

IDAHO POWER CO
Form 10-Q
November 02, 2006

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2006

OR

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

For the transition period from

to

Exact name of registrants as specified

I.R.S.

Employer

Commission File

in their charters, address of principal
executive offices, zip code and telephone number

Identification

Number

Number

1-14465

82-0505802

1-3198

82-0130980

IDACORP, Inc.
Idaho Power Company
1221 W. Idaho Street
Boise, ID 83702-5627
(208) 388-2200

State of Incorporation: Idaho

Websites: www.idacorpinc.com

www.idahopower.com

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 No

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, or non-accelerated filers.

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IDACORP, Inc.:				
Large accelerated filer	X	Accelerated filer		Non-accelerated filer
Idaho Power Company:				
Large accelerated filer		Accelerated filer		Non-accelerated filer X

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 September 30, 2006:

IDACORP, Inc.: 42,932,144
 Idaho Power Company: 39,150,812, all held by IDACORP, Inc.

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

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

COMMONLY USED TERMS

AFDC	-	Allowance for Funds Used During Construction
Cal ISO	-	California Independent System Operator
CalPX	-	California Power Exchange
Energy Act	-	Energy Policy Act of 2005
EPS	-	Earnings per share
ESA	-	Endangered Species Act
FASB	-	Financial Accounting Standards Board
FERC	-	Federal Energy Regulatory Commission
FIN	-	Financial Accounting Standards Board Interpretation
Fitch	-	Fitch Ratings
FPA	-	Federal Power Act
GAAP	-	Accounting Principles Generally Accepted in the United States of America
Ida-West	-	Ida-West Energy, a subsidiary of IDACORP, Inc.
IDWR	-	Idaho Department of Water Resources
IE	-	IDACORP Energy, a subsidiary of IDACORP, Inc.
IFS	-	IDACORP Financial Services, Inc., a subsidiary of IDACORP, Inc.
IPC	-	Idaho Power Company, a subsidiary of IDACORP, Inc.
IPUC	-	Idaho Public Utilities Commission
IRP	-	Integrated Resource Plan
ITI	-	IDACORP Technologies, Inc., a subsidiary of IDACORP, Inc.
kW	-	Kilowatt
maf	-	Million acre-feet
MD&A	-	Management's Discussion and Analysis of Financial Condition and Results of Operations
Moody's	-	Moody's Investors Service
MW	-	Megawatt
MWh	-	Megawatt-hour
NEPA	-	National Environmental Policy Act of 1996
NOx	-	Nitrogen Oxide
OPUC	-	Oregon Public Utility Commission
PCA	-	Power Cost Adjustment
PM&E	-	Protection, Mitigation and Enhancement
PURPA	-	Public Utility Regulatory Policies Act of 1978
RFP	-	Request for Proposal
RTO	-	Regional Transmission Organization
S&P	-	Standard & Poor's Ratings Services
SFAS	-	Statement of Financial Accounting Standards
SO ₂	-	Sulfur Dioxide
Valmy	-	North Valmy Steam Electric Generating Plant
VIEs	-	Variable Interest Entities

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FORWARD-LOOKING INFORMATION

This Form 10-Q contains "forward-looking statements" intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Forward-looking statements should be read with the cautionary statements and important factors included in this Form 10-Q at Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Forward-Looking Information." Forward-looking statements are all statements other than statements of historical fact, including without limitation those that are identified by the use of the words "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects," "may result," "may continue" and similar expressions.

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PART I - FINANCIAL INFORMATION
Item 1. Financial Statements
IDACORP, Inc.
Condensed Consolidated Statements of Income
(unaudited)

	Three months ended	
	September 30,	
	2006	2005
	(thousands of dollars	
	except	
	for per share amounts)	
Operating Revenues:		
Electric utility:		
General business	\$ 179,411	\$ 207,237
Off-system sales	39,692	34,105
Other revenues	9,696	2,890
Total electric utility revenue	228,799	244,232
Other	1,733	1,675
Total operating revenues	230,532	245,907
Operating Expenses:		
Electric utility:		
Purchased power	98,926	81,396
Fuel expense	34,933	28,018
Power cost adjustment	(54,995)	(9,670)
Other operations and maintenance	62,395	64,292
Gain on sale of emission allowances	(22)	-
Depreciation	25,289	25,726
Taxes other than income taxes	4,057	5,115
Total electric utility operations	170,583	194,877
Other	3,293	3,125
Total operating expenses	173,876	198,002
Operating Income (Loss):		
Electric utility	58,216	49,355
Other	(1,560)	(1,450)
Total operating income	56,656	47,905
Other Income	4,431	3,610
Income (Losses) of Unconsolidated Equity-method Investments	(444)	872
Other Expenses	2,669	1,759
Interest Expense:		
Interest on long-term debt	14,241	14,317
Other interest expense	549	598
Total interest expense	14,790	14,915
Income Before Income Taxes	43,184	35,713
Income Tax Expense	10,692	9,752
Income from Continuing Operations	32,492	25,961
Income (Losses) from Discontinued Operations (net of tax)	11,497	(2,344)

