IDACORP INC
Form 10-Q
May 01, 2014
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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 March 31, 2014
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.
IDACORP, Inc.: Yes X No __ Idaho Power Company: 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).
IDACORP, Inc.: Yes No X Idaho Power Company: Yes No X

Number of shares of common stock outstanding as of April 25, 2014:
IDACORP, Inc.: 50,305,042
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
BLM	-	U.S. Bureau of Land Management
CAA	-	Clean Air Act
CO_2	-	Carbon Dioxide
CSPP	-	Cogeneration and Small Power Production
CWA	-	Clean Water Act
EIS	-	Environmental Impact Statement
EPA	-	U.S. Environmental Protection Agency
FCA	-	Fixed Cost Adjustment
FERC	-	Federal Energy Regulatory Commission
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.
IERCo	-	Idaho Energy Resources Co., a subsidiary of Idaho Power Company
IESCo	-	IDACORP Energy Services Co., a subsidiary of IDACORP, Inc.
IFS	-	IDACORP Financial Services, a subsidiary of IDACORP, Inc.
IPUC	-	Idaho Public Utilities Commission
IRP	-	Integrated Resource Plan
kW	-	Kilowatt
MD&A	-	Management's Discussion and Analysis of Financial Condition and Results of Operations
MW	-	Megawatt
MWh	-	Megawatt-hour
NO_x	-	Nitrogen Oxide
O&M	-	Operations and Maintenance
OATT	-	Open Access Transmission Tariff
OPUC	-	Public Utility Commission of Oregon
PCA	-	Power Cost Adjustment
PURPA	-	Public Utility Regulatory Policies Act of 1978
REC	-	Renewable Energy Certificate
SCR	-	Selective Catalytic Reduction
SEC	-	U.S. Securities and Exchange Commission
SMSP	-	Senior Management Security Plan I and II
SO_2	-	Sulfur Dioxide
SRBA	-	Snake River Basin Adjudication
WPSC	-	Wyoming Public Service Commission

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CAUTIONARY NOTE REGARDING 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, 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, 2013, particularly Part I, Item 1A - “Risk Factors” and Part II, Item 7 - “Management’s Discussion and Analysis of Financial Condition and Results of Operations" of that report, subsequent reports filed by IDACORP and Idaho Power with the Securities and Exchange Commission, and the following important factors:

- the effect of decisions by the Idaho and Oregon public utilities commissions, the Federal Energy Regulatory Commission, and other regulators that impact Idaho Power's ability to recover costs and earn a return;
- 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 availability and use of demand-side management programs, and their associated impacts on loads and load growth;
- the impacts of changes in economic conditions, including the potential for changes in customer demand for electricity, revenue from sales of excess power, financial soundness of counterparties and suppliers, and collections of receivables;
- unseasonable or severe weather conditions, wildfires, drought, and other natural phenomena and natural disasters, which affect customer demand, hydroelectric generation levels, repair costs, and the availability and cost of fuel for generation plants or purchased power to serve customers;
- advancement of technologies that reduce loads or reduce the need for Idaho Power's generation of electric power;
- adoption of, changes in, and costs of compliance with, laws, regulations, and policies relating to the environment, natural resources, and endangered species, and the ability to recover those costs through rates;
- the ability to obtain debt and equity financing or refinance existing debt when necessary and on favorable terms, which can be affected by factors such as credit ratings, volatility in the financial markets, interest rate fluctuations, decisions by the Idaho or Oregon public utility commissions, and the companies' past or projected financial performance;
- reductions in credit ratings, which could adversely impact access to capital markets and would require the posting of additional collateral to counterparties pursuant to credit and contractual arrangements;
- variable hydrological conditions and over-appropriation of surface and groundwater in the Snake River basin, which impact the amount of generation from Idaho Power's hydroelectric facilities;
- the ability to purchase fuel and power on favorable payment terms and prices, particularly in the event of unanticipated power demands, lack of physical availability, transportation constraints, or a credit downgrade;
- accidents, fires, explosions, and mechanical breakdowns that may occur while operating and maintaining an electric system, which can cause unplanned outages, reduce generating output, damage the companies’ assets, operations, or reputation, subject the companies to third-party claims for property damage, personal injury, or loss of life, or result in the imposition of civil, criminal, or regulatory fines or penalties;
- the ability to buy and sell power, transmission capacity, and fuel in the markets;

- the ability to enter into financial and physical commodity hedges with creditworthy counterparties to manage price and commodity risk, and the failure of any such risk management and hedging strategies to work as intended;
- administration of Federal Energy Regulatory Commission and other mandatory reliability, security, and other requirements for system infrastructure, which could result in penalties and increase costs;
- disruptions or outages of Idaho Power's generation or transmission systems or of any interconnected transmission system;

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- the costs and operational challenges of integrating intermittent wind power or other renewable energy sources into Idaho Power's resource portfolio;
- changes in actuarial assumptions, changes in interest rates, and the return on plan assets for pension and other post-retirement plans, which can affect future pension and other postretirement plan funding obligations, costs, and liabilities;
- the ability to continue to pay dividends based on financial performance, and in light of contractual covenants and restrictions and regulatory limitations;
- changes in tax laws or related regulations or new interpretations of applicable laws by federal, state, or local taxing jurisdictions, the availability of tax credits, and the tax rates payable by IDACORP shareholders on common stock dividends;
- employee workforce factors, including the operational and financial costs of unionization or the attempt to unionize all or part of the companies' workforce, the impact of an aging workforce and retirements, the cost and ability to retain skilled workers, and the ability to adjust the labor cost structure when necessary;
- failure to comply with state and federal laws, policies, and regulations, including new interpretations and enforcement initiatives by regulatory and oversight bodies, which may result in penalties and fines and increase the cost of compliance, the nature and extent of investigations and audits, and the cost of remediation;
- the inability to obtain or cost of obtaining and complying with required governmental permits and approvals, licenses, rights-of-way, and siting for transmission and generation projects and hydroelectric facilities;
- the cost and outcome of litigation, dispute resolution, and regulatory proceedings, and the ability to recover those costs or the costs of operational changes through insurance or rates, or from third parties;
- the failure of information systems or the failure to secure information system data, failure to comply with privacy laws, security breaches, or the direct or indirect effect on the companies' business or operations resulting from cyber attacks, terrorist incidents or the threat of terrorist incidents, and acts of war;
- unusual or unanticipated changes in normal business operations, including unusual maintenance or repairs, or the failure to successfully implement new technology solutions; and
- adoption of or changes in accounting policies and principles, changes in accounting estimates, and new 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 March 31,	
	2014	2013
	(thousands of dollars except for per share amounts)	
Operating Revenues:		
Electric utility:		
General business	$244,832	$232,219
Off-system sales	29,210	15,900
Other revenues	18,278	16,249
Total electric utility revenues	292,320	264,368
Other	399	560
Total operating revenues	292,719	264,928
Operating Expenses:		
Electric utility:		
Purchased power	43,796	42,857
Fuel expense	55,327	49,166
Power cost adjustment	15,023	(14,711)
Other operations and maintenance	80,521	79,785
Energy efficiency programs	4,724	4,470
Depreciation	32,875	31,910
Taxes other than income taxes	8,105	8,172
Total electric utility expenses	240,371	201,649
Other	3,770	3,846
Total operating expenses	244,141	205,495
Operating Income	48,578	59,433
Allowance for Equity Funds Used During Construction	4,079	3,615
Earnings of Unconsolidated Equity-Method Investments	983	2,700
Other Income, Net	2,288	826
Interest Expense:		
Interest on long-term debt	20,141	19,669
Other interest	1,859	1,752
Allowance for borrowed funds used during construction	(1,964)	(1,931)
Total interest expense, net	20,036	19,490
Income Before Income Taxes	35,892	47,084
Income Tax Expense	8,707	12,043
Net Income	27,185	35,041
Adjustment for loss attributable to noncontrolling interests	219	153
Net Income Attributable to IDACORP, Inc.	$27,404	$35,194
Weighted Average Common Shares Outstanding - Basic (000's)	50,131	50,039
Weighted Average Common Shares Outstanding - Diluted (000's)	50,175	50,064

Earnings Per Share of Common Stock:		
Earnings Attributable to IDACORP, Inc. - Basic	$0.55	$0.70
Earnings Attributable to IDACORP, Inc. - Diluted	$0.55	$0.70
Dividends Declared Per Share of Common Stock	$0.43	$0.38

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 March 31,	
	2014	2013
	(thousands of dollars)	
Net Income	$27,185	$35,041
Other Comprehensive Income:		
Net unrealized holding gains arising during the period, net of tax of $0 and $758	—	1,181
Unfunded pension liability adjustment, net of tax of $278 and $298	432	465
Total Comprehensive Income	27,617	36,687
Comprehensive loss attributable to noncontrolling interests	219	153
Comprehensive Income Attributable to IDACORP, Inc.	$27,836	$36,840

The accompanying notes are an integral part of these statements.

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IDACORP, Inc.
Condensed Consolidated Balance Sheets
(unaudited)

	March 31, 2014	December 31, 2013
	(thousands of dollars)	
Assets		
Current Assets:		
Cash and cash equivalents	$88,265	$78,162
Receivables:		
Customer (net of allowance of $2,518 and $2,349, respectively)	98,431	97,873
Other (net of allowance of $161 and $153, respectively)	16,641	15,274
Taxes receivable	—	156
Accrued unbilled revenues	46,937	63,507
Materials and supplies (at average cost)	55,328	53,643
Fuel stock (at average cost)	35,177	41,546
Prepayments	14,790	15,338
Deferred income taxes	32,868	46,874
Current regulatory assets	102,836	61,837
Other	2,439	2,401
Total current assets	493,712	476,611
Investments	157,502	159,072
Property, Plant and Equipment:		
Utility plant in service	5,100,204	5,080,402
Accumulated provision for depreciation	(1,783,443)	(1,766,680)
Utility plant in service - net	3,316,761	3,313,722
Construction work in progress	351,566	327,000
Utility plant held for future use	7,097	7,090
Other property, net of accumulated depreciation	17,437	17,229
Property, plant and equipment - net	3,692,861	3,665,041
Other Assets:		
American Falls and Milner water rights	14,479	15,803
Company-owned life insurance	19,494	22,037
Regulatory assets	934,966	978,234
Long-term receivables (net of allowance of $885 and $885, respectively)	6,133	4,811
Other	42,245	42,954
Total other assets	1,017,317	1,063,839
Total	$5,361,392	$5,364,563

The accompanying notes are an integral part of these statements.

