400,121
Income from Operations	58,478	34,153	101,292	84,865
Other Income (Expense):				
Allowance for equity funds used during construction	7,832	6,365	15,449	11,694
(Losses) earnings of unconsolidated equity-method investments	(266)	(3,428)	4,027	(2,570)
Other expense, net	(1,367)	(1,363)	(2,847)	(2,375)
Total other income	6,199	1,574	16,629	6,749
Interest Charges:				
Interest on long-term debt	20,083	19,504	39,582	40,351
Other interest	1,579	1,311	3,138	2,525
Allowance for borrowed funds used during construction	(4,333)	(3,375)	(8,282)	(6,589)
Total interest charges	17,329	17,440	34,438	36,287
Income Before Income Taxes	47,348	18,287	83,483	55,327
Income Tax Expense (Benefit)	12,639	(2,414)	22,954	4,779
Net Income	$34,709	$20,701	$60,529	$50,548

The accompanying notes are an integral part of these statements.

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Idaho Power Company
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	$34,709	$20,701	$60,529	$50,548
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	$34,438	$20,941	$61,885	$51,575

The accompanying notes are an integral part of these statements.

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Idaho Power Company
Condensed Consolidated Balance Sheets
(unaudited)

	June 30, 2012	December 31, 2011
	(thousands of dollars)	
Assets		
Electric Plant:		
In service (at original cost)	$4,843,874	$4,466,873
Accumulated provision for depreciation	(1,676,814)	(1,677,609)
In service - net	3,167,060	2,789,264
Construction work in progress	280,150	591,475
Held for future use	7,107	6,974
Electric plant - net	3,454,317	3,387,713
Investments and Other Property	131,098	128,674
Current Assets:		
Cash and cash equivalents	6,227	19,316
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)	15,259	8,011
Income taxes receivable	27,289	4,644
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	13,331	12,274
Deferred income taxes	17,257	14,099
Current regulatory assets	33,975	34,279
Other	2,629	4,606
Total current assets	346,585	304,321
Deferred Debits:		
American Falls and Milner water rights	18,430	20,015
Company-owned life insurance	23,313	24,060
Regulatory assets	979,277	953,068
Other	45,887	38,988
Total deferred debits	1,066,907	1,036,131
Total	$4,998,907	$4,856,839

The accompanying notes are an integral part of these statements.

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Idaho Power Company
Condensed Consolidated Balance Sheets
(unaudited)

	June 30, 2012	December 31, 2011
	(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	712,257	704,758
Capital stock expense	(2,097)	(2,097)
Retained earnings	762,721	735,304
Accumulated other comprehensive loss	(10,266)	(11,622)
Total common stock equity	1,560,492	1,524,220
Long-term debt	1,536,514	1,387,550
Total capitalization	3,097,006	2,911,770
Current Liabilities:		
Long-term debt due within one year	1,064	101,064
Notes payable	10,000	—
Accounts payable	91,573	99,716
Accounts payable to affiliates	1,646	1,512
Interest accrued	22,095	21,797
Current regulatory liabilities	49,964	29,738
Other	60,746	59,785
Total current liabilities	237,088	313,612
Deferred Credits:		
Deferred income taxes	926,473	863,044
Regulatory liabilities	333,786	332,057
Pension and other postretirement benefits	341,913	363,209
Other	62,641	73,147
Total deferred credits	1,664,813	1,631,457
Commitments and Contingencies		
Total	$4,998,907	$4,856,839

The accompanying notes are an integral part of these statements.

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Idaho Power Company
Condensed Consolidated Statements of Capitalization
(unaudited)

	June 30, 2012	December 31, 2011
	(thousands of dollars)	
Common Stock Equity:		
Common stock	$97,877	$97,877
Premium on capital stock	712,257	704,758
Capital stock expense	(2,097)	(2,097)
Retained earnings	762,721	735,304
Accumulated other comprehensive loss	(10,266)	(11,622)
Total common stock equity	1,560,492	1,524,220
Long-Term Debt:		
First mortgage bonds:		
4.75% Series due 2012	—	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
2.95% Series due 2022	75,000	—
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
4.30% Series due 2042	75,000	—
Total first mortgage bonds	1,345,000	1,295,000
Amount due within one year	—	(100,000)
Net first mortgage bonds	1,345,000	1,195,000
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	5,318	6,382
Note guarantee due within one year	(1,064)	(1,064)
Unamortized premium/discount - net	(3,085)	(3,113)
Total long-term debt	1,536,514	1,387,550
Total Capitalization	$3,097,006	$2,911,770

The accompanying notes are an integral part of these statements.

