IDACORP INC
Form 10-K
February 18, 2016
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(Mark One)
X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

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 | IRS Employer Identification Number |
|---|---|---|
| 1-14465 | IDACORP, Inc. | 82-0505802 |
| 1-3198 | Idaho Power Company<br>1221 W. Idaho Street<br>Boise, ID 83702-5627<br>(208) 388-2200 | 82-0130980 |

State of incorporation: Idaho

| SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: | Name of exchange on which registered |
|---|---|
| IDACORP, Inc.: Common Stock, without par value | New York Stock Exchange |

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
Idaho Power Company: Preferred Stock

Indicate by check mark whether the registrants are well-known seasoned issuers, as defined in Rule 405 of the Securities Act.
IDACORP, Inc. Yes (X) No ( ) Idaho Power Company Yes ( ) No (X)

Indicate by check mark if the registrants are not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
IDACORP, Inc. Yes ( ) No (X) Idaho Power Company Yes ( ) No (X)

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes (X) No ( )

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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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (X)

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers, or smaller reporting companies.
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 Act).
IDACORP, Inc. Yes ( ) No (X) Idaho Power Company Yes ( ) No (X)

Aggregate market value of voting and non-voting common stock held by non-affiliates (June 30, 2015):
IDACORP, Inc.: $2,798,093,674 Idaho Power Company: None
Number of shares of common stock outstanding as of February 12, 2016:
IDACORP, Inc.: 50,297,581
Idaho Power Company: 39,150,812, all held by IDACORP, Inc.

Documents Incorporated by Reference:

Part III, Items 10 - 14 Portions of IDACORP, Inc.'s definitive proxy statement to be filed pursuant to Regulation 14A for the 2016 annual meeting of shareholders.

This combined Form 10-K 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 representation as to the information relating to IDACORP, Inc.'s other operations.

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

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* Except as indicated in Items 10, 12, and 14, IDACORP, Inc. information is incorporated by reference to IDACORP, Inc.'s definitive proxy statement for the 2016 annual meeting of shareholders.

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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 | IRP | - | Integrated Resource Plan |
| AFUDC | - | Allowance for Funds Used During Construction | IRS | - | U.S. Internal Revenue Service |
| APCU | - | Annual Power Cost Update | kW | - | Kilowatt |
| BCC | - | Bridger Coal Company, a joint venture of IERCo | MATS | - | Mercury and Air Toxics Standards |
| BLM | - | U.S. Bureau of Land Management | MD&A | - | Management's Discussion and Analysis of Financial Condition and Results of Operations |
| BPA | - | Bonneville Power Administration | MW | - | Megawatt |
| CAA | - | Clean Air Act | MWh | - | Megawatt-hour |
| $CO_2$ | - | Carbon Dioxide | NAAQS | - | National Ambient Air Quality Standards |
| CWA | - | Clean Water Act | NMFS | - | National Marine Fisheries Service |
| EGUs | - | Electric Utility Generating Units | NOx | - | Nitrogen Oxide |
| EIS | - | Environmental Impact Statement | NSPS | - | New Source Performance Standards |
| EPA | - | U.S. Environmental Protection Agency | NSR/PSD | - | New Source Review / Prevention of Significant Deterioration |
| EPS | - | Earnings Per Share | O&M | - | Operations and Maintenance |
| ESA | - | Endangered Species Act | OATT | - | Open Access Transmission Tariff |
| FCA | - | Fixed Cost Adjustment | OPUC | - | Public Utility Commission of Oregon |
| FERC | - | Federal Energy Regulatory Commission | PCA | - | Power Cost Adjustment |
| FPA | - | Federal Power Act | PCAM | - | Oregon Power Cost Adjustment Mechanism |
| GAAP | - | Generally Accepted Accounting Principles | PURPA | - | Public Utility Regulatory Policies Act of 1978 |
| GHG | - | Greenhouse Gas | REC | - | Renewable Energy Certificate |
| HCC | - | Hells Canyon Complex | RPS | - | Renewable Portfolio Standard |
| Ida-West | - | Ida-West Energy Company, a subsidiary of IDACORP, Inc. | SEC | - | U.S. Securities and Exchange Commission |
| Idaho ROE | - | Idaho-jurisdiction return on year-end equity | SMSP | - | Security Plan for Senior Management Employees |
| IERCo | - | Idaho Energy Resources Co., a subsidiary of Idaho Power Company | $SO_2$ | - | Sulfur Dioxide |
| IESCo | - | IDACORP Energy Services Co., a subsidiary of IDACORP, Inc. | USFWS | - | U.S. Fish and Wildlife Service |
| IFS | - | IDACORP Financial Services, Inc., a subsidiary of IDACORP, Inc. | VIEs | - | Variable Interest Entities |
| IPUC | - | Idaho Public Utilities 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," "potential," "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 Part I, Item 1A - “Risk Factors” and Part II, Item 7 - “Management’s Discussion and Analysis of Financial Condition and Results of Operations" of this report, as well as in 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 and the loss or change in the business of significant customers, and their associated impacts on loads and load growth, and the availability of regulatory mechanisms that allow for timely cost recovery in the event of those changes;
- the impacts of 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 the collection 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 or sale of electric power;
- adoption of, changes in, and costs of compliance with laws, regulations, and policies relating to the environment, natural resources, and threatened and endangered species, and the ability to recover increased costs through rates;
- variable hydrological conditions and over-appropriation of surface and groundwater in the Snake River Basin, which may impact the amount of power generated by Idaho Power's hydroelectric facilities;
- the ability to purchase fuel, power, and transmission capacity under reasonable terms, particularly in the event of unanticipated power demands, lack of physical availability, transportation constraints, or a credit downgrade;
- accidents, fires (either at or caused by Idaho Power facilities), 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, and regulatory fines and penalties;
- the increased costs and operational challenges associated with purchasing and integrating intermittent renewable energy sources into Idaho Power's resource portfolio;
- administration of reliability, security, and other requirements for system infrastructure required by the Federal Energy Regulatory Commission and other regulatory authorities, 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 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;
- 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;