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IDACORP, Inc.
Condensed Consolidated Balance Sheets
(unaudited)

	March 31, 2014	December 31, 2013
	(thousands of dollars)	
Liabilities and Equity		
Current Liabilities:		
Current maturities of long-term debt	$1,064	$1,064
Notes payable	47,300	54,750
Accounts payable	72,085	91,519
Taxes accrued	38,051	13,302
Interest accrued	24,944	22,764
Accrued compensation	27,796	38,510
Current regulatory liabilities	13,551	10,684
Other	22,054	17,779
Total current liabilities	246,845	250,372
Other Liabilities:		
Deferred income taxes	957,777	969,593
Regulatory liabilities	381,754	375,873
Pension and other postretirement benefits	249,537	244,627
Other	49,797	54,100
Total other liabilities	1,638,865	1,644,193
Long-Term Debt	1,614,256	1,615,258
Commitments and Contingencies		
Equity:		
IDACORP, Inc. shareholders' equity:		
Common stock, no par value (shares authorized 120,000,000; 50,307,512 and 50,233,463 shares issued, respectively)	840,472	839,750
Retained earnings	1,033,225	1,027,461
Accumulated other comprehensive loss	(16,121)	(16,553)
Treasury stock (2,470 and 718 shares at cost, respectively)	(21)	(8)
Total IDACORP, Inc. shareholders' equity	1,857,555	1,850,650
Noncontrolling interests	3,871	4,090
Total equity	1,861,426	1,854,740
Total	$5,361,392	$5,364,563

The accompanying notes are an integral part of these statements.

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

	Three months ended March 31,	
	2014	2013
	(thousands of dollars)	
Operating Activities:		
Net income	$27,185	$35,041
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	33,888	33,195
Deferred income taxes and investment tax credits	(9,928)	11,410
Changes in regulatory assets and liabilities	21,479	(13,681)
Pension and postretirement benefit plan expense	6,998	7,673
Contributions to pension and postretirement benefit plans	(1,349)	(1,322)
Earnings of unconsolidated equity-method investments	(983)	(2,700)
Distributions from unconsolidated equity-method investments	594	7,631
Allowance for equity funds used during construction	(4,079)	(3,615)
Other non-cash adjustments to net income, net	771	419
Change in:		
Accounts receivable	(2,842)	(15,158)
Accounts payable and other accrued liabilities	(27,097)	(32,519)
Taxes accrued/receivable	25,811	7,840
Other current assets	21,686	21,577
Other current liabilities	7,531	4,993
Other assets	1,748	(1,089)
Other liabilities	(4,475)	(5,716)
Net cash provided by operating activities	96,938	53,979
Investing Activities:		
Additions to property, plant and equipment	(59,192)	(51,976)
Proceeds from the sale of emission allowances and RECs	1,274	—
Distributions from affordable housing investments	795	1,448
Other	1,836	1,837
Net cash used in investing activities	(55,287)	(48,691)
Financing Activities:		
Retirement of long-term debt	(1,064)	(1,064)
Dividends on common stock	(21,879)	(19,303)
Net change in short-term borrowings	(7,450)	14,050
Issuance of common stock	160	255
Acquisition of treasury stock	(2,464)	(2,121)
Other	1,149	828
Net cash used in financing activities	(31,548)	(7,355)
Net increase (decrease) in cash and cash equivalents	10,103	(2,067)
Cash and cash equivalents at beginning of the period	78,162	26,527
Cash and cash equivalents at end of the period	$88,265	$24,460
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Income taxes	$20	$—
Interest (net of amount capitalized)	$17,223	$17,014
Non-cash investing activities:		

Additions to property, plant and equipment in accounts payable	$19,846	$17,646

The accompanying notes are an integral part of these statements.

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

	Three months ended March 31,	
	2014	2013
	(thousands of dollars)	
Common Stock		
Balance at beginning of period	$839,750	$834,922
Issued	160	255
Other	562	241
Balance at end of period	840,472	835,418
Retained Earnings		
Balance at beginning of period	1,027,461	923,981
Net income attributable to IDACORP, Inc.	27,404	35,194
Common stock dividends ($0.43 and $0.38 per share)	(21,640)	(19,092)
Balance at end of period	1,033,225	940,083
Accumulated Other Comprehensive (Loss) Income		
Balance at beginning of period	(16,553)	(17,116)
Unrealized gain on securities (net of tax)	—	1,181
Unfunded pension liability adjustment (net of tax)	432	465
Balance at end of period	(16,121)	(15,470)
Treasury Stock		
Balance at beginning of period	(8)	(21)
Issued	2,451	2,126
Acquired	(2,464)	(2,121)
Balance at end of period	(21)	(16)
Total IDACORP, Inc. shareholders' equity at end of period	1,857,555	1,760,015
Noncontrolling Interests		
Balance at beginning of period	4,090	4,213
Net loss attributable to noncontrolling interests	(219)	(153)
Balance at end of period	3,871	4,060
Total equity at end of period	$1,861,426	$1,764,075

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 March 31,	
	2014	2013
	(thousands of dollars)	
Operating Revenues:		
General business	$244,832	$232,219
Off-system sales	29,210	15,900
Other revenues	18,278	16,249
Total operating revenues	292,320	264,368
Operating Expenses:		
Operation:		
Purchased power	43,796	42,857
Fuel expense	55,327	49,166
Power cost adjustment	15,023	(14,711)
Other operations and maintenance	80,521	79,785
Energy efficiency programs	4,724	4,470
Depreciation	32,875	31,910
Taxes other than income taxes	8,105	8,172
Total operating expenses	240,371	201,649
Income from Operations	51,949	62,719
Other Income (Expense):		
Allowance for equity funds used during construction	4,079	3,615
Earnings of unconsolidated equity-method investments	1,246	2,634
Other expense, net	(428)	(2,158)
Total other income	4,897	4,091
Interest Charges:		
Interest on long-term debt	20,141	19,669
Other interest	1,798	1,648
Allowance for borrowed funds used during construction	(1,964)	(1,931)
Total interest charges	19,975	19,386
Income Before Income Taxes	36,871	47,424
Income Tax Expense	8,971	13,378
Net Income	$27,900	$34,046

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 March 31,	
	2014	2013
	(thousands of dollars)	
Net Income	$27,900	$34,046
Other Comprehensive Income:		
Net unrealized holding gains arising during the period, net of tax of $0 and $758	—	1,181
Unfunded pension liability adjustment, net of tax of $278 and $298	432	465
Total Comprehensive Income	$28,332	$35,692

The accompanying notes are an integral part of these statements.

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Idaho Power Company
Condensed Consolidated Balance Sheets
(unaudited)

	March 31, 2014	December 31, 2013
	(thousands of dollars)	
Assets		
Electric Plant:		
In service (at original cost)	$5,100,204	$5,080,402
Accumulated provision for depreciation	(1,783,443)	(1,766,680)
In service - net	3,316,761	3,313,722
Construction work in progress	351,566	327,000
Held for future use	7,097	7,090
Electric plant - net	3,675,424	3,647,812
Investments and Other Property	131,695	131,520
Current Assets:		
Cash and cash equivalents	84,570	66,535
Receivables:		
Customer (net of allowance of $2,518 and $2,349, respectively)	98,431	97,873
Other (net of allowance of $161 and $153, respectively)	16,499	14,290
Accrued unbilled revenues	46,937	63,507
Materials and supplies (at average cost)	55,328	53,643
Fuel stock (at average cost)	35,177	41,546
Prepayments	14,651	15,204
Deferred income taxes	—	12,386
Current regulatory assets	102,836	61,837
Other	2,439	2,401
Total current assets	456,868	429,222
Deferred Debits:		
American Falls and Milner water rights	14,479	15,803
Company-owned life insurance	19,494	22,037
Regulatory assets	934,966	978,234
Other	42,432	41,783
Total deferred debits	1,011,371	1,057,857
Total	$5,275,358	$5,266,411

The accompanying notes are an integral part of these statements.

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Idaho Power Company
Condensed Consolidated Balance Sheets
(unaudited)

	March 31, 2014	December 31, 2013
	(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	712,258	712,258
Capital stock expense	(2,097)	(2,097)
Retained earnings	938,753	932,547
Accumulated other comprehensive loss	(16,121)	(16,553)
Total common stock equity	1,730,670	1,724,032
Long-term debt	1,614,256	1,615,258
Total capitalization	3,344,926	3,339,290
Current Liabilities:		
Long-term debt due within one year	1,064	1,064
Accounts payable	71,330	90,529
Accounts payable to affiliates	688	1,158
Taxes accrued	40,615	14,031
Interest accrued	24,944	22,764
Accrued compensation	27,670	38,297
Current regulatory liabilities	13,551	10,684
Other	23,187	17,095
Total current liabilities	203,049	195,622
Deferred Credits:		
Deferred income taxes	1,047,584	1,058,734
Regulatory liabilities	381,754	375,873
Pension and other postretirement benefits	249,537	244,627
Other	48,508	52,265
Total deferred credits	1,727,383	1,731,499
Commitments and Contingencies		
Total	$5,275,358	$5,266,411

The accompanying notes are an integral part of these statements.