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

	Six months ended June 30, 2012	2011
	(thousands of dollars)	
Operating Activities:		
Net income	$60,529	$50,548
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	62,626	61,101
Deferred income taxes and investment tax credits	42,005	(19,504)
Changes in regulatory assets and liabilities	13,805	52,068
Pension and postretirement benefit plan expense	15,204	9,897
Contributions to pension and postretirement benefit plans	(36,816)	(1,510)
(Earnings) losses of unconsolidated equity-method investments	(4,027)	2,570
Distributions from unconsolidated equity-method investments	4,200	—
Allowance for equity funds used during construction	(15,449)	(11,694)
Other non-cash adjustments to net income, net	1,411	778
Change in:		
Accounts receivables and prepayments	(178)	(1,282)
Accounts payable	(6,516)	(13,984)
Taxes accrued/receivable	(18,586)	46,144
Other current assets	(27,007)	(22,365)
Other current liabilities	(3,769)	12,276
Other assets	(2,342)	546
Other liabilities	(5,598)	(2,798)
Net cash provided by operating activities	79,492	162,791
Investing Activities:		
Additions to utility plant	(123,091)	(186,043)
Proceeds from the sale of emission allowances and RECs	1,896	3,497
Investments in unconsolidated affiliates	—	(1,100)
Other	(1,136)	1,070
Net cash used in investing activities	(122,331)	(182,576)
Financing Activities:		
Issuance of long-term debt	150,000	—
Retirement of long-term debt	(101,064)	(121,064)
Dividends on common stock	(33,112)	(29,846)
Net change in short term borrowings	10,000	—
Capital contribution from parent	7,500	—
Other	(3,574)	—
Net cash provided by (used in) financing activities	29,750	(150,910)
Net decrease in cash and cash equivalents	(13,089)	(170,695)
Cash and cash equivalents at beginning of the period	19,316	224,233
Cash and cash equivalents at end of the period	$6,227	$53,538
Supplemental Disclosure of Cash Flow Information:		
Cash paid (received) during the period for:		
Income taxes	$2,456	$(19,244)
Interest (net of amount capitalized)	$32,993	$36,599

Non-cash investing activities:		
Additions to property, plant and equipment in accounts payable	$24,957	$32,681

The accompanying notes are an integral part of these statements.

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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's utility operations are regulated primarily 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 $15 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 was $102 million at June 30, 2012, 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.

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 $57 million at June 30, 2012.

Regulation of Utility Operations

IDACORP's and Idaho Power's financial statements reflect the effects of the different ratemaking principles followed by the jurisdictions regulating Idaho Power. The application of accounting principles related to regulated operations sometimes results

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in Idaho Power recording expenses and revenues in a different period than when an unregulated enterprise would otherwise record expenses and revenues. In these instances, the amounts are deferred as regulatory assets or regulatory liabilities on the balance sheet and recorded on the income statement when recovered or returned in rates. Additionally, regulators can impose regulatory liabilities upon a regulated company for amounts previously collected from customers and for amounts that are expected to be refunded to customers. The effects of applying these regulatory accounting principles to Idaho Power's operations are discussed in more detail in Note 3.

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 position as of June 30, 2012, consolidated results of operations for the three and six months ended June 30, 2012 and 2011, and consolidated cash flows for the six months ended June 30, 2012 and 2011. 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, 2011. The results of operations for the interim period are not necessarily indicative of the results to be expected for the full year. A change in management's estimates or assumptions could have a material impact on IDACORP's or Idaho Power's respective financial condition and results of operations during the period in which such change occurred.

Use of Estimates

The preparation of 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 periods. Actual results experienced could differ materially from those estimates.

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.