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Net Income	\$	43,989	\$	23,617
Weighted Average Common Shares Outstanding - Basic (000's)		42,678		42,287
Earnings Per Share of Common Stock (basic):				
Income from Continuing Operations	\$	0.76	\$	0.61
Income (Losses) from Discontinued Operations		0.27		(0.05)
Earnings Per Share of Common Stock (basic)	\$	1.03	\$	0.56
Weighted Average Common Shares Outstanding - Diluted (000's)		42,863		42,380
Earnings Per Share of Common Stock (diluted):				
Income from Continuing Operations	\$	0.76	\$	0.61
Income (Losses) from Discontinued Operations		0.27		(0.05)
Earnings Per Share of Common Stock (diluted)	\$	1.03	\$	0.56
Dividends Paid Per Share of Common Stock	\$	0.30	\$	0.30

The accompanying notes are an integral part of these statements.

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

	Nine months ended	
	September 30,	
	2006	2005
	(thousands of dollars	
	except	
	for per share amounts)	
Operating Revenues:		
Electric utility:		
General business	\$ 500,803	\$ 504,189
Off-system sales	219,531	105,189
Other revenues	16,587	25,429
Total electric utility revenue	736,921	634,807
Other	4,586	3,915
Total operating revenues	741,507	638,722
Operating Expenses:		
Electric utility:		
Purchased power	229,659	162,403
Fuel expense	83,856	77,483
Power cost adjustment	(6,928)	(1,673)
Other operations and maintenance	193,909	185,108
Gain on sale of emission allowances	(8,258)	-
Depreciation	74,471	75,838
Taxes other than income taxes	15,957	15,644
Total electric utility operations	582,666	514,803
Other	10,157	9,380
Total operating expenses	592,823	524,183
Operating Income (Loss):		
Electric utility	154,255	120,004
Other	(5,571)	(5,465)
Total operating income	148,684	114,539
Other Income	14,181	10,978
Income (Losses) of Unconsolidated Equity-method Investments	(2,703)	584
Other Expenses	6,745	4,055
Interest Expense:		
Interest on long-term debt	42,525	42,683
Other interest expense	2,753	1,879
Total interest expense	45,278	44,562
Income Before Income Taxes	108,139	77,484
Income Tax Expense	26,019	13,287
Income from Continuing Operations	82,120	64,197
Income (Losses) from Discontinued Operations (net of tax)	7,201	(8,062)
Net income	\$ 89,321	\$ 56,135
Weighted Average Common Shares Outstanding - Basic (000's)	42,569	42,245
Earnings Per Share of Common Stock (basic):		

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Income from Continuing Operations	\$	1.93	\$	1.52
Income (Losses) from Discontinued Operations		0.17		(0.19)
Earnings Per Share of Common Stock (basic)	\$	2.10	\$	1.33
Weighted Average Common Shares Outstanding - Diluted (000's)		42,710		42,318
Earnings Per Share of Common Stock (diluted):				
Income from Continuing Operations	\$	1.92	\$	1.52
Income (Losses) from Discontinued Operations		0.17		(0.19)
Earnings Per Share of Common Stock (diluted)	\$	2.09	\$	1.33
Dividends Paid Per Share of Common Stock	\$	0.90	\$	0.90

The accompanying notes are an integral part of these statements.

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IDACORP, Inc.
Condensed Consolidated Balance Sheets
(unaudited)

	September 30, 2006	December 31, 2005
	(thousands of dollars)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 8,366	\$ 52,356
Receivables:		
Customer	62,907	94,469
Allowance for uncollectible accounts	(7,100)	(33,078)
Employee notes	2,668	2,951
Other	13,356	21,377
Energy marketing assets	11,590	23,859
Accrued unbilled revenues	27,668	38,905
Materials and supplies (at average cost)	37,011	30,451
Fuel stock (at average cost)	15,014	11,739
Deferred income taxes	26,399	23,922
Prepayments	14,454	17,876
Regulatory assets	881	3,064
Other	2,462	2,956
Assets held for sale	3,556	6,673
Total current assets	219,232	297,520
Investments	199,916	191,593
Property, Plant and Equipment:		
Utility plant in service	3,568,485	3,477,067
Accumulated provision for depreciation	(1,410,615)	(1,364,640)
Utility plant in service - net	2,157,870	2,112,427
Construction work in progress	194,519	149,814
Utility plant held for future use	2,810	2,906
Other property, net of accumulated depreciation	28,776	29,294
Property, plant and equipment - net	2,383,975	2,294,441
Other Assets:		
American Falls and Milner water rights	31,585	31,585
Company-owned life insurance	34,020	35,401
Energy marketing assets - long-term	2,768	22,189
Regulatory assets	371,026	415,177
Long-term receivable (net of allowance of \$1,878)	3,832	4,015
Employee notes -long-term	2,454	2,862
Other	42,765	43,377
Assets held for sale	19,852	25,966
Total other assets	508,302	580,572
Total Assets	\$ 3,311,425	\$ 3,364,126