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

	Three months ended March 31, 2014	2013
	(thousands of dollars)	
Operating Activities:		
Net income	$27,900	$34,046
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	33,745	33,047
Deferred income taxes and investment tax credits	(10,489)	11,753
Changes in regulatory assets and liabilities	21,479	(13,681)
Pension and postretirement benefit plan expense	6,991	7,673
Contributions to pension and postretirement benefit plans	(1,341)	(1,322)
Earnings of unconsolidated equity-method investments	(1,246)	(2,634)
Distributions from unconsolidated equity-method investments	594	6,856
Allowance for equity funds used during construction	(4,079)	(3,615)
Other non-cash adjustments to net income, net	71	(226)
Change in:		
Accounts receivable	(4,470)	(17,671)
Accounts payable	(27,075)	(32,389)
Taxes accrued/receivable	27,694	11,321
Other current assets	21,691	21,610
Other current liabilities	7,588	4,988
Other assets	1,747	(1,089)
Other liabilities	(3,928)	(5,346)
Net cash provided by operating activities	96,872	53,321
Investing Activities:		
Additions to utility plant	(59,190)	(51,976)
Proceeds from the sale of emission allowances and RECs	1,274	—
Other	1,837	1,837
Net cash used in investing activities	(56,079)	(50,139)
Financing Activities:		
Retirement of long-term debt	(1,064)	(1,064)
Dividends on common stock	(21,694)	(19,113)
Net change in short term borrowings	—	16,600
Other	—	(14)
Net cash used in financing activities	(22,758)	(3,591)
Net increase (decrease) in cash and cash equivalents	18,035	(409)
Cash and cash equivalents at beginning of the period	66,535	17,251
Cash and cash equivalents at end of the period	$84,570	$16,842
Supplemental Disclosure of Cash Flow Information:		
Cash (received) paid during the period for:		
Income taxes	$(1,040)	$(2,491)
Interest (net of amount capitalized)	$17,162	$16,910
Non-cash investing activities:		
Additions to property, plant and equipment in accounts payable	$19,846	$17,646

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 area covering approximately 24,000 square miles in southern Idaho and eastern Oregon. Idaho Power is 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 wholly-owned 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 Services Co. (IESCo), which is the former limited partner of, and current successor by merger to, IDACORP Energy L.P. (IE), a marketer of energy commodities that wound down operations in 2003.

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 in Idaho Power recording expenses and revenues in a different period than when an unregulated enterprise would record such 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 through rates. Additionally, regulators can impose regulatory liabilities upon a regulated company for amounts previously collected from customers that are expected to be refunded. 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 March 31, 2014, consolidated results of operations for the three months ended March 31, 2014 and 2013, and consolidated cash flows for the three months ended March 31, 2014 and 2013. 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, 2013. 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.

Management Estimates

Management makes estimates and assumptions when preparing financial statements in conformity with generally accepted accounting principles (GAAP). These estimates and assumptions include those related to rate regulation, retirement benefits, contingencies, litigation, asset impairment, income taxes, unbilled revenues, and bad debt. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates involve judgments with respect to, among other things, future economic factors that are difficult to predict and are beyond management's control. As a result, actual results could differ from those estimates.

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Change in Method of Accounting for Investments in Qualified Affordable Housing Projects

On January 15, 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-01, Investments-Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects. This ASU permits an accounting policy election to account for investments in qualified affordable housing projects using the proportional amortization method. For its consolidated financial statements as of and for the year ended December 31, 2013, IDACORP elected early adoption of ASU 2014-01 and thus changed its accounting for its equity-method investments in qualified affordable housing projects to the proportional amortization method. All prior periods were properly adjusted to reflect the new method. The standard also requires the recognition of the net investment performance in the financial statements as a component of income tax expense (benefit). The new method was elected because IDACORP believes the proportional amortization method more fairly represents the economics of and provides users with a better understanding of the returns from such investments than the equity method of amortization.

2. INCOME TAXES

In accordance with interim reporting requirements, IDACORP and Idaho Power use an estimated annual effective tax rate for computing their provisions for income taxes. An estimate of annual income tax expense (or benefit) is made each interim period using estimates for annual pre-tax income, income tax adjustments, and tax credits. The estimated annual effective tax rates do not include discrete events such as tax law changes, examination settlements, or method changes. Discrete events are recorded in the interim period in which they occur. The estimated annual effective tax rate is applied to year-to-date pre-tax income to determine income tax expense (or benefit) for the interim period consistent with the annual estimate. In subsequent interim periods, income tax expense (or benefit) for the period is computed as the difference between the year-to-date amount reported for the previous interim period and the current period's year-to-date amount.

Income Tax Expense

The following table provides a summary of income tax expense for the three months ended March 31 (in thousands of dollars):

	IDACORP		Idaho Power	
	2014	2013	2014	2013
Three months ended March 31,				
Income tax at statutory rates (federal and state)	$14,119	$18,470	$14,417	$18,543
Additional accumulated deferred investment tax credit amortization	(950)	—	(950)	—
Affordable housing tax credits	(1,268)	(1,384)	—	—
Affordable housing investment amortization, net of statutory taxes	704	(101)	—	—
Other[1]	(3,898)	(4,942)	(4,496)	(5,165)
Income tax expense	$8,707	$12,043	$8,971	$13,378
Effective tax rate	24.1%	25.5%	24.3%	28.2%

[1] "Other" is primarily comprised of Idaho Power's regulatory flow-through tax adjustments, which are listed in the rate reconciliation table in Note 2 to the consolidated financial statements included in IDACORP's and Idaho Power's Annual Report on Form 10-K for the year ended December 31, 2013.

Based on its estimate of 2014 return on year-end equity in the Idaho jurisdiction (Idaho ROE), Idaho Power recorded $950 thousand of additional accumulated deferred investment tax credit (ADITC) amortization in the first quarter of

2014, as compared to no amortization for the three months ended March 31, 2013. See Note 3 for a discussion of Idaho Power's regulatory authority for use of additional ADITC amortization.

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3. REGULATORY MATTERS

Included below is a summary of Idaho Power's most recent general rate changes, as well as other recent or pending notable regulatory matters and proceedings.

Idaho and Oregon General Rate Cases and Base Rate Adjustments

Effective January 1, 2012, Idaho Power implemented new Idaho base rates as a result of its receipt of an order from the Idaho Public Utilities Commission (IPUC) approving a settlement stipulation that provided for a 7.86 percent authorized rate of return on an Idaho-jurisdiction rate base of approximately $2.36 billion. The settlement stipulation resulted in a $34.0 million overall increase in Idaho Power's annual Idaho-jurisdictional base rate revenues. Neither the IPUC's order nor the settlement stipulation specified an authorized rate of return on equity.

Effective March 1, 2012, Idaho Power implemented new Oregon base rates as a result of its receipt of an order from the Public Utility Commission of Oregon (OPUC) approving a settlement stipulation that provided for a $1.8 million base rate revenue increase, a return on equity of 9.9 percent, and an overall rate of return of 7.757 percent in the Oregon jurisdiction.

Idaho and Oregon base rates were subsequently adjusted again in 2012, in connection with Idaho Power's completion of the Langley Gulch power plant. On June 29, 2012, the IPUC issued an order approving a $58.1 million increase in annual Idaho-jurisdiction base rate revenues, effective July 1, 2012, for inclusion of the investment and associated costs of the plant in rates. The order also provided for a $335.9 million increase in Idaho rate base. On September 20, 2012, the OPUC issued an order approving a $3.0 million increase in annual Oregon jurisdiction base rate revenues, effective October 1, 2012, for inclusion of the investment and associated costs of the plant in Oregon rates.

See "Idaho Power Cost Adjustment Mechanism; Modification to Net Power Supply Expense Collection Method" below in this Note 3 for a description of Idaho Power's authorization from the IPUC to move a portion of its power supply expenses into Idaho base rates, effective June 1, 2014.

Settlement Stipulation — Investment Tax Credits and Idaho Sharing Mechanism

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;
- if Idaho Power's actual Idaho ROE for 2012, 2013, or 2014 exceeds 10.0 percent, the amount of Idaho Power's Idaho-jurisdiction earnings exceeding a 10.0 percent and up to and including a 10.5 percent Idaho ROE for the applicable year would be shared equally between Idaho Power and its Idaho customers in the form of a rate reduction to become effective at the time of the subsequent year's power cost adjustment (PCA); and
- if Idaho Power's actual Idaho ROE for 2012, 2013, or 2014 exceeds 10.5 percent, the amount of Idaho Power's Idaho-jurisdiction earnings exceeding a 10.5 percent Idaho ROE for the applicable year would be allocated 75 percent to Idaho Power's Idaho customers as a reduction to the pension regulatory asset and 25 percent to Idaho Power.

The settlement stipulation also 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.

Based on Idaho Power's Idaho ROE in 2012 and 2013, Idaho Power triggered the sharing mechanism of the December 2011 settlement stipulation for both years. The amounts Idaho Power recorded for revenue sharing were as follows (in millions):

	2013	2012
Additional pension expense funded through sharing	$16.5	$14.6
Provision against current revenue as a result of sharing	7.6	7.2
Total	$24.1	$21.8

In the first quarter of 2014, Idaho Power recorded $950 thousand in additional ADITC amortization for that period based on its estimate of Idaho ROE for full-year 2014 of less than 9.5 percent (absent amortization of additional ADITC).

Idaho Power Cost Adjustment Mechanism; Update to Base Level Net Power Supply Expense

In both its Idaho and Oregon jurisdictions, Idaho Power's PCA mechanisms address the volatility of power supply costs and provide for annual adjustments to the rates charged to its retail customers. The PCA mechanisms compare Idaho Power's actual and forecast net power supply costs (primarily fuel and purchased power less off-system sales) against net power supply costs currently being recovered in retail rates. Under the PCA mechanisms, certain differences between actual net power supply costs incurred by Idaho Power and the costs included in retail rates are recorded as a deferred charge or credit on the balance sheets for future recovery or refund through retail rates. The power supply costs deferred primarily result from changes in wholesale market prices and transaction volumes, fuel prices, changes in contracted power purchase prices and volumes (including PURPA power purchases), and the levels of Idaho Power's own hydroelectric and thermal generation.