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Income Tax Expense

The following table provides a summary of income tax expense (benefit) for the three and six months ended June 30 (in thousands of dollars):

	IDACORP		Idaho Power	
	2012	2011	2012	2011
Three months ended June 30,				
Income tax at statutory rates (federal and state)	$17,935	$6,744	$18,513	$7,150
Additional ADITC amortization	825	(2,895)	825	(2,895)
Examination settlement - capitalized repairs	—	(3,428)	—	(3,428)
Other	(8,191)	(4,073)	(6,699)	(3,241)
Income tax expense (benefit)	$10,569	$(3,652)	$12,639	$(2,414)
Effective tax rate	23.0%	(21.2)%	26.7%	(13.2)%
Six months ended June 30,				
Income tax at statutory rates (federal and state)	$30,941	$20,284	$32,642	$21,633
Additional ADITC amortization	—	(6,750)	—	(6,750)
Examination settlement - capitalized repairs	—	(3,428)	—	(3,428)
Other	(12,039)	(8,871)	(9,688)	(6,676)
Income tax expense	$18,902	$1,235	$22,954	$4,779
Effective tax rate	23.9%	2.4%	27.5%	8.6%

The changes in year-to-date 2012 income tax expense as compared to the same period in 2011 were primarily due to greater pre-tax earnings and no utilization of additional accumulated deferred investment tax credit (ADITC) amortization (discussed below) at Idaho Power. Net regulatory flow-through tax adjustments at Idaho Power were higher for the six months ended June 30, 2012 as compared to the same period in 2011, primarily due to the capitalized repairs deduction estimate.

In the second quarter of 2012, Idaho Power reversed the $0.8 million of additional ADITC amortization recorded in the first quarter of 2012. Idaho Power utilized $2.9 million and $6.8 million of ADITC in the three and six months ended June 30, 2011 respectively. See Note 3 - "Regulatory Matters" for a discussion of Idaho Power's regulatory authority for use of additional ADITC amortization.

3. REGULATORY MATTERS

Recent and Pending Idaho Regulatory Matters

Idaho General Rate Case Settlement

On June 1, 2011, Idaho Power filed a general rate case and proposed rate schedules with the IPUC, Case No. IPC-E-11-08. On September 23, 2011, Idaho Power, the IPUC Staff, 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. On December 30, 2011, the IPUC issued an order approving the settlement stipulation. The settlement stipulation provides for a 7.86 percent authorized rate of return on an Idaho-jurisdictional rate base of approximately $2.36 billion. The approved settlement stipulation resulted in a $34.0 million overall increase in Idaho Power's annual Idaho jurisdictional base rate revenues, effective January 1, 2012. While both are final, neither the order nor the settlement stipulation specified an authorized rate of return on equity.

Settlement Stipulation -- Investment Tax Credits and Idaho 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 rate of return on year-end equity in the Idaho jurisdiction (Idaho ROE), and (b) an equal sharing between Idaho Power and its customers of Idaho jurisdiction earnings exceeding a 10.5 percent Idaho ROE. The sharing and ADITC amortization provisions of the January 2010 settlement agreement terminated on December 31, 2011.

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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. On December 27, 2011, the IPUC issued an order, separate from the then-pending Idaho general rate case proceeding, approving a settlement stipulation that provides as follows:

- if Idaho Power's actual Idaho ROE for 2012, 2013, or 2014 is less than 9.5 percent, then Idaho Power may amortize additional ADITC to help achieve a minimum 9.5 percent Idaho ROE in the applicable year. Idaho Power would be permitted to amortize additional ADITC in an aggregate amount up to $45 million over the three-year period, but could use no more than $25 million in 2012;
- if Idaho Power's actual Idaho ROE for 2012, 2013, or 2014 exceeds 10.0 percent, the amount of Idaho Power's Idaho jurisdictional earnings exceeding a 10.0 percent but less than a 10.5 percent Idaho ROE for the applicable year would be shared equally between Idaho Power and its Idaho customers; and
- if Idaho Power's actual Idaho ROE for 2012, 2013, or 2014 exceeds 10.5 percent, the amount of Idaho Power's Idaho jurisdictional earnings exceeding a 10.5 percent Idaho ROE for the applicable year would be allocated 25 percent to Idaho Power and 75 percent to benefit Idaho customers through an offset in the pension balancing account.