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- 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 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
ITEM 1. BUSINESS

OVERVIEW

Background

IDACORP, Inc. (IDACORP) is a holding company incorporated in 1998 under the laws of the state of Idaho. Its principal operating subsidiary is Idaho Power Company (Idaho Power). IDACORP is subject to the provisions of the Public Utility Holding Company Act of 2005, which provides the Federal Energy Regulatory Commission (FERC) and state utility regulatory commissions with access to books and records and imposes record retention and reporting requirements on IDACORP.

Idaho Power was incorporated under the laws of the state of Idaho in 1989 as the successor to a Maine corporation that was organized in 1915 and began operations in 1916. Idaho Power is an electric utility engaged in the generation, transmission, distribution, sale, and purchase of electric energy and capacity and is regulated by the state regulatory commissions of Idaho and Oregon and by the FERC. 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. Idaho Power's utility operations constitute nearly all of IDACORP's current business operations and are IDACORP’s only reportable business segment. Segment financial information is presented in Note 17 – "Segment Information" to the consolidated financial statements included in this report. As of December 31, 2015, IDACORP had 2,002 full-time employees, 1,993 of whom were employed by Idaho Power, and 21 part-time employees, 19 of whom were employed by Idaho Power.

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

IDACORP’s and Idaho Power’s principal executive offices are located at 1221 W. Idaho Street, Boise, Idaho 83702, and the telephone number is (208) 388-2200.

Available Information

IDACORP and Idaho Power make available free of charge on their websites their Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934 as soon as reasonably practicable after the reports are electronically filed with or furnished to the U.S. Securities and Exchange Commission (SEC). IDACORP's website is www.idacorpinc.com and Idaho Power's website is www.idahopower.com. The contents of these websites are not part of this Annual Report on Form 10-K. Reports, proxy and information statements, and other information regarding IDACORP and Idaho Power may also be obtained directly from the SEC’s website, www.sec.gov, or from the SEC’s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549.

UTILITY OPERATIONS

Background

Idaho Power provided electric utility service to approximately 525,000 general business customers in southern Idaho and eastern Oregon as of December 31, 2015. Over 436,000 of these customers are residential. Idaho Power’s principal commercial and industrial customers are involved in food processing, electronics and general manufacturing, agriculture, health care, and winter recreation. Idaho Power holds franchises, typically in the form of right-of-way arrangements, in 71 cities in Idaho and 9 cities in Oregon and holds certificates from the respective public utility regulatory authorities to serve all or a portion of 25 counties in Idaho and 3 counties in Oregon. Idaho Power's service area is shaded in the illustration on the following page and covers approximately 24,000 square miles with an estimated population of one million.

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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 FERC. The IPUC and OPUC determine the rates that Idaho Power is authorized to charge 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). Additionally, the FERC has jurisdiction over Idaho Power's sales of transmission capacity and wholesale electricity, hydroelectric project relicensing, and system reliability, among other items.