On November 1, 2013, Idaho Power filed an application with the IPUC requesting an increase of approximately $106 million in the normalized or "base level" net power supply expense on a total-system basis to be used to update base rates and in the determination of the PCA rate that will become effective June 1, 2014. Idaho Power's filing was intended to remove the Idaho-jurisdictional portion of those expenses from collection via the Idaho PCA mechanism and instead collect that portion through base rates. On March 21, 2014, the IPUC issued an order approving Idaho Power's application, with the change in collection methodology effective June 1, 2014.

On April 15, 2014, Idaho Power filed an application with the IPUC requesting an $11.1 million net increase in Idaho PCA rates, effective for the 2014-2015 PCA collection period from June 1, 2014 to May 31, 2015. The requested $11.1 million PCA rate increase is net of Idaho Power's proposal in the application to use a total of $20.0 million of surplus Idaho energy efficiency rider funds to offset what would otherwise be a larger PCA rate adjustment request. The proposed PCA rate increase is also net of $7.6 million of customer revenue sharing for 2013 under the December 2011 settlement stipulation described above. An order from the IPUC is pending. Previously, in May 2013 the IPUC issued an order authorizing a $140.4 million increase in PCA rates (net of 2012 revenue sharing), effective for the 2013-2014 PCA collection period from June 1, 2013 to May 31, 2014.

Annual Idaho Fixed Cost Adjustment Filing

The fixed cost adjustment (FCA) is designed to remove Idaho Power’s financial 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 recover or refund the difference between the amount of fixed costs authorized in Idaho Power's most recent general rate case and the amount of fixed costs recovered by Idaho Power based upon weather-normalized energy sales. On March 14, 2014, Idaho Power filed an application with the IPUC requesting a $6.0 million increase in the FCA recovery from $8.9 million to $14.9 million, effective for the period from June 1, 2014 to May 31, 2015. An order from the IPUC is pending. Previously, on May 22, 2013, the IPUC issued an order authorizing a decrease in FCA collection from $10.3 million to $8.9 million, effective for the period from June 1, 2013 to May 31, 2014.

4. NOTES PAYABLE

Credit Facilities

IDACORP and Idaho Power have in place credit facilities that may be used for general corporate purposes and commercial paper backup. The terms and conditions of those credit facilities have not changed compared to the descriptions included in IDACORP's and Idaho Power's Annual Report on Form 10-K for the year ended December 31, 2013.

At March 31, 2014, no loans were outstanding under either IDACORP's or Idaho Power's facilities. At March 31, 2014, Idaho Power had regulatory authority to incur up to $450 million in 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 March 31, 2014 and December 31, 2013:

	March 31, 2014			December 31, 2013		
	Idaho Power	IDACORP	Total	Idaho Power	IDACORP	Total
Commercial paper outstanding	$—	$47,300	$47,300	$—	$54,750	$54,750
Weighted-average annual interest rate	— %	0.31 %	0.31 %	— %	0.34 %	0.34 %

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5. COMMON STOCK

IDACORP Common Stock

During the three months ended March 31, 2014, IDACORP issued 74,049 shares of common stock pursuant to the 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 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. On July 12, 2013, IDACORP entered into its current Sales Agency Agreement with BNY Mellon Capital Markets, LLC (BNYMCM). IDACORP may offer and sell up to 3 million shares of its common stock from time to time in at-the-market offerings through BNYMCM as IDACORP's agent. IDACORP has no obligation to issue any minimum number of shares under the Sales Agency Agreement. As of the date of this report, no shares of IDACORP common stock have been issued under the current Sales Agency Agreement.

Restrictions on Dividends

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. A covenant under IDACORP’s credit facility and Idaho Power’s credit facility requires IDACORP and Idaho Power to maintain leverage ratios of consolidated indebtedness to consolidated total capitalization, as defined therein, of no more than 65 percent at the end of each fiscal quarter. At March 31, 2014, the leverage ratios for IDACORP and Idaho Power were 47 percent and 48 percent, respectively. Based on these restrictions, IDACORP’s and Idaho Power’s dividends were limited to $962 million and $860 million, respectively, at March 31, 2014. There are additional facility covenants, subject to exceptions, that prohibit or restrict the sale or disposition of property without consent and any agreements restricting dividend payments to the company from any material subsidiary. At March 31, 2014, IDACORP and Idaho Power were in compliance with the financial covenants.

Idaho Power’s Revised Policy and Code of Conduct relating to transactions between and among Idaho Power, IDACORP, and other affiliates, which was approved by the IPUC in April 2008, provides 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 March 31, 2014, Idaho Power's common equity capital was 52 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. As of the date of this report, 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 account" is undefined in the Federal Power Act or its regulations, but Idaho Power does not believe the restriction would limit Idaho Power's ability to pay dividends out of current year earnings or retained earnings.

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6. EARNINGS PER SHARE

The table below presents the computation of IDACORP’s basic and diluted earnings per share for the three months ended March 31, 2014 and 2013 (in thousands, except for per share amounts).

	Three months ended March 31,	
	2014	2013
Numerator:		
Net income attributable to IDACORP, Inc.	$27,404	$35,194
Denominator:		
Weighted-average common shares outstanding - basic	50,131	50,039
Effect of dilutive securities:		
Options	1	4
Restricted stock	43	21
Weighted-average common shares outstanding - diluted	50,175	50,064
Basic earnings per share	$0.55	$0.70
Diluted earnings per share	$0.55	$0.70

7. COMMITMENTS

Purchase Obligations

IDACORP's and Idaho Power's purchase obligations did not change materially, outside of the ordinary course of business, during the three months ended March 31, 2014, other than the addition of five power purchase agreements with solar and other alternative energy developers for projects with a combined nameplate capacity of approximately 43 MW. Payments pursuant to these agreements are expected to total $164 million from 2014 to 2036.

Guarantees

Idaho Power has agreed to guarantee a portion of the performance of reclamation activities and obligations at BCC, of which IERCo owns a one-third interest. This guarantee, which is renewed annually with the Wyoming Department of Environmental Quality, was $74 million at March 31, 2014, representing IERCo's one-third share of BCC's total reclamation obligation. BCC has a reclamation trust fund set aside specifically for the purpose of paying these reclamation costs. At March 31, 2014, the value of the reclamation trust fund was $65 million. During the three months ended March 31, 2014, the reclamation trust fund distributed approximately $5 million for reclamation activity costs associated with the BCC surface mine. BCC periodically assesses the adequacy of the reclamation trust fund and its estimate of future reclamation costs. To ensure that the reclamation trust fund maintains adequate reserves, BCC has the ability to add a per-ton surcharge to coal sales, all of which are made to the Jim Bridger plant. Starting in 2010, BCC began applying a nominal surcharge to coal sales in order to maintain adequate reserves in the reclamation trust fund. Because of the existence of the fund and the ability to apply a per-ton surcharge, the estimated fair value of this guarantee is minimal.

IDACORP and Idaho Power enter into financial agreements and power purchase and sale agreements that include indemnification provisions relating to various forms of claims or liabilities that may arise from the transactions contemplated by these agreements. Generally, a maximum obligation is not explicitly stated in the indemnification provisions and, therefore, the overall maximum amount of the obligation under such indemnification provisions cannot be reasonably estimated. IDACORP and Idaho Power periodically evaluate the likelihood of incurring costs under such indemnities based on their historical experience and the evaluation of the specific indemnities. As of March 31, 2014, management believes the likelihood is remote that IDACORP or Idaho Power would be required to perform under such indemnification provisions or otherwise incur any significant losses with respect to such indemnification obligations. Neither IDACORP nor Idaho Power has recorded any liability on their respective condensed consolidated balance sheets with respect to these indemnification obligations.

8. CONTINGENCIES

IDACORP and Idaho Power have in the past and expect in the future to become involved in various claims, controversies, disputes, and other contingent matters, including the items described in this Note 8. Some of these claims, controversies, disputes, and other contingent matters involve litigation and regulatory or other contested proceedings. The ultimate resolution

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and outcome of litigation and regulatory proceedings is inherently difficult to determine, particularly where (a) the remedies or penalties sought are indeterminate, (b) the proceedings are in the early stages or the substantive issues have not been well developed, or (c) the matters involve complex or novel legal theories or a large number of parties. In accordance with applicable accounting guidance, IDACORP and Idaho Power, as applicable, establish an accrual for legal proceedings when those matters proceed to a stage where they present loss contingencies that are both probable and reasonably estimable. In such cases, there may be a possible exposure to loss in excess of any amounts accrued. IDACORP and Idaho Power monitor those matters for developments that could affect the likelihood of a loss and the accrued amount, if any, and adjust the amount as appropriate. If the loss contingency at issue is not both probable and reasonably estimable, IDACORP and Idaho Power do not establish an accrual and the matter will continue to be monitored for any developments that would make the loss contingency both probable and reasonably estimable. As of the date of this report, IDACORP's and Idaho Power's accruals for loss contingencies are not material to their financial statements as a whole; however, future accruals could be material in a given period. IDACORP's and Idaho Power's determination is based on currently available information, and estimates presented in financial statements and other financial disclosures involve significant judgment and may be subject to significant uncertainty. For matters that affect Idaho Power’s operations, Idaho Power intends to seek, to the extent permissible and appropriate, recovery through the ratemaking process of costs incurred.