The settlement stipulation provides that the Idaho ROE thresholds (9.5 percent, 10.0 percent, and 10.5 percent) will be automatically adjusted prospectively in the event the IPUC approves a change to Idaho Power's authorized return on equity as part of a general rate case proceeding seeking a rate change effective prior to January 1, 2015. The automatic adjustments would be as follows: (a) the 9.5 percent Idaho ROE trigger in the settlement stipulation would be replaced by the percentage equal to 95 percent of the new authorized rate of return on equity; (b) the 10.0 percent Idaho ROE trigger in the settlement stipulation would be re-established at the new authorized rate of return on equity; and (c) the 10.5 percent Idaho ROE trigger in the settlement stipulation would be replaced by the percentage equal to 105 percent of the new authorized rate of return on equity.

Revenue-Sharing Order Under January 2010 and December 2011 Settlement Agreements

On March 2, 2012, Idaho Power filed an application with the IPUC requesting authority to share revenues with customers based on year-end 2011 financial results, in accordance with the terms of settlement agreements executed in January 2010 and December 2011 described above. Idaho Power's revenue-sharing arrangements had two components: (1) a power cost adjustment mechanism component, which reduced net rates by $27.1 million effective June 1, 2012, and (2) a pension balancing account component, which resulted in a $20.3 million net reduction to Idaho Power's pension regulatory asset (reducing Idaho customers' future obligation). Idaho Power recorded the $27.1 million revenue reduction as a regulatory liability, and the $20.3 million pension regulatory asset reduction, in 2011. On May 31, 2012, the IPUC approved Idaho Power's March 2, 2012 application requesting a corresponding adjustment to Idaho-jurisdiction rates, effective for the period from June 1, 2012 to May 31, 2013.

Annual Power Cost Adjustment Mechanism Filing

Idaho Power has power cost adjustment (PCA) mechanisms in its Idaho and Oregon jurisdictions that address the volatility of power supply costs and provide for annual adjustments to the rates charged to retail customers. In the Idaho jurisdiction, the annual PCA adjustments are based on (a) a forecast component, based on a forecast of net power supply costs in the coming year as compared to net power supply costs in base rates, and (b) a true-up component, based on the difference between the previous year’s actual net power supply costs and the previous year’s forecast. The latter 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, 2012, the IPUC issued an order approving Idaho Power's April 13, 2012 application requesting a $43.0 million increase to Idaho PCA rates, effective for the period from June 1, 2012 to May 31, 2013. The PCA rate increase was offset by $27.1 million to be shared with customers pursuant to the revenue sharing order described above, resulting in a net rate increase of $15.9 million for these orders. By comparison, the PCA rates in effect from June 1, 2011 to May 31, 2012 were based on a May 31, 2011 IPUC order approving Idaho Power's requested $40.4 million Idaho PCA rate decrease.

Fixed Cost Adjustment Filings

The fixed cost adjustment (FCA) began as a pilot program for Idaho Power's Idaho residential and small general service customers, running from 2007 through 2009. The FCA is designed to remove Idaho Power's disincentive to invest in energy efficiency programs by separating (or decoupling) the recovery of fixed costs from the variable kilowatt-hour charge and linking it instead to a set amount per customer. The FCA is adjusted each year to collect, or refund, the difference between the allowed fixed-cost recovery amount and the actual fixed costs recovered by Idaho Power during the year.

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On April 29, 2010, the IPUC approved a two-year extension of the FCA pilot program, retroactively effective from January 1, 2010 through December 31, 2011. On October 19, 2011, Idaho Power filed an application with the IPUC requesting that the FCA pilot program become permanent for residential and small general service customer classes effective January 1, 2012. On March 30, 2012, the IPUC issued an order approving the FCA as a permanent program. The order also maintained the existing 3 percent cap on the FCA adjustment. The IPUC noted in its order, however, that the FCA does not isolate or identify changes in cost recovery associated solely with Idaho Power's energy efficiency programs, and instead responds to all changes in load. While the IPUC rejected the IPUC Staff's proposal that FCA results be shared 50 percent with customers, the IPUC's order directed Idaho Power to file with the IPUC a proposal to adjust the FCA to address specified factors. Proceedings relating to a potential change to the FCA mechanism are ongoing.