The accompanying notes are an integral part of these statements

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IDACORP, Inc.
Condensed Consolidated Balance Sheets
(unaudited)

	September 30, 2006	December 31, 2005
	(thousands of dollars)	
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current maturities of long-term debt	\$ 15,364	\$ 16,307
Notes payable	32,690	60,100
Accounts payable	66,448	80,324
Energy marketing liabilities	11,945	24,093
Taxes accrued	75,372	72,652
Interest accrued	20,675	14,616
Other	29,184	19,577
Liabilities held for sale	1,536	5,916
Total current liabilities	253,214	293,585
Other Liabilities:		
Deferred income taxes	497,661	519,563
Energy marketing liabilities - long-term	2,829	22,189
Regulatory liabilities	316,807	345,109
Other	132,998	124,833
Liabilities held for sale	7,666	10,051
Total other liabilities	957,961	1,021,745
Long-Term Debt	1,013,692	1,023,545
Commitments and Contingencies (Note 5)		
Shareholders' Equity:		
Common stock, no par value (shares authorized 120,000,000; 43,003,714 and 42,656,393 shares issued, respectively)	604,823	598,706
Retained earnings	488,155	437,284
Accumulated other comprehensive income (loss)	(4,178)	(3,425)
Treasury stock (71,570 and 24,063 shares at cost, respectively)	(2,242)	(998)
Unearned compensation	-	(6,316)
Total shareholders' equity	1,086,558	1,025,251
Total	\$ 3,311,425	\$ 3,364,126

The accompanying notes are an integral part of these statements.

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IDACORP, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited)

	Nine Months Ended	
	September 30,	
	2006	2005
	(thousands of dollars)	
Operating Activities:		
Net income	\$ 89,321	\$ 56,135
Adjustments to reconcile net income to net cash provided by operating activities:		
Unrealized (gains) losses from energy marketing activities	(234)	71
Depreciation and amortization	90,928	93,069
Deferred income taxes and investment tax credits	(16,467)	(8,030)
Changes in regulatory assets and liabilities	6,111	2,974
Undistributed earnings of subsidiaries	(7,944)	(12,027)
Provision for uncollectible accounts	42	(167)
Gain on sale of assets	(25,242)	(1,490)
Other non-cash adjustments to net income	(2,400)	-
Change in:		
Accounts receivable and prepayments	23,569	(8,875)
Accounts payable and other accrued liabilities	(14,252)	(31,518)
Taxes accrued	2,720	19,774
Other current assets	1,241	(3,535)
Other current liabilities	14,779	9,715
Other assets	889	(4,455)
Other liabilities	6,787	9,542
Net cash provided by operating activities	169,848	121,183
Investing Activities:		
Additions to property, plant and equipment	(168,185)	(132,974)
Sale of ITI	21,469	-
Investments in affordable housing	-	(3,752)
Sale of emission allowances	11,323	-
Investments in unconsolidated affiliates	(15,370)	-
Purchase of available-for-sale securities	(14,358)	(81,693)
Sale of available-for-sale securities	16,404	116,079
Purchase of held-to-maturity securities	(2,730)	(1,369)
Maturity of held-to-maturity securities	4,647	2,789
Other assets	617	395
Net cash used in investing activities	(146,183)	(100,525)
Financing Activities:		
Issuance of long-term debt	-	64,992
Retirement of long-term debt	(10,993)	(76,166)
Dividends on common stock	(38,449)	(38,001)
Change in short-term borrowings	(27,410)	19,330
Issuance of common stock	9,174	3,661
Acquisition of treasury stock	(213)	-

Other assets	(14)	(4,388)
Other liabilities	250	(176)
Net cash used in financing activities	(67,655)	(30,748)
Net decrease in cash and cash equivalents	(43,990)	(10,090)
Cash and cash equivalents at beginning of period	52,356	23,403
Cash and cash equivalents at end of period	\$ 8,366 \$	13,313