Regulatory Accounting

Idaho Power is subject to accounting principles generally accepted in the United States of America, with the impacts of rate regulation reflected in its financial statements. These principles sometimes result 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 or accrued as regulatory assets or regulatory liabilities on the balance sheet and recorded on the income statement when recovered or returned in rates. Additionally, regulators can impose regulatory liabilities upon a regulated company for amounts previously collected from customers that are expected to be refunded. Idaho Power records regulatory assets or liabilities if it is probable that they will be reflected in future prices, based on regulatory orders or other available evidence.

Business Strategy

IDACORP’s business strategy emphasizes Idaho Power as IDACORP’s core business, as Idaho Power's utility operations are the primary driver of IDACORP's operating results. Idaho Power's three-part strategy can be summarized as follows:

- Responsible Planning: Idaho Power’s planning process is intended to ensure adequate generation, transmission, and distribution resources to meet anticipated population growth and increasing electricity demand. This planning process integrates Idaho Power’s regulatory strategy and financial planning, including the consideration of regional economic development in the communities Idaho Power serves.

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- Responsible Development and Protection of Resources: Idaho Power's business strategy includes the development and protection of generation, transmission, distribution, and associated infrastructure, and stewardship of the natural resources upon which Idaho Power and the communities it serves depend. Additionally, the strategy considers workforce planning and employee development and retention related to these strategic elements.
- Responsible Energy Use: Idaho Power's business strategy includes energy efficiency and demand response programs and preparation for potential carbon and renewable portfolio standards legislation. The strategy also includes targeted reductions relating to carbon emission intensity and public reporting of these reductions, as well as operating Idaho Power's system in a manner that extracts additional value through changes in fuel mix and generation.

Idaho Power's business strategy seeks to balance the interests of owners, customers, employees, and other stakeholders while maintaining the company's financial stability and flexibility. Idaho Power has further refined its three-part business strategy to include three core focuses for 2016—improving its core business, growing revenues, and enhancing the brand and positioning the company for the future. IDACORP continues to focus on its core business and its goal of generating returns for its shareholders and long-term shareholder value.

Rates and Revenues

Idaho Power generates revenue primarily through the sale of electricity to retail and wholesale customers and the provision of transmission service. The prices that the IPUC, the OPUC, and the FERC authorize Idaho Power to charge for the electric power and services Idaho Power sells are a critical factor in determining IDACORP's and Idaho Power's results of operations and financial condition. In addition to the discussion below, for more information on Idaho Power's regulatory framework and rate regulation, see the "Regulatory Matters" section of Part II, Item 7 – "Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A) and Note 3 – "Regulatory Matters" to the consolidated financial statements included in this report.

Retail Rates: Idaho Power periodically evaluates the need to request changes to its retail electricity price structure to cover its operating costs and to seek to earn a return on its investments. Idaho Power uses general rate cases, power cost adjustment (PCA) mechanisms, a fixed cost adjustment (FCA) mechanism, balancing accounts and tariff riders, and subject-specific filings to recover its costs of providing service and to earn a return on investment. Retail prices are generally determined through formal ratemaking proceedings that are conducted under established procedures and schedules before the issuance of a final order. Participants in these proceedings include Idaho Power, the staffs of the IPUC or OPUC, and other interested parties. The IPUC and OPUC are charged with ensuring that the prices and terms of service are fair, are non-discriminatory, and provide Idaho Power an opportunity to recover its prudently incurred or allowable costs and expenditures and earn a reasonable return on investment. The ability to request rate changes does not, however, ensure that Idaho Power will recover all of its costs or earn a specified rate of return, or that its costs will be recovered in advance of or at the same time as the costs are incurred.

In addition to general rate case filings, ratemaking proceedings can involve charges or credits related to specific costs, programs, or activities, as well as the recovery or refund of amounts recorded under specific authorization from the IPUC or OPUC but deferred for recovery or refund. Deferred amounts are generally collected from or refunded to retail customers through the use of base rates or supplemental tariffs. Outside of base rates, three of the most significant mechanisms for recovery of costs are the PCA mechanisms, FCA mechanism, and energy efficiency rider. The Idaho and Oregon PCA mechanisms are intended to address the volatility of power supply costs and provide for annual adjustments to the rates charged to retail customers by allowing partial recovery of the difference between net power supply costs included in base rates and actual net power supply costs incurred by Idaho Power. The FCA mechanism 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 for certain Idaho customer classes and linking it instead to a set amount per customer. Separately, Idaho Power collects most of its energy efficiency program costs through an energy efficiency rider on customer bills.