On March 2, 2012, Idaho Power filed an application with the IPUC requesting an order authorizing Idaho Power to increase the annual FCA collection to $10.3 million, a $1.2 million increase in FCA rates, for the period from June 1, 2012 to May 31, 2013. On May 8, 2012, the IPUC issued an order approving Idaho Power's application as filed.

Langley Gulch Power Plant Cost Recovery Filing - Idaho

On September 1, 2009, Idaho Power received pre-approval from the IPUC to include $396.6 million of construction costs in Idaho Power’s rate base when the Langley Gulch natural gas-fired power plant achieved commercial operation. On March 2, 2012, Idaho Power filed an application with the IPUC requesting an increase in annual Idaho-jurisdiction base rates of $59.9 million for recovery of Idaho Power's investment and associated costs for the Langley Gulch power plant. Idaho Power's application stated that its estimated investment in the plant through June 2012 was approximately $398 million. After the impact of depreciation, deferred income taxes, amounts currently included in rates, and an Idaho-jurisdictional cost allocation, Idaho Power's application requested a $336.7 million increase in Idaho jurisdiction rate base. Idaho Power's requested base rate increase was based on an overall rate of return of 7.86 percent, as authorized by a prior IPUC order. On May 30, 2012, the IPUC Staff recommended to the IPUC that the $59.9 million increase in annual Idaho-jurisdiction base rates requested by Idaho Power be reduced to $58.1 million. The plant became commercially available on June 29, 2012. On that date, the IPUC issued an order consistent with the IPUC Staff's recommendation, approving a $58.1 million increase in annual Idaho-jurisdiction base rates, effective July 1, 2012. The order also provided for a $335.9 million increase in Idaho rate base.

Inclusion of the Langley Gulch power plant in Idaho Power's power supply portfolio resulted in a change in Idaho Power's power supply cost assumptions. Accordingly, in the Langley Gulch order the IPUC updated Idaho Power's load-change adjustment rate (LCAR) to $17.64 per MWh, effective July 1, 2012. The LCAR is intended to eliminate recovery of power supply expenses already collected in rates associated with load changes resulting from changing weather conditions, a growing customer base, or changing customer use patterns. The LCAR adjusts power supply cost recovery within the Idaho-jurisdiction PCA formula upwards or downwards for differences between actual load and the load used in calculating base rates. The settlement stipulation that became effective January 1, 2012 provided for a LCAR of $18.16 per MWh, effective January 1, 2012, compared to the rate of $19.67 per MWh in effect prior to that date.

Energy Efficiency and Demand Response Programs

Idaho Power manages a wide range of opportunities for its customers to participate in energy efficiency and demand response programs. On March 15, 2012, Idaho Power filed an application with the IPUC requesting an order designating Idaho Power's 2011 demand-side management expenditures of $42.6 million as prudently incurred. Of Idaho Power's 2011 demand-side management expenditures, approximately $36 million was funded through a rider mechanism on customer bills and approximately $7 million was recorded as a regulatory asset. As of the date of this report, a determination of prudence and order from the IPUC is pending. As of June 30, 2012, the Idaho portion of the energy efficiency rider balance was a regulatory asset of $1.6 million. Idaho Power's previous application filed in March 2011, which was approved by the IPUC in August 2011, designated Idaho Power's 2010 Idaho energy efficiency rider expenditures of approximately $42 million as prudently incurred expenses. Typically, a majority of energy efficiency activities are funded through a rider mechanism on customer bills. Per an IPUC order, program expenditures are reported as an operating expense with an equal amount of revenues recorded in other revenues, resulting in no impact on earnings. The cumulative variance between expenditures and amounts collected through the rider is recorded as a regulatory asset or liability pending future collection from or obligation to customers.