Supplemental Disclosure of Cash Flow Information:

Cash paid during the period for:

Income taxes	\$ 43,022 \$	2,718
Interest (net of amount capitalized)	\$ 35,520 \$	36,361
Non-cash investing activities		
Additions to property, plant and equipment	\$ 9,226 \$	12,757

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	
	September 30,	
	2006	2005
	(thousands of dollars)	
Net Income	\$ 43,989	\$ 23,617
Other Comprehensive Income (Loss):		
Unrealized gains (losses) on securities:		
Unrealized holding gains arising during the period, net of tax of \$673 and \$196	1,141	214
Reclassification adjustment for gains included in net income, net of tax of (\$326) and (\$321)	(508)	(500)
Net unrealized gains (losses)	633	(286)
Total Comprehensive Income	\$ 44,622	\$ 23,331
	Nine Months Ended	
	September 30,	
	2006	2005
	(thousands of dollars)	
Net Income	\$ 89,321	\$ 56,135
Other Comprehensive Income (Loss):		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period, net of tax of \$608 and (\$393)	893	(929)
Reclassification adjustment for gains included in net income, net of tax of (\$1,057) and (\$714)	(1,646)	(1,111)
Net unrealized gains (losses)	(753)	(2,040)
Total Comprehensive Income	\$ 88,568	\$ 54,095

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
September 30,
2006 2005
(thousands of dollars)

Operating Revenues:			
General business	\$	179,411	\$ 207,237
Off-system sales		39,692	34,105
Other revenues		9,696	2,161
Total operating revenues		228,799	243,503
Operating Expenses:			
Operation:			
Purchased power		98,926	81,396
Fuel expense		34,933	28,018
Power cost adjustment		(54,995)	(9,670)
Other		46,999	50,486
Gain on sales of emission allowances		(22)	-
Maintenance		15,396	13,173
Depreciation		25,289	25,726
Taxes other than income taxes		4,057	5,115
Total operating expenses		170,583	194,244
Income from Operations		58,216	49,259
Other Income (Expense):			
Allowance for equity funds used during construction		1,711	1,158
Earnings of unconsolidated equity-method investments		2,191	2,937
Other income		2,460	3,069
Other expense		(2,577)	(2,462)
Total other income		3,785	4,702
Interest Expense:			
Interest on long-term debt		13,548	13,427
Other interest		1,263	704
Allowance for borrowed funds used during construction		(998)	(668)
Total interest expense		13,813	13,463
Income Before Income Taxes		48,188	40,498
Income Tax Expense		17,799	19,529
Net Income	\$	30,389	\$ 20,969

The accompanying notes are an integral part of these statements.

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Idaho Power Company
Condensed Consolidated Statements of Income
(unaudited)

	Nine months ended	
	September 30,	
	2006	2005
	(thousands of dollars)	
Operating Revenues:		
General business	\$ 500,803	\$ 504,189
Off-system sales	219,531	105,189
Other revenues	16,587	23,473
Total operating revenues	736,921	632,851
Operating Expenses:		
Operation:		
Purchased power	229,659	162,403
Fuel expense	83,856	77,483
Power cost adjustment	(6,928)	(1,673)
Other	143,079	137,119
Gain on sales of emission allowances	(8,258)	-
Maintenance	50,830	46,133
Depreciation	74,471	75,838
Taxes other than income taxes	15,957	15,644
Total operating expenses	582,666	512,947
Income from Operations	154,255	119,904
Other Income (Expense):		
Allowance for equity funds used during construction	4,821	3,702
Earnings of unconsolidated equity-method investments	5,995	8,127
Other income	8,376	8,691
Other expense	(6,834)	(6,191)
Total other income	12,358	14,329
Interest Expense:		
Interest on long-term debt	40,479	39,982
Other interest	3,727	2,593
Allowance for borrowed funds used during construction	(2,784)	(2,060)
Total interest expense	41,422	40,515
Income Before Income Taxes	125,191	93,718
Income Tax Expense	48,169	38,364
Net Income	\$ 77,022	\$ 55,354

The accompanying notes are an integral part of these statements.