Western Energy Proceedings

High prices for electricity, energy shortages, and blackouts in California and in western wholesale markets during 2000 and 2001 caused numerous purchasers of electricity in those markets to initiate proceedings seeking refunds or other forms of relief and the FERC to initiate its own investigations. Some of these proceedings remain pending before the FERC or are on appeal to the United States Court of Appeals for the Ninth Circuit. Idaho Power and IESCo (as successor to IDACORP Energy L.P.) believe that settlement releases they have obtained will restrict potential claims that might result from the disposition of pending proceedings and predict that these matters will not have a material adverse effect on IDACORP's or Idaho Power's results of operations or financial condition. However, the settlements and associated FERC orders have not fully eliminated the potential for so-called "ripple claims," which involve potential claims for refunds from an upstream seller of power based on a finding that its downstream buyer was liable for refunds as a seller of power during the relevant period. The FERC has characterized these ripple claims as "speculative." The FERC has refused to dismiss Idaho Power and IESCo from the proceedings in the Pacific Northwest and in orders respecting two separately filed settlements refused to approve a provision that provided for waivers of all claims in those proceedings, despite only limited objections from two market participants, one of whom removed its objections in the later-filed settlement. Idaho Power and IESCo petitioned the D.C. Circuit for review of the first of the FERC's decisions refusing to approve the waiver provision of the settlements, on the basis that the FERC failed to apply its established precedents and rules. The petition for review was transferred to the Ninth Circuit Court of Appeals in June 2013 and remains pending before that court. The second settlement remains before the FERC on rehearing.

Based on its evaluation of the merits of ripple claims and the inability to estimate the potential exposure should the claims ultimately have any merit, particularly in light of Idaho Power and IESCo being both purchasers and sellers in the energy market during the relevant period, Idaho Power and IESCo have no amount accrued relating to the proceedings. To the extent the availability of any ripple claims materializes, Idaho Power and IESCo intend to continue to vigorously defend their positions in the proceedings.

Snake River Basin Adjudication

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

The Swan Falls Agreement provided that the resolution and recognition of Idaho Power's water rights together with the State Water Plan provided a sound comprehensive plan for management of the Snake River watershed. The Swan Falls Agreement

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

Idaho Power’s claims for water rights have now been adjudicated in the SRBA and partial decrees for those water rights have been entered by the court. In July 2011, the SRBA Court entered an Order Designating Basin-Wide Issue 16, In Re: Form and Content of Final Unified Decree, and advised the parties to the SRBA of the need to file notices of intent to participate in the basin-wide issue and of the court’s intent to establish a schedule for closing the taking of water right claims in the SRBA. Idaho Power participated in Basin-Wide Issue 16 and in June 2012 the court issued a memorandum decision and order. By subsequent orders, the court closed claims taking in all of the basins in the SRBA. The court is expected to issue a final unified decree in the SRBA in the fall of 2014. Assuming entry of the final decree, the SRBA will be concluded.

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

Other Proceedings

IDACORP and Idaho Power are parties to legal claims and legal and regulatory actions and proceedings in the ordinary course of business that are in addition to those discussed above and, as noted above, records an accrual for associated loss contingencies when they are probable and reasonably estimable. As of the date of this report the companies believe that resolution of those matters will not have a material adverse effect on their respective consolidated financial statements. Idaho Power is also actively monitoring various pending environmental regulations that may have a significant impact on its future operations. Given uncertainties regarding the outcome, timing, and compliance plans for these environmental matters, Idaho Power is unable to estimate the financial impact of these regulations but does believe that future capital investment for infrastructure and modifications to its electric generating facilities to comply with these regulations could be significant.

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9. BENEFIT PLANS

Idaho Power has two defined benefit pension plans - a noncontributory defined benefit pension plan (pension plan) and nonqualified defined benefit plans for certain senior management employees called the Security Plan for Senior Management Employees I and II (SMSP). The benefits under the pension plan are based on years of service and the employee's final average earnings. Idaho Power also maintains a defined benefit postretirement benefit plan (consisting of health care and death benefits) that covers all employees who were enrolled in the active-employee group plan at the time of retirement as well as their spouses and qualifying dependents. The table below shows the components of net periodic benefit costs for the pension, SMSP, and postretirement benefits plans for the three months ended March 31, 2014 and 2013 (in thousands of dollars).

	Pension Plan		SMSP		Postretirement Benefits	
	2014	2013	2014	2013	2014	2013
Service cost	$6,584	$7,812	$411	$545	$276	$413
Interest cost	8,871	7,936	964	814	716	743
Expected return on plan assets	(10,321)	(8,698)	—	—	(656)	(595)
Amortization of prior service cost	87	87	55	53	46	(25)
Amortization of net loss	1,008	4,252	655	710	—	169
Net periodic benefit cost	6,229	11,389	2,085	2,122	382	705
Adjustments due to the effects of regulation[1]	(1,705)	(6,543)	—	—	—	—
Net periodic benefit cost recognized for financial reporting[1]	$4,524	$4,846	$2,085	$2,122	$382	$705

[1] Net periodic benefit costs for the pension plan are recognized for financial reporting based upon the authorization of each regulatory jurisdiction in which Idaho Power operates. Under IPUC order, income statement recognition of pension plan costs is deferred until costs are recovered through rates.

During the three months ended March 31, 2014, Idaho Power made no contributions to its defined benefit pension plan. In April 2014, Idaho Power made a $6.5 million contribution to the pension plan. Idaho Power's minimum required contributions to the pension plan are estimated to be $1.4 million in 2014, though Idaho Power plans to contribute at least $20 million to the pension plan during 2014.

Idaho Power also has an Employee Savings Plan that complies with Section 401(k) of the Internal Revenue Code and covers substantially all employees. Idaho Power matches specified percentages of employee contributions to the Employee Savings Plan.

10. INVESTMENTS IN EQUITY SECURITIES

Investments in securities classified as available-for-sale securities are reported at fair value, using either specific identification or average cost to determine the cost for computing gains or losses. Any unrealized gains or losses on available-for-sale securities are included in other comprehensive income. The table below summarizes investments in equity securities by IDACORP and Idaho Power as of March 31, 2014 and December 31, 2013 (in thousands of dollars).

	March 31, 2014			December 31, 2013		
	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Available-for-sale securities	$—	$—	$40,358	$—	$—	$41,119

At the end of each reporting period, IDACORP and Idaho Power analyze securities in loss positions to determine whether they have experienced a decline in market value that is considered other-than-temporary. At March 31, 2014 and at December 31, 2013, there were no indicators of other-than-temporary impairment related to IDACORP's and Idaho Power's investments.

There were no sales of available-for-sale securities during the three months ended March 31, 2014 or 2013.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Commodity Price Risk

Idaho Power is exposed to market risk relating to electricity, natural gas, and other fuel commodity prices, all of which are heavily influenced by supply and demand. Market risk may be influenced by market participants' nonperformance of their contractual obligations and commitments, which affects the supply of or demand for the commodity. Idaho Power uses

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derivative instruments, such as physical and financial forward contracts, for both electricity and fuel to manage the risks relating to these commodity price exposures. The primary objectives of Idaho Power's energy purchase and sale activity are to meet the demand of retail electric customers, maintain appropriate physical reserves to ensure reliability, and make economic use of temporary surpluses that may develop.

All of Idaho Power's derivative instruments have been entered into for the purpose of economically hedging forecasted purchases and sales, though none of these instruments have been designated as cash flow hedges. Idaho Power offsets fair value amounts recognized on its balance sheet and applies collateral related to derivative instruments executed with the same counterparty under the same master netting agreement. Idaho Power does not offset a counterparty's current derivative contracts with the counterparty's long-term derivative contracts, although Idaho Power's master netting arrangements would allow current and long-term positions to be offset in the event of default. Also, in the event of default, Idaho Power's master netting arrangements would allow for the offsetting of all transactions executed under the master netting arrangement. These types of transactions may include non-derivative instruments, derivatives qualifying for scope exceptions, receivables and payables arising from settled positions, and other forms of non-cash collateral (such as letters of credit). These types of transactions are excluded from the offsetting presented in the derivative fair value and offsetting table below.

Derivative Instrument Summary

The table below presents the fair values and locations of derivative instruments not designated as hedging instruments recorded on the balance sheets and reconciles the gross amounts of derivatives recognized as assets and as liabilities to the net amounts presented in the balance sheets at March 31, 2014 and December 31, 2013 (in thousands of dollars).

		Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	Gross Fair Value	Amounts Offset	Net Assets	Gross Fair Value	Amounts Offset	Net Liabilities
March 31, 2014							
Current:							
Financial swaps	Other current assets	$2,413	$(328)	$2,085	$328	$(328)	$—
Financial swaps	Other current liabilities	766	(766)	—	3,293	(1,739) [1]	1,554
Forward contracts	Other current assets	297	—	297	—	—	—
Forward contracts	Other current liabilities	—	—	—	233	—	233
Long-term:							
Financial swaps	Other assets	244	—	244	—	—	—
Forward contracts	Other assets	127	—	127	—	—	—
Total		$3,847	$(1,094)	$2,753	$3,854	$(2,067)	$1,787
December 31, 2013							
Current:							
Financial swaps	Other current assets	$1,451	$(175)	$1,276	$175	$(175)	$—
Financial swaps	Other current liabilities	373	(373)	—	1,975	(1,429) [1]	546
Forward contracts	Other current assets	109	—	109	—	—	—
Forward contracts	Other current liabilities	—	—	—	26	—	26
Long-term:							
Financial swaps	Other assets	189	(28)	161	28	(28)	—
Forward contracts	Other assets	126	—	126	—	—	—
Total		$2,248	$(576)	$1,672	$2,204	$(1,632)	$572

[1] Current liability derivative amounts offset include $1.0 million and $1.1 million of collateral receivable for the periods ending March 31, 2014 and December 31, 2013, respectively.

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The table below presents the gains and losses on derivatives not designated as hedging instruments for the three months ended March 31, 2014 and 2013 (in thousands of dollars).