Cost Recovery for Cessation of Boardman Coal-Fired Operations - Idaho

In December 2010, the Oregon Environmental Quality Commission approved a plan to cease coal-fired operations at the Boardman power plant not later than December 31, 2020. The plan for a 2020 shutdown of coal-fired operations at the Boardman plant results in increased revenue requirements for Idaho Power related to accelerated depreciation expense, additional plant investments, and decommissioning costs. As a result, in response to an application filed by Idaho Power, on February 15, 2012 the IPUC issued an order accepting Idaho Power's regulatory accounting and cost recovery plan associated with the early plant shut-down and approving the establishment of a balancing account whereby incremental costs and benefits associated with the early shut-down will be tracked for recovery in a subsequent proceeding. On February 15, 2012, Idaho Power filed an application with the IPUC requesting a $1.6 million annual increase in Idaho-jurisdiction base rates to recover the incremental Idaho jurisdictional levelized annual revenue deficiency associated with early shut-down. On May 17, 2012, the IPUC issued an order approving a $1.5 million annual increase in Idaho-jurisdiction base rates, with new rates effective June 1, 2012. As of June 30, 2012, Idaho Power's net book value in the Boardman plant was $22.1 million.

Idaho Depreciation Rate Filings

The advanced metering infrastructure (AMI) project provides the means to automatically retrieve energy consumption information, eliminating manual meter reading expense. Commencing June 1, 2009, the IPUC approved a rate increase, allowing Idaho Power to recover the three-year accelerated depreciation of the existing non-AMI metering equipment and to begin earning a return on its AMI investment. On April 27, 2012, the IPUC approved Idaho Power's February 15, 2012 application requesting approval of a $10.6 million decrease in rates for specified customer classes, effective June 1, 2012, as a result of the removal of accelerated depreciation expense associated with non-AMI metering equipment.

In connection with a depreciation study authorized by Idaho Power and conducted by a third party, on February 15, 2012, Idaho Power filed an application with the IPUC seeking to institute revised depreciation rates for electric plant-in-service, based upon updated service life estimates and net salvage percentages for all plant assets, and adjust Idaho-jurisdictional base rates to reflect the revised depreciation rates. Idaho Power's application requested a $2.7 million increase in Idaho-jurisdictional base rates. On May 31, 2012, the IPUC issued an order approving a settlement stipulation agreed to by Idaho Power, the IPUC Staff, and a large industrial customer of Idaho Power, which provided for a $1.3 million annual decrease in Idaho-jurisdiction base rates, effective June 1, 2012.

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 requested a $5.8 million increase in annual Oregon jurisdictional revenues and an authorized rate of return on equity of 10.5 percent, with an Oregon retail rate base of approximately $121.9 million. Idaho Power, the OPUC Staff, and other interested parties executed and filed a partial settlement stipulation with the OPUC on February 1, 2012, resolving all matters in the general rate case other than the prudence of costs associated with pollution control investments at the Jim Bridger coal-fired power plant. The settlement stipulation provided for a $1.8 million base rate increase, a return on equity of 9.9 percent, and an overall rate of return of 7.757 percent in the Oregon jurisdiction. On February 23, 2012, the OPUC issued an order adopting the settlement stipulation. New rates in conformity with the settlement stipulation went into effect on March 1, 2012. The OPUC is conducting a second phase of the proceedings to address the prudence of Idaho Power's pollution control investments at the Jim Bridger plant.

Langley Gulch Power Plant Cost Recovery Filing - Oregon

On March 9, 2012, Idaho Power filed an application with the OPUC requesting an annual increase in Oregon-jurisdictional revenues of $3.0 million for inclusion of the Langley Gulch power plant in Idaho Power's rate base. A scheduling order issued by the OPUC provides for an OPUC decision by January 2013 and inclusion in rates by March 2013. In June 2012, the OPUC issued an order allowing Idaho Power to defer the annual $3.0 million of revenues associated with the Langley Gulch power plant for a twelve month period beginning July 1, 2012.

Federal Open Access Transmission Tariff Rate

Idaho Power uses a formula rate for transmission service provided under its open access transmission tariff (OATT), which allows transmission rates to be updated annually based on financial and operational data Idaho Power files with the FERC. On June 1, 2012, Idaho Power posted its 2012 transmission rate draft informational filing reflecting an OATT rate of $21.32 per kW-year, to be effective for the period from October 1, 2012 to September 30, 2013. Idaho Power's filing was based on its net annual transmission revenue requirement of $108.4 million. The OATT rate in effect from October 1, 2011 to September 30, 2012 is $19.79 per kW-year.