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Idaho Power Company
Condensed Consolidated Balance Sheets
(unaudited)

Assets	September 30, 2006	December 31, 2005
	(thousands of dollars)	
Electric Plant:		
In service (at original cost)	\$ 3,568,485	\$ 3,477,067
Accumulated provision for depreciation	(1,410,615)	(1,364,640)
In service - net	2,157,870	2,112,427
Construction work in progress	194,519	149,814
Held for future use	2,810	2,906
Electric plant - net	2,355,199	2,265,147
Investments and Other Property	88,709	68,049
Current Assets:		
Cash and cash equivalents	4,406	49,335
Receivables:		
Customer	55,849	49,830
Allowance for uncollectible accounts	(900)	(833)
Notes	3,115	3,273
Employee notes	2,668	2,951
Related parties	733	637
Other	9,372	7,399
Accrued unbilled revenue	27,668	38,905
Materials and supplies (at average cost)	37,011	30,451
Fuel stock (at average cost)	15,014	11,739
Prepayments	14,199	17,532
Regulatory assets	881	3,064
Total current assets	170,016	214,283
Deferred Debits:		
American Falls and Milner water rights	31,585	31,585
Company-owned life insurance	34,020	35,401
Regulatory assets	371,026	415,177
Employee notes	2,454	2,862
Other	41,631	42,187
Total deferred debits	480,716	527,212
Total	\$ 3,094,640	\$ 3,074,691

The accompanying notes are an integral part of these statements.

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Idaho Power Company
Condensed Consolidated Balance Sheets
(unaudited)

	September 30, 2006	December 31, 2005
	(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	483,707	483,707
Capital stock expense	(2,097)	(2,097)
Retained earnings	399,989	361,256
Accumulated other comprehensive loss	(4,178)	(3,425)
Total common stock equity	975,298	937,318
Long-term debt	982,827	983,720
Total capitalization	1,958,125	1,921,038
Current Liabilities:		
Long-term debt due within one year	1,064	-
Notes payable	27,190	-
Accounts payable	65,039	79,433
Notes and accounts payable to related parties	1,251	153
Taxes accrued	68,918	72,994
Interest accrued	20,166	14,105
Deferred income taxes	526	3,064
Other	28,968	19,182
Total current liabilities	213,122	188,931
Deferred Credits:		
Deferred income taxes	485,771	507,880
Regulatory liabilities	316,807	345,109
Other	120,815	111,733
Total deferred credits	923,393	964,722
Commitments and Contingencies (Note 5)		
Total	\$ 3,094,640	\$ 3,074,691

The accompanying notes are an integral part of these statements.

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Idaho Power Company
Condensed Consolidated Statements of Capitalization
(unaudited)

	September 30, 2006	%	December 31, 2005	%
	(thousands of dollars)			
Common Stock Equity:				
Common stock	\$ 97,877		\$ 97,877	
Premium on capital stock	483,707		483,707	
Capital stock expense	(2,097)		(2,097)	
Retained earnings	399,989		361,256	
Accumulated other comprehensive loss	(4,178)		(3,425)	
Total common stock equity	975,298	50	937,318	49
Long-Term Debt:				
First mortgage bonds:				
7.38% Series due 2007	80,000		80,000	
7.20% Series due 2009	80,000		80,000	
6.60% Series due 2011	120,000		120,000	
4.75% Series due 2012	100,000		100,000	
4.25% Series due 2013	70,000		70,000	
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	
Total first mortgage bonds	785,000		785,000	
Pollution control revenue bonds:				
Variable Auction Rate Series 2003 due 2024	49,800		49,800	
6.05% Series 1996A due 2026	68,100		68,100	
Variable Rate Series 1996B due 2026	24,200		24,200	
Variable Rate Series 1996C due 2026	24,000		24,000	
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	11,700		11,700	
Note guarantee due within one year	(1,064)		-	
Unamortized premium/discount - net	(3,154)		(3,325)	
Total long-term debt	982,827	50	983,720	51
Total Capitalization	\$ 1,958,125	100	\$ 1,921,038	100

The accompanying notes are an integral part of these statements.

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

	Nine Months Ended	
	September 30,	
	2006	2005
	(thousands of dollars)	
Operating Activities:		
Net income	\$ 77,022	\$ 55,354
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	77,596	80,917
Deferred income taxes and investment tax credits	(15,882)	(8,406)
Changes in regulatory assets and liabilities	6,111	2,974
Undistributed earnings of subsidiary	(5,995)	(10,982)
Provision for uncollectible accounts	42	(167)
Other non-cash adjustments to net income	(4,802)	-
Gain on sale of assets	(10,979)	-
Change in:		
Accounts receivables and prepayments	2,552	3,085
Accounts payable	(13,889)	(29,768)
Taxes accrued	(4,076)	24,801
Other current assets	1,158	(3,192)
Other current liabilities	15,729	9,986
Other assets	923	(4,760)
Other liabilities	8,016	6,340
Net cash provided by operating activities	133,526	126,182
Investing Activities:		
Additions to utility plant	(166,309)	(127,983)
Purchase of available-for-sale securities	(14,358)	(81,693)
Sale of available-for-sale securities	16,404	116,078
Sale of emission allowances	11,323	-
Investments in unconsolidated affiliate	(15,370)	-
Other assets	525	532
Net cash used in investing activities	(167,785)	(93,066)
Financing Activities:		
Issuance of long-term debt	-	60,000
Retirement of long-term debt	-	(60,000)
Dividends on common stock	(38,289)	(38,001)
Change in short term borrowings	27,190	-
Other assets	(14)	(4,389)
Other liabilities	443	-
Net cash used in financing activities	(10,670)	(42,390)
Net decrease in cash and cash equivalents	(44,929)	(9,274)
Cash and cash equivalents at beginning of period	49,335	17,679
Cash and cash equivalents at end of period	\$ 4,406	\$ 8,405