	Location of Realized Gain/(Loss) on Derivatives Recognized in Income	Gain/(Loss) on Derivatives Recognized in Income[1]	
		2014	2013
Financial swaps	Off-system sales	$(6,794)	$1,472
Financial swaps	Purchased power	1,016	(14)
Financial swaps	Fuel expense	3,617	1,116
Financial swaps	Other operations and maintenance	15	11
Forward contracts	Off-system sales	43	
Forward contracts	Purchased power	(41)	
Forward contracts	Fuel expense	40	68

[1] Excludes unrealized gains or losses on derivatives, which are recorded on the balance sheet as regulatory assets or regulatory liabilities.

Settlement gains and losses on electricity swap contracts are recorded on the income statement in off-system sales or purchased power depending on the forecasted position being economically hedged by the derivative contract. Settlement gains and losses on contracts for natural gas are reflected in fuel expense. Settlement gains and losses on diesel derivatives are recorded in other operations and maintenance expense. See Note 12 for additional information concerning the determination of fair value for Idaho Power's assets and liabilities from price risk management activities.

The table below presents the volumes of derivative commodity forward contracts and swaps outstanding at March 31, 2014 and 2013 (in thousands of units).

		March 31,	
Commodity	Units	2014	2013
Electricity purchases	MWh	576	95
Electricity sales	MWh	492	785
Natural gas purchases	MMBtu	9,987	10,216
Natural gas sales	MMBtu	666	425
Diesel purchases	Gallons	675	626

Credit Risk

At March 31, 2014, Idaho Power did not have material credit risk exposure from financial instruments, including derivatives. Idaho Power monitors credit risk exposure through reviews of counterparty credit quality, corporate-wide counterparty credit exposure, and corporate-wide counterparty concentration levels. Idaho Power manages these risks by establishing credit and concentration limits on transactions with counterparties and requiring contractual guarantees, cash deposits, or letters of credit from counterparties or their affiliates, as deemed necessary. Idaho Power's physical power contracts are commonly under Western Systems Power Pool agreements, physical gas contracts are usually under North American Energy Standards Board contracts, and financial transactions are usually under International Swaps and Derivatives Association, Inc. contracts. These contracts contain adequate assurance clauses requiring collateralization if a counterparty has debt that is downgraded below investment grade by at least one rating agency.

Credit-Contingent Features

Certain of Idaho Power's derivative instruments contain provisions that require Idaho Power's unsecured debt to maintain an investment grade credit rating from Moody's Investors Service and Standard & Poor's Ratings Services. If Idaho Power's unsecured debt were to fall below investment grade, it would be in violation of these provisions, and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a liability position at March 31, 2014, was $3.5 million. Idaho Power posted $1.0 million cash collateral related to this amount. If the credit-risk-related contingent features underlying these agreements were triggered on March 31, 2014, Idaho Power would have been required to post an additional $0.8 million of cash collateral to its counterparties.

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12. FAIR VALUE MEASUREMENTS

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

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

- Level 1: Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that IDACORP and Idaho Power has the ability to access.

- Level 2: Financial assets and liabilities whose values are based on the following:

a) quoted prices for similar assets or liabilities in active markets;
b) quoted prices for identical or similar assets or liabilities in non-active markets;
c) pricing models whose inputs are observable for substantially the full term of the asset or liability; and
d) pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

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

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

IDACORP's and Idaho Power's assessment of a particular input's significance to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy. An item recorded at fair value is reclassified among levels when changes in the nature of valuation inputs cause the item to no longer meet the criteria for the level in which it was previously categorized. There were no transfers between levels or material changes in valuation techniques or inputs during the three months ended March 31, 2014 or the year ended December 31, 2013.

The table below presents information about IDACORP's and Idaho Power's assets and liabilities measured at fair value on a recurring basis as of March 31, 2014 and December 31, 2013 (in thousands of dollars).

	March 31, 2014				December 31, 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Derivatives	$2,329	$424	$—	$2,753	$1,437	$235	$—	$1,672
Money market funds	100	—	—	100	100	—	—	100
Trading securities: Equity securities	162	—	—	162	1,153	—	—	1,153
Available-for-sale securities: Equity securities	40,358	—	—	40,358	41,119	—	—	41,119
Liabilities:								
Derivatives	$1,554	$233	$—	$1,787	$546	$26	$—	$572

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

The table below presents the carrying value and estimated fair value of financial instruments that are not reported at fair value, as of March 31, 2014 and December 31, 2013, using available market information and appropriate valuation methodologies.

	March 31, 2014		December 31, 2013	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(thousands of dollars)			
IDACORP				
Assets:				
Notes receivable[(1)]	$3,472	$3,472	$3,472	$3,472
Liabilities:				
Long-term debt[(1)]	1,615,319	1,715,770	1,616,322	1,600,248
Idaho Power				
Liabilities:				
Long-term debt[(1)]	$1,615,319	$1,715,770	$1,616,322	$1,600,248

[(1)] Notes receivable and long-term debt are categorized as Level 3 and Level 2, respectively, of the fair value hierarchy, as defined earlier in this Note 12.

Notes receivable are related to Ida-West and are valued based on unobservable inputs, including discounted cash flows, which are partially based on forecasted hydroelectric conditions. Long-term debt is not traded on an exchange and is valued using quoted rates for similar debt in active markets. Cash and cash equivalents, deposits, customer and other receivables, notes payable, accounts payable, interest accrued, and taxes accrued are reported at their carrying value as these are a reasonable estimate of their fair value. The estimated fair values for long-term debt are based upon quoted market prices of similar issues or the same issues in an inactive market. The estimated fair values for notes receivable are based upon discounted cash flow analysis.

13. SEGMENT INFORMATION

IDACORP's only reportable segment is utility operations. The utility operations segment's primary source of revenue is the regulated operations of Idaho Power. Idaho Power's regulated operations include the generation, transmission, distribution, purchase, and sale of electricity. This segment also includes income from IERCo, a wholly-owned subsidiary of Idaho Power that is also subject to regulation and is a one-third owner of BCC, an unconsolidated joint venture.

IDACORP's other operating segments are below the quantitative and qualitative thresholds for reportable segments and are included in the "All Other" category in the table below. This category is comprised of IFS's investments in affordable housing and historic rehabilitation projects, Ida-West's joint venture investments in small hydroelectric generation projects, the remaining activities of IESCo, and IDACORP's holding company expenses.

The table below summarizes the segment information for IDACORP's utility operations and the total of all other segments, and reconciles this information to total enterprise amounts (in thousands of dollars).

	Utility Operations	All Other	Eliminations	Consolidated Total
Three months ended March 31, 2014:				
Revenues	$292,320	$399	$—	$292,719
Net income (loss) attributable to IDACORP, Inc.	27,900	(496)	—	27,404
Total assets as of March 31, 2014	5,273,793	101,070	(13,471)	5,361,392
Three months ended March 31, 2013:				
Revenues	$264,368	$560	$—	$264,928
Net income attributable to IDACORP, Inc.	34,046	1,148	—	35,194

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14. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME

Comprehensive income includes net income, unrealized holding gains and losses on available-for-sale marketable securities, and amounts related to the SMSP. The table below presents changes in components of accumulated other comprehensive income (AOCI), net of tax, during the three months ended March 31, 2014 and 2013 (in thousands of dollars). Items in parentheses indicate reductions to AOCI.

	Unrealized Gains and Losses on Available-for-Sale Securities	Defined Benefit Pension Items	Total
Three months ended March 31, 2014:			
Balance at beginning of period	$—	$(16,553)	$(16,553)
Other comprehensive income before reclassifications	—	—	—
Amounts reclassified out of AOCI	—	432	432
Net current-period other comprehensive income	—	432	432
Balance at end of period	$—	$(16,121)	$(16,121)
Three months ended March 31, 2013:			
Balance at beginning of period	$4,136	$(21,252)	$(17,116)
Other comprehensive income before reclassifications	1,181	—	1,181
Amounts reclassified out of AOCI	—	465	465
Net current-period other comprehensive income	1,181	465	1,646
Balance at end of period	$5,317	$(20,787)	$(15,470)

The table below presents amounts reclassified out of components of AOCI and the income statement location of those amounts reclassified during the three months ended March 31, 2014 and 2013 (in thousands of dollars). Items in parentheses indicate increases to net income.

Details About AOCI	Amount Reclassified from AOCI	
	2014	2013
Amortization of defined benefit pension items[1]		
Prior service cost	$55	$53
Net loss	655	710
Total before tax	710	763
Tax benefit[2]	(278)	(298)
Net of tax	432	465
Total reclassification for the period	$432	$465

[1] Amortization of these items is included in IDACORP's condensed consolidated income statements in other operating expenses and in Idaho Power's condensed consolidated income statements in other expense, net.
[2] The tax benefit is included in income tax expense in the condensed consolidated income statements of both IDACORP and Idaho Power.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
IDACORP, Inc.
Boise, Idaho

We have reviewed the accompanying condensed consolidated balance sheet of IDACORP, Inc. and subsidiaries (the "Company") as of March 31, 2014, and the related condensed consolidated statements of income, comprehensive income, equity and cash flows for the three-month periods ended March 31, 2014 and 2013. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of IDACORP, Inc. and subsidiaries as of December 31, 2013, and the related consolidated statements of income, comprehensive income, equity, and cash flows for the year then ended (not presented herein); and in our report dated February 20, 2014, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2013 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ DELOITTE & TOUCHE LLP

Boise, Idaho
May 1, 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholder of
Idaho Power Company
Boise, Idaho

We have reviewed the accompanying condensed consolidated balance sheet of Idaho Power Company and subsidiary (the "Company") as of March 31, 2014, and the related condensed consolidated statements of income, comprehensive income, and cash flows for the three-month periods ended March 31, 2014 and 2013. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Idaho Power Company and subsidiary as of December 31, 2013, and the related consolidated statements of income, comprehensive income, retained earnings, and cash flows for the year then ended (not presented herein); and in our report dated February 20, 2014, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2013 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ DELOITTE & TOUCHE LLP

Boise, Idaho
May 1, 2014

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ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Megawatt-hours (MWh) and dollar amounts in tables, other than earnings per share, are in thousands unless otherwise indicated.)