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4. LONG-TERM DEBT

As of June 30, 2012, 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. In August 2010, Idaho Power issued $100 million of 3.40% first mortgage bonds, medium-term notes, Series I, maturing in August 2020, and $100 million of 4.85% first mortgage bonds, medium-term notes, Series I, maturing in August 2040. On April 13, 2012, Idaho Power issued $75 million of 2.95% first mortgage bonds, medium-term notes, Series I, maturing on April 1, 2022, and $75 million of 4.30% first mortgage bonds, medium-term notes, Series I, maturing on April 1, 2042. The first mortgage bonds were issued under Idaho Power's shelf registration statement. As a result of these issuances, as of June 30, 2012, $150 million remained on Idaho Power’s shelf registration for the issuance of first mortgage bonds and debt securities.

In May 2012, Idaho Power used a portion of the net proceeds of the April 2012 sale of first mortgage bonds, medium-term notes to effect the early redemption in full of its $100 million of 4.75% first mortgage bonds, medium-term notes due November 2012.

5. NOTES PAYABLE

Credit Facilities

IDACORP and Idaho Power have $125 million and $300 million credit facilities, respectively, which may be used for general corporate purposes and commercial paper backup. IDACORP's credit facility consists 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 facility consists of a revolving line of credit, through 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 facilities mature on October 26, 2016, although IDACORP and Idaho Power have the right to request up to two one-year extensions of the credit agreements, in each case subject to certain conditions.

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 June 30, 2012, no loans were outstanding under either IDACORP's or Idaho Power's facilities. At June 30, 2012, Idaho Power had regulatory authority to incur up to $450 million principal amount of short-term indebtedness at any one time outstanding. Balances (in thousands of dollars) and interest rates of IDACORP's and Idaho Power's short-term borrowings were as follows at June 30, 2012 and December 31, 2011:

	June 30, 2012			December 31, 2011		
	Idaho Power	IDACORP	Total	Idaho Power	IDACORP	Total
Commercial paper outstanding	$10,000	$54,700	$64,700	$—	$54,200	$54,200
Weighted-average annual interest rate	0.49 %	0.50 %	0.50 %	— %	0.47 %	0.47 %

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6. COMMON STOCK

IDACORP Common Stock

During the six months ended June 30, 2012, IDACORP issued an aggregate of 191,714 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. Effective July 1, 2012, IDACORP instructed the plan administrators of the IDACORP, Inc. Dividend Reinvestment and Stock Purchase Plan and Idaho Power Company Employee Savings Plan to use market purchases of IDACORP common stock, as opposed to original issuance of common stock from IDACORP, to acquire shares of IDACORP common stock for the plans. However, IDACORP may determine at any time in the future to resume original issuances of common stock under those plans.

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 is with BNY Mellon Capital Markets, LLC. As of June 30, 2012, there were approximately 3 million shares remaining available to be sold under the current sales agency agreement. No shares were issued under the sales agency agreement during the six months ended June 30, 2012.

Restrictions on Dividends

A covenant in each of 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 June 30, 2012, the leverage ratios for IDACORP and Idaho Power were 49 percent and 50 percent, respectively. Based on these restrictions, IDACORP’s and Idaho Power’s dividends were limited to $827 million and $720 million, respectively, at June 30, 2012. 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 June 30, 2012, 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. At June 30, 2012, Idaho Power's common equity capital was 50 percent of its total adjusted capital. Further, Idaho Power must obtain approval of the OPUC before it could directly or indirectly loan funds or issue notes or give credit on its books to IDACORP.

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 could be interpreted to limit the payment of dividends by Idaho Power to the amount of Idaho Power's retained earnings.

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7. EARNINGS PER SHARE

The table below presents the computation of IDACORP’s basic and diluted earnings per share (EPS) for the three and six months ended June 30, 2012 and 2011 (in thousands, except for per share amounts).

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Numerator:				
Net income attributable to IDACORP, Inc.	$35,301	$20,901	$60,230	$50,641
Denominator:				
Weighted-average common shares outstanding - basic	49,927	49,420	49,893	49,355
Effect of dilutive securities:				
Options	5	19	5	16
Restricted Stock	52	77	46	