Supplemental Disclosure of Cash Flow Information:

Cash paid during the period for:

Income taxes paid to parent	\$	70,037	\$	27,244
Interest (net of amount capitalized)	\$	33,717	\$	32,377
Non-cash investing activities:				
Additions to utility plant	\$	9,226	\$	12,757

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	
	September 30,	
	2006	2005
	(thousands of dollars)	
Net Income	\$ 30,389	\$ 20,969
Other Comprehensive Income (Loss):		
Unrealized gains (losses) on securities:		
Unrealized holding gains arising during the period, net of tax of \$673 and \$196	1,141	214
Reclassification adjustment for gains included in net income, net of tax of (\$326) and (\$321)	(508)	(500)
Net unrealized gains (losses)	633	(286)
Total Comprehensive Income	\$ 31,022	\$ 20,683
	Nine Months Ended	
	September 30,	
	2006	2005
	(thousands of dollars)	
Net Income	\$ 77,022	\$ 55,354
Other Comprehensive Income (Loss):		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period, net of tax of \$608 and (\$393)	893	(929)
Reclassification adjustment for gains included in net income, net of tax of (\$1,057) and (\$714)	(1,646)	(1,111)
Net unrealized gains (losses)	(753)	(2,040)
Total Comprehensive Income	\$ 76,269	\$ 53,314

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 (IPC). These Notes to the Condensed Consolidated Financial Statements apply to both IDACORP and IPC. However, IPC 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 IPC. IDACORP is subject to the provisions of the Public Utility Holding Company Act of 2005, which provides certain access to books and records to the Federal Energy Regulatory Commission (FERC) and state utility regulatory commissions and imposes certain record retention and reporting requirements on IDACORP.

IPC is an electric utility with a service territory covering approximately 24,000 square miles in southern Idaho and eastern Oregon. IPC is regulated by the FERC and the state regulatory commissions of Idaho and Oregon. IPC is the parent of Idaho Energy Resources Co., a joint venturer in Bridger Coal Company, which supplies coal to the Jim Bridger generating plant owned in part by IPC.

At September 30, 2006, IDACORP's other subsidiaries included:

- IDACORP Financial Services, Inc. (IFS) - holder of affordable housing and other real estate investments;
- Ida-West Energy (Ida-West) - operator of small hydroelectric generation projects that satisfy the requirements of the Public Utility Regulatory Policies Act of 1978 (PURPA);
- IDACORP Energy (IE) - marketer of electricity and natural gas, which wound down its operations during 2003; and
- IDACOMM, Inc. (IDACOMM) - provider of telecommunications services and commercial Internet services.

In the second quarter of 2006, IDACORP management designated the operations of IDACORP Technologies, Inc. (ITI) and IDACOMM as assets held for sale, as defined by Statement of Financial Accounting Standards No. 144. IDACORP's condensed consolidated financial statements reflect the reclassification of the results of these businesses as discontinued operations for all periods presented. Discontinued operations are discussed in more detail in Note 10.

On July 20, 2006, IDACORP completed the sale of all of the outstanding common stock of ITI to IdaTech UK Limited, a wholly-owned subsidiary of Investec Group Investments (UK) Limited.

On October 12, 2006, IDACORP entered into an agreement to sell all of the outstanding common stock of IDACOMM to American Fiber Systems, Inc. IDACORP expects to complete the sale as early as the end of the fourth quarter of 2006, subject to regulatory approvals. IDACORP does not expect the sale to have a material effect on its financial position, results of operations or cash flows.

Principles of Consolidation

The condensed consolidated financial statements of IDACORP and IPC include the accounts of each company and those variable interest entities (VIEs) for which the companies are the primary beneficiaries. All significant intercompany balances have been eliminated in consolidation. Investments in business entities in which IDACORP and IPC 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.

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Through IFS, IDACORP also holds significant variable interests in VIEs for which it is not the primary beneficiary. These VIEs are historic rehabilitation and affordable housing developments in which IFS holds limited partnership interests ranging from five to 99 percent. These investments were acquired between 1996 and 2005. IFS' maximum exposure to loss in these developments was \$89 million at September 30, 2006.