INTRODUCTION

In Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A), the general financial condition and results of operations for IDACORP, Inc. and its subsidiaries (collectively, for purposes of this Item 2, IDACORP) and Idaho Power Company and its subsidiary (collectively, for purposes of this Item 2, Idaho Power) are discussed. While reading the MD&A, please refer to the accompanying condensed consolidated financial statements of IDACORP and Idaho Power, and the notes thereto. This discussion updates the MD&A included in the Annual Report on Form 10-K for the year ended December 31, 2013, and should also be read in conjunction with the information in that report. The results of operations for an interim period generally will not be indicative of results for the full year, particularly in light of the seasonality of Idaho Power's sales volumes, as discussed below.

IDACORP is a holding company formed in 1998 whose principal operating subsidiary is Idaho Power. IDACORP’s common stock is listed and trades on the New York Stock Exchange under the trading symbol “IDA.” Idaho Power is an electric utility with a service territory covering approximately 24,000 square miles in southern Idaho and eastern Oregon.

Idaho Power provided electric service to approximately 509,000 general business customers as of March 31, 2014. As a regulated utility, many of Idaho Power's fundamental business decisions are subject to the approval of governmental agencies. Idaho Power is under the jurisdiction (as to rates, service, accounting, and other general matters of utility operation) of the Idaho Public Utilities Commission (IPUC), the Public Utility Commission of Oregon (OPUC), and the Federal Energy Regulatory Commission (FERC). The IPUC and OPUC determine the rates that Idaho Power charges to its general business customers. Idaho Power is also under the regulatory jurisdiction of the IPUC, the OPUC, and the Public Service Commission of Wyoming as to the issuance of debt and equity securities. As a public utility under the Federal Power Act, Idaho Power has authority to charge market-based rates for wholesale energy sales under its FERC tariff and to provide transmission services under its open access transmission tariff (OATT). Idaho Power uses general rate cases, cost adjustment mechanisms, and subject-specific filings to recover its costs of providing service and the costs of its energy efficiency and demand-response programs, and to seek to earn a return on investment.

Idaho Power generates revenues and cash flows primarily from the sale and distribution of electricity to customers in its Idaho and Oregon service territories, as well as from the wholesale sale and transmission of electricity. Idaho Power’s revenues and income from operations are subject to fluctuations during the year due to the impacts of seasonal weather conditions on demand for electricity, availability of water for hydroelectric generation, price changes, customer usage patterns (which are affected in large part by the condition of the economy across the service area), and the availability and price of purchased power and fuel. Idaho Power experiences its highest retail energy sales during the summer irrigation and cooling season, with a lower peak in the winter that generally results from heating demand. IDACORP’s and Idaho Power’s financial condition are also affected by regulatory decisions through which Idaho Power seeks to recover its costs on a timely basis and earn an authorized return on investment, and by the ability to obtain financing through the issuance of debt and/or equity securities.

IDACORP’s other subsidiaries include IDACORP Financial Services, Inc. (IFS), an investor in affordable housing and historic rehabilitation projects; Ida-West Energy Company, an operator of small hydroelectric generation projects that satisfy the requirements of the Public Utility Regulatory Policies Act of 1978 (PURPA); and IDACORP Energy

Services Co., which is the former limited partner of, and successor by merger to, IDACORP Energy L.P., a marketer of energy commodities that wound down operations in 2003. 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.

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EXECUTIVE OVERVIEW

Management's Outlook and Initiatives

In the Annual Report on Form 10-K for the year ended December 31, 2013, IDACORP's and Idaho Power's management included a brief overview of their outlook and initiatives for the companies for 2014 and beyond, under the heading "Executive Overview - Management's Outlook" in the MD&A. As of the date of this report, management's outlook is consistent with the disclosure in that report. Most notably:

- Idaho Power continues to expect positive customer growth in its service area, and continues to support economic development initiatives aimed at sustainable levels of growth;
- Idaho Power continues to expect sizable capital investment, with capital expenditures estimated at $1.47 billion to $1.56 billion for the five-year period from 2014 to 2018;
- Idaho Power continues to focus on optimization efforts targeting opportunities to manage operating and maintenance (O&M) expenses; and
- IDACORP remains focused on the previously established long-term target dividend payout ratio of between 50 and 60 percent of sustainable IDACORP earnings. IDACORP's board of directors approves the dividend amount quarterly and periodically assesses the potential for changes in the dividend amount.

Brief Overview of First Quarter 2014 Financial Results

IDACORP's earnings were $0.55 per diluted share for the quarter ended March 31, 2014, compared to $0.70 per diluted share for the same quarter in 2013. IDACORP's first quarter earnings in 2014 were lower than in 2013 primarily due to the impact of milder weather on sales to residential customers, who use electricity for heating. In the first quarter of 2014 temperatures were slightly warmer than normal, while in the first quarter of 2013 temperatures were much colder than normal. Based on Idaho Power's March 31, 2014 estimate of full-year 2014 return on year-end equity in the Idaho jurisdiction (Idaho ROE), Idaho Power recorded approximately $1 million of additional accumulated deferred investment tax credits (ADITC) pursuant to the terms of a December 2011 settlement stipulation with the IPUC. The December 2011 settlement allows additional amortization of ADITC if Idaho Power's year-end 2014 Idaho ROE is less than 9.5 percent. IDACORP's and Idaho Power's results, including a quantification of the impacts of the significant items influencing results, are discussed in more detail below.

Overview of General Factors and Trends Affecting Results of Operations and Financial Condition

IDACORP's and Idaho Power's results of operations and financial condition are affected by regulatory, operational, weather-related, economic, and other factors, many of which are described below.

Timely Regulatory Cost Recovery: The price that Idaho Power is authorized to charge for its electric service is a critical factor in determining IDACORP's and Idaho Power's results of operations and financial condition. Because of the significant impact of ratemaking decisions, and in furtherance of its goal of advancing a purposeful regulatory strategy, Idaho Power has focused on timely recovery of its costs through filings with the company's regulators, and on the prudent management of expenses and investments. Certain recent and pending rate proceedings are discussed in IDACORP's and Idaho Power's Annual Report on Form 10-K for the year ended December 31, 2013, in "Regulatory Matters" in this MD&A, and in Note 3 - "Regulatory Matters" to the condensed consolidated financial statements included in this report.

Idaho Power has in place a regulatory mechanism that it believes affords an element of earnings stability for 2014. In December 2011 the IPUC approved a settlement stipulation that permits Idaho Power to amortize additional ADITC to help achieve a minimum 9.5 percent Idaho ROE in 2012, 2013, and 2014, subject to prescribed limits and conditions. Based on its 2012 and 2013 Idaho ROEs, Idaho Power did not amortize any additional ADITC in 2012 or 2013. As of the date of this report, Idaho Power expects to amortize less than $5 million of additional ADITC in 2014 (including the amount recorded in the first quarter of 2014). The settlement stipulation also provides for the sharing between the company and customers of Idaho-jurisdictional earnings in excess of specified levels of Idaho ROE, and the sharing provisions were triggered in both 2012 and 2013. The terms of the settlement stipulation are described in "Regulatory Matters" in this MD&A and in Note 3 - "Regulatory Matters" to the condensed consolidated financial statements included in this report. Idaho Power expects to file an application with the IPUC, as early as late May 2014, requesting an extension of the terms of the December 2011 Idaho regulatory settlement stipulation.

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Economic Conditions and Customer/Load Growth: Idaho Power monitors a number of economic indicators, including employment statistics, growth in customer numbers, foreclosure rates, and other housing-related data on a national and state scale and within Idaho Power's service territory. Economic conditions can impact consumer demand for electricity, collectability of accounts, the volume of off-system sales, and the need to construct and improve infrastructure, purchase power, and implement programs to meet customer load demands. Idaho Power has observed what it believes to be a number of improvements in economic conditions in its service territory. For example:

- For the first quarter of 2014, Idaho's average employment of 453,270 eclipsed the previous quarterly peak of 449,710 established in the fourth quarter of 2006, based on Idaho Department of Labor seasonally-adjusted preliminary data. The total employment in the service area in March 2014 was 453,494, compared to 451,526 at December 31, 2013. The associated unemployment rate for the service area was 5.4 percent, compared to the state of Idaho rate of 5.8 percent. The March 2014 U.S. unemployment rate stood at 6.7 percent, according to U.S. Department of Labor data.
- Moody's Analytics forecasts, as of April 14,2014, 3.0 percent and 3.7 percent growth in gross area product for 2014 and 2015, respectively.
- Housing market fundamentals continue to improve when measured by foreclosure rates, market prices, new housing permits, and available supply of housing. Residential customer growth for the 12 months ended March 31, 2014 was 1.5 percent.
- A number of businesses have recently constructed, or are in the process of constructing, sizable facilities in Idaho Power's service area, including office and manufacturing complexes, particularly in the food processing industry.

Weather Conditions and Associated Impacts: Weather and agricultural growing conditions have a significant impact on energy sales and the seasonality of those sales. Relatively low and high temperatures result in greater energy use for heating and cooling, respectively. During the agricultural growing season, which in large part occurs during the second and third quarters, irrigation customers use electricity to operate irrigation pumps, and weather conditions can impact the timing and degree of use of those pumps. Idaho Power also has tiered rates and seasonal rates, which contribute to increased revenues during higher-load periods, most notably during the third quarter of each year when overall customer demand is highest. In the first quarter of 2014, slightly above-normal temperatures reduced sales to residential customers for the operation of electric heating systems, while in the first quarter of 2013 extremely cold temperatures increased sales.