Financial Statements

In the opinion of IDACORP and IPC, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly their consolidated financial positions as of September 30, 2006, and consolidated results of operations for the three and nine months ended September 30, 2006 and 2005, and consolidated cash flows for the nine months ended September 30, 2006 and 2005. 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 therefore they should be read in conjunction with the audited consolidated financial statements included in IDACORP's and IPC's Annual Report on Form 10-K for the year ended December 31, 2005. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year.

Stock-Based Compensation

Effective January 1, 2006, IDACORP and IPC adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" (SFAS 123R) using the modified prospective application method. SFAS 123R changes measurement, timing and disclosure rules relating to share-based payments, requiring that the fair value of all share-based payments be expensed. The adoption of SFAS 123R did not have a material impact on IDACORP's or IPC's financial statements for the three and nine months ended September 30, 2006.

IDACORP's and IPC's Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2005 do not reflect any changes from the adoption of SFAS 123R. The following table illustrates what net income and earnings per share would have been had the fair value recognition provisions of SFAS 123 been applied to stock-based employee compensation in 2005 (in thousands of dollars, except for per share amounts):

	Three months ended September 30, 2005	Nine months ended September 30, 2005
IDACORP:		
Net income, as reported	\$ 23,617	\$ 56,135
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	275	597
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	495	1,250
Pro forma net income	\$ 23,397	\$ 55,482
Earnings per share of common stock:		
Basic and diluted - as reported	\$ 0.56	\$ 1.33
Basic and diluted - pro forma	0.56	1.31

IPC:

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Net income, as reported	\$	20,969	\$	55,354
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects		167		311
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects		313		660
Pro forma net income	\$	20,823	\$	55,005

For purposes of these 2005 pro forma calculations, the estimated fair value of the options, restricted stock and performance shares is amortized to expense over the vesting period. The fair value of the restricted stock and performance shares was the market price of the stock on the date of grant. The fair value of an option award was estimated at the date of grant using a binomial option-pricing model. Expenses related to forfeited awards were reversed in the period in which the forfeiture occurred.

Table of Contents**Earnings Per Share**

The computation of diluted earnings per share (EPS) differs from basic EPS only due to the inclusion of potentially dilutive shares related to stock-based compensation awards.

The following table presents the computation of IDACORP's basic and diluted earnings per share for the three and nine months ended September 30, 2006 and 2005 (in thousands, except for per share amounts):

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2006	2005	2006	2005
Numerator:				
Income from continuing operations	\$ 32,492	\$ 25,961	\$ 82,120	\$ 64,197
Denominator:				
Weighted-average common shares outstanding - basic*	42,678	42,287	42,569	42,245
Effect of dilutive securities:				
Options	125	69	87	51
Restricted Stock	60	24	54	22
Weighted-average common shares outstanding - diluted	42,863	42,380	42,710	42,318
Basic earnings per share from continuing operations	\$ 0.76	\$ 0.61	\$ 1.93	\$ 1.52
Diluted earnings per share from continuing operations	\$ 0.76	\$ 0.61	\$ 1.92	\$ 1.52

*Weighted average shares outstanding excludes non-vested shares issued under stock compensation plans.

The diluted EPS computation excluded 463,600 and 643,600 common stock options for the three and nine months ended September 30, 2006, respectively, because the options' exercise prices were greater than the average market price of the common stock during those periods. For the same periods in 2005, there were 824,500 and 1,014,437 options excluded from the diluted EPS computation for the same reason. In total, 1,156,296 options were outstanding at September 30, 2006, with expiration dates between 2010 and 2015.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. Net income and shareholders' equity were not affected by these reclassifications.

New Accounting Pronouncements

FIN 48: In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" (FIN 48), which clarifies the accounting for uncertainty in tax positions. FIN 48 requires that IDACORP and IPC recognize in their financial statements the impact of a tax position if that position will more likely than not be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. IDACORP and IPC are currently evaluating the impact of adopting FIN 48 on their financial statements.

SFAS 157: In September 2006, the FASB issued SFAS 157, "Fair Value Measurements." SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. IDACORP and IPC are currently evaluating the impact of adopting SFAS 157 on their financial statements.

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SFAS 158: In September 2006, the FASB issued SFAS 158, "Employers' Accounting for Defined Benefit Pension Plans and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)." SFAS 158 requires an employer that is a business entity and sponsors one or more single-employer defined benefit plans to:

- Recognize the funded status of a benefit plan-measured as the difference between plan assets at fair value (with limited exceptions) and the benefit obligation-in its statement of financial position. For a pension plan, the benefit obligation is the projected benefit obligation; for any other postretirement benefit plan, such as a retiree health care plan, the benefit obligation is the accumulated postretirement benefit obligation.
- Recognize as a component of other comprehensive income, net of tax, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost pursuant to FASB Statement No. 87, "Employers' Accounting for Pensions", or No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." Amounts recognized in accumulated other comprehensive income, including the gains or losses, prior service costs or credits, and the transition asset or obligation remaining from the initial application of Statements 87 and 106, are adjusted as they are subsequently recognized as components of net periodic benefit cost pursuant to the recognition and amortization provisions of those Statements.
- Measure defined benefit plan assets and obligations as of the date of the employer's fiscal year-end statement of financial position (with limited exceptions).
- Disclose in the notes to financial statements additional information about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition asset or obligation.

IDACORP is required to initially recognize the funded status of its defined benefit postretirement plan and to provide the required disclosures in its December 31, 2006, financial statements. The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008. When adopted in the fourth quarter of 2006, the provisions of SFAS 158 will increase IDACORP's and IPC's liabilities and reduce each company's common equity by approximately \$80 million as of January 1, 2006, which is the amount by which the plans' benefit obligations exceeded the plans' assets. IPC's common equity balance is one factor used in the determination of retail rates. The decrease in common equity resulting from the adoption of SFAS 158 would decrease rates, absent special ratemaking treatment. IPC expects to pursue such treatment from the IPUC and OPUC, and if received, the adoption of SFAS 158 is not expected to have a material effect on IDACORP's or IPC's results of operations or cash flows.

SAB 108: In September 2006, the Securities and Exchange Commission (SEC) released Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements" (SAB 108), in September 2006. SAB 108 provides guidance on how the effects of the carryover or reversal of prior year financial statement misstatements should be considered in quantifying a current year misstatement. Prior practice allowed the evaluation of materiality on the basis of (1) the error quantified as the amount by which the current year income statement was misstated (rollover method) or (2) the cumulative error quantified as the cumulative amount by which the current year balance sheet was misstated (iron curtain method). Reliance on either method in prior years could have resulted in misstatement of the financial statements. The guidance provided in SAB 108 requires both methods to be used in evaluating materiality. Immaterial prior year errors may be corrected with the first filing of prior year financial statements after adoption. The cumulative effect of

the correction would be reflected in the opening balance sheet with appropriate disclosure of the nature and amount of each individual error corrected in the cumulative adjustment, as well as a disclosure of the cause of the error and that the error had been deemed to be immaterial in the past. SAB 108 is effective for IDACORP's and IPC's opening balance sheet in 2007. IDACORP and IPC are currently evaluating the impact SAB 108 might have on their financial position or results of operations.

2. INCOME TAXES:

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Income tax rate

In accordance with interim reporting requirements, IDACORP and IPC use an estimated annual effective tax rate for computing their provisions for income taxes. IDACORP's effective rate on continuing operations for the nine months ended September 30, 2006, was 24.1 percent, compared to 17.1 percent for the nine months ended September 30, 2005. IPC's effective tax rate for the nine months ended September 30, 2006, was 38.5 percent, compared to 40.9 percent for the nine months ended September 30, 2005.

The differences in estimated annual effective tax rates are primarily due to the increase in pre-tax earnings at IDACORP and IPC, the loss of IPC's simplified service cost method tax deduction in 2005 and the adoption of a new uniform capitalization method in 2006, timing and amount of IPC's regulatory flow-through tax adjustments, settlement of a Bridger Coal Company partnership audit at IPC (discussed below), and slightly lower tax credits from IFS.

Status of audit proceedings

In March 2005, the Internal Revenue Service (IRS) began its examination of IDACORP's 2001-2003 tax years. On October 13, 2006, the IRS issued its examination report and assessment for those years. With the exception of IPC's capitalized overhead costs method, discussed below, the IRS and IDACORP were able to settle all issues. The federal tax assessment for the settled issues will be paid in November 2006. It is expected that associated interest charges and state income taxes will be paid during 2007. Settlement of the agreed issues will not have a material impact on IDACORP's 2006 results of operations or cash flows.

The IRS disallowed IPC's capitalized overhead cost method for uniform capitalization (the simplified service cost method) on the basis that IPC's self-constructed assets were not produced on a "routine and repetitive" basis as defined by Rev. Rul. 2005-53. The disallowance resulted in a federal tax assessment of \$45 million. IDACORP disagrees with this conclusion and will appeal the issue. Accordingly, in November, 2006 IDACORP will file its formal protest, make a deposit of the disputed tax with the IRS to stop the accrual of interest, and enter the appeals process. Management cannot predict the t