Idaho Power's hydroelectric facilities comprise nearly one-half of Idaho Power's nameplate generation capacity. However, the availability and volume of hydroelectric power generated depends on several factors - the snow pack levels in the mountains upstream of Idaho Power's facilities, reservoir storage, springtime snow pack run-off, base flows in the Snake River, spring flows, rainfall, water leases and other water rights, and other weather and stream flow considerations. Idaho Power estimates that its 2014 hydroelectric generation will be between 5.5 million and 7.5 million megawatt-hours (MWh), compared to 2013 hydroelectric generation of 5.7 million MWh. The median annual hydroelectric generation is 8.4 million MWh.

When hydroelectric generation is reduced, Idaho Power must rely on more expensive generation sources and purchased power - but most of the increase in power supply costs is collected from customers through the Idaho and Oregon PCA mechanisms. Conversely, in periods of greater hydroelectric generation most of the resulting decrease in power supply costs that typically occurs is returned to customers through the PCA mechanisms.

When favorable hydroelectric generating conditions exist for Idaho Power, they also may exist for other Pacific Northwest hydroelectric facility operators – increasing the available supply of lower-cost power, lowering regional wholesale market prices, and impacting the revenue Idaho Power receives from off-system sales of its excess power. Conversely, when hydroelectric generating conditions are poor, wholesale market prices may be higher due to lower supply, but Idaho Power would generally have less surplus energy available for sale into the wholesale markets at those times. Much of the adverse or favorable impact of this volatility is addressed through the power cost adjustment

(PCA) mechanisms in Idaho and Oregon.

Fuel and Purchased Power Expense: In addition to hydroelectric generation, Idaho Power relies significantly on coal and natural gas to fuel its generation facilities and power purchases in the wholesale markets. Idaho Power also uses physical and financial forward contracts for both electricity and fuel and other hedging strategies in order to manage the risks relating to fuel and power price exposures. Fuel costs are impacted by electricity sales volumes, the terms of contracts for fuel, Idaho Power's generation capacity, the availability of hydroelectric generation resources, transmission capacity, energy and natural gas market prices, and Idaho Power's hedging program for managing fuel costs.

Purchased power costs are impacted by the terms of contracts for purchased power, the rate of expansion of alternative energy generation sources such as wind energy, and wholesale energy market prices. Idaho Power is obligated to purchase power from some PURPA generation projects at a specified price regardless of the then-current load demand or wholesale energy market prices. This increases the likelihood that Idaho Power will at times be required to reduce output from its lower-cost

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hydroelectric and fossil fuel-fired generation resources and may be required to sell in the wholesale power market the power it purchases from PURPA projects at a significant loss. Integration of less reliable, intermittent, non-dispatchable resources (such as wind energy) into Idaho Power's portfolio also creates a number of complex operational challenges and risks that Idaho Power must address. Notably, integration of these sources of power into Idaho Power's portfolio does not eliminate Idaho Power's need to construct facilities and infrastructure that provide reliable power. For instance, at the time Idaho Power reached its all-time system peak demand of 3,407 MW on July 2, 2013, wind resources on Idaho Power's system, representing roughly 675 MW of nameplate capacity, were contributing only 57 MW of power due to lack of wind. Increases in federally mandated PURPA power purchases have contributed to increases in customer rates.

The Idaho and Oregon PCA mechanisms mitigate in large part the potential adverse impacts of fluctuations in power supply costs to Idaho Power, including substantially all of the Idaho-jurisdiction PURPA power purchase costs.

Regulatory and Environmental Compliance Costs and Expenditures: Idaho Power is subject to extensive federal and state laws, policies, and regulations, as well as regulatory actions and audits by agencies and quasi-governmental agencies, including the FERC and the North American Electric Reliability Corporation. Compliance with these requirements directly influences Idaho Power's operating environment and may significantly increase Idaho Power's operating costs. Further, potential monetary and non-monetary penalties for a violation of applicable laws or regulations may be substantial. Accordingly, Idaho Power has in place numerous compliance policies and initiatives to help ensure compliance, and periodically evaluates and updates those policies and initiatives.

In particular, environmental laws and regulations may, among other things, increase the cost of operating generation plants and constructing new facilities, require that Idaho Power install additional pollution control devices at existing generating plants, or require that Idaho Power cease operating certain generation plants. For instance, the Boardman coal-fired power plant, in which Idaho Power owns a 10-percent interest, is scheduled to cease coal-fired operations by the end of 2020, the decision for which was driven in large part by the substantial cost of environmental controls. Idaho Power expects to spend a considerable amount on environmental compliance and controls in the next decade. As legislation and regulations concerning greenhouse gas emissions develop, Idaho Power will continue to assess, to the extent determinable, the potential impact on the costs to operate its generation facilities, as well as the willingness of joint owners of power plants to fund any required pollution control equipment upgrades.

Other Matters: Refer to this section of MD&A in IDACORP's and Idaho Power's Annual Report on Form 10-K for the year ended December 31, 2013, where the companies summarize other matters that could have an impact on the companies' results of operations or financial condition, including Idaho Power's significant anticipated pension plan contributions, hydroelectric facility relicensing efforts, and the status of large transmission projects, each of which are discussed below in this MD&A.

Summary of First Quarter 2014 Financial Results

The following is a summary of Idaho Power's net income, net income attributable to IDACORP, and IDACORP's earnings per diluted share for the quarters ended March 31, 2014 and 2013. IDACORP's 2013 results reflect the retrospective adoption of Accounting Standards Update No. 2014-01, which increased earnings for the first quarter of 2013 by $1.7 million as compared to what had been reported for that period under the previous method of accounting. See Note 1 - "Summary of Significant Accounting Policies" to the condensed consolidated financial statements included in this report for a further description of the impact of this adoption.

	Three months ended March 31,	
	2014	2013
Idaho Power net income	$27,900	$34,046

Net income attributable to IDACORP, Inc.	$27,404	$35,194
Average outstanding shares – diluted (000's)	50,175	50,064
IDACORP, Inc. earnings per diluted share	$0.55	$0.70

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The table below provides a reconciliation of net income attributable to IDACORP for the three-month period ended March 31, 2014 to the same period in 2013 (items are in millions and are before tax unless otherwise noted):

Net income attributable to IDACORP, Inc. - March 31, 2013 (as previously reported)		$33.5
Effect of an accounting method change for IDACORP Financial Services affordable housing investment amortization		1.7
Net income attributable to IDACORP, Inc. - March 31, 2013 (as reported under new method)		$35.2
Change in Idaho Power net income:		
Decreased sales volumes and rates attributable to usage per customer, net of associated power supply costs and PCA mechanism impacts	(12.7)	
Increased sales volumes attributable to customer growth, net of associated power supply costs and PCA mechanism impacts	1.8	
Other changes in operating revenues and expenses, net	0.1	
Decrease in Idaho Power operating income	(10.8)	
Changes in other non-operating income and expenses	0.2	
Additional amortization of ADITC	1.0	
Decrease in income tax expense	3.5	
Total decrease in Idaho Power net income		(6.1)
Other changes (net of tax)		(1.7)
Net income attributable to IDACORP, Inc. - March 31, 2014		$27.4

IDACORP's net income decreased $7.8 million for the first quarter of 2014 when compared with the same period in the prior year. Idaho Power's operating income decreased by $10.8 million as lower overall usage per customer and the related impact on tiered billing rates drove operating income down by a combined $12.7 million when compared to the same period in 2013. Abnormally cold temperatures caused many residential customers using electric heating systems to reach higher rate tiers during the first quarter of 2013, while relatively mild temperatures throughout the first quarter of 2014 resulted in lower use and caused fewer customers to reach the higher rate tiers. Heating degree days in the first quarter of 2013 were approximately 14 percent above normal, while weather conditions during the first three months of 2014 led to slightly below normal heating degree days. Growth in the number of customers and associated increased sales volumes partially offset the usage decreases and increased operating income by $1.8 million for the quarter compared to the first quarter of 2013.

The $10.8 million decrease in Idaho Power's operating income was offset in part by $3.5 million of lower income tax expense resulting from lower Idaho Power pre-tax income. In addition, Idaho Power recorded approximately $1.0 million of additional ADITC amortization during the first quarter of 2014, while no additional ADITC amortization was recorded during the same period in the prior year.

Key Operating and Financial Metric Estimates for Full-Year 2014

As of the date of this report, IDACORP's and Idaho Power's estimates for 2014 are as follows (in millions):

	2014 Estimates	
	Current[1]	Previous[2]
Idaho Power Operating & Maintenance Expense	No Change	$335-$345
Idaho Power Additional Amortization of ADITC	No Change	Less than $5
Idaho Power Capital Expenditures, excluding AFUDC	No Change	$280-$295
Idaho Power Hydroelectric Generation (MWh)[3]	5.5-7.5	5.0-7.0

(1) As of May 1, 2014.
(2) As of February 20, 2014, the date of filing of IDACORP's and Idaho Power's Annual Report on Form 10-K for the year ended December 31, 2013.
(3) Based on reservoir storage levels and forecasted weather conditions as of the date of this report.

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RESULTS OF OPERATIONS

This section of MD&A takes a closer look at the significant factors that affected IDACORP's and Idaho Power's earnings during the three months ended March 31, 2014. In this analysis, the results for the three months ended March 31, 2014 are compared to the same period in 2013.

Utility Operations

The table below presents Idaho Power's energy sales and supply (in thousands of MWh) for the three months ended March 31, 2014 and 2013.

	Three months ended March 31,	
	2014	2013
General business sales	3,186	3,348
Off-system sales	816	502
Total energy sales	4,002	3,850
Hydroelectric generation	1,555	1,510
Coal generation	1,563	1,657
Natural gas and other generation	395	227
Total system generation	3,513	3,394
Purchased power	738	721
Line losses	(249)	(265)
Total energy supply	4,002	3,850