Wholesale Markets: As a public utility subject to the provisions of Part II of the Federal Power Act (FPA), Idaho Power has authority to charge market-based rates for wholesale energy sales under its FERC tariff and to provide transmission services under its OATT. Idaho Power's OATT transmission rate is revised each year based primarily on financial and operational data Idaho Power files annually with the FERC in its Form 1. The Energy Policy Act of 2005 granted the FERC increased statutory authority to implement mandatory transmission and network reliability standards, as well as enhanced oversight of power and transmission markets, including protection against market manipulation. These mandatory transmission and reliability standards were developed by the North American Electric Reliability Corporation (NERC) and the Western Electricity Coordinating Council (WECC), which have responsibility for compliance and enforcement of transmission and reliability standards.

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Idaho Power participates in the wholesale energy markets by purchasing power to help meet load demands and selling power that is in excess of load demands. Idaho Power's market activities are guided by a risk management policy and frequently updated operating plans. These operating plans are impacted by factors such as customer demand for power, market prices, generating costs, transmission constraints, and availability of generating resources. Some of Idaho Power's 17 hydroelectric generation facilities are operated to optimize the water that is available by choosing when to run hydroelectric generation units and when to store water in reservoirs. Idaho Power at times operates these and its other generation facilities to take advantage of market opportunities. These decisions affect the timing and volumes of market purchases and market sales. Even in below-normal water years, there are opportunities to vary water usage to capture wholesale marketplace economic benefits, maximize generation unit efficiency and meet peak loads. Compliance factors such as allowable river stage elevation changes and flood control requirements also influence these generation dispatch decisions. Idaho Power's off-system sales revenues depend largely on the availability of generation resources above the amount necessary to serve customer loads as well as adequate market power prices at the time when those resources are available. When either factor is low, off-system sales revenue is reduced.

Energy Sales: Weather, seasonal customer demand, and economic conditions all impact the amount of electricity that Idaho Power sells as well as the costs it incurs to provide that electricity. Idaho Power's utility revenues are not earned, and associated expenses are not incurred, evenly during the year. Idaho Power’s retail energy sales typically peak during the summer irrigation and cooling season, with a lower peak in the winter. Extreme temperatures increase sales to customers who use electricity for cooling and heating, and moderate temperatures decrease sales. Increased precipitation levels during the agricultural growing season reduce electricity sales to customers who use electricity to operate irrigation pumps. The table that follows presents Idaho Power’s revenues and sales volumes for the last three years, classified by customer type. Approximately 95 percent of Idaho Power’s general business revenue originates from customers located in Idaho, with the remainder originating from customers located in Oregon. Idaho Power’s operations, including information on energy sales, are discussed further in Part II, Item 7 - MD&A - "Results of Operations - Utility Operations.”

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| General business revenues (thousands of dollars) | | | |
| Residential | $512,068 | $500,195 | $513,914 |
| Commercial | 306,178 | 299,462 | 281,009 |
| Industrial | 182,254 | 182,675 | 165,941 |
| Irrigation | 164,403 | 158,654 | 159,242 |
| Provision for rate refund for sharing mechanism | (3,159) | (7,999) | (7,602) |
| Deferred revenue related to Hells Canyon Complex relicensing AFUDC | (10,706) | (10,706) | (10,776) |
| Total general business revenues | 1,151,038 | 1,122,281 | 1,101,728 |
| Off-system sales | 30,887 | 77,165 | 54,473 |
| Other | 85,580 | 79,205 | 86,897 |
| Total revenues | $1,267,505 | $1,278,651 | $1,243,098 |
| Energy sales (thousands of MWh) | | | |
| Residential | 4,977 | 4,965 | 5,365 |
| Commercial | 4,045 | 3,944 | 3,975 |
| Industrial | 3,196 | 3,217 | 3,182 |
| Irrigation | 2,047 | 1,966 | 2,097 |
| Total general business | 14,265 | 14,092 | 14,619 |
| Off-system sales | 1,254 | 2,220 | 1,683 |
| Total | 15,519 | 16,312 | 16,302 |

Competition: Idaho Power's electric utility business has historically been recognized as a natural monopoly. Idaho Power's rates for retail electric services are generally determined on a “cost of service” basis. Rates are designed to provide, after recovery of allowable operating expenses including depreciation on capital investments, an opportunity for Idaho Power to earn a reasonable return on investment as authorized by regulators. However, alternative methods of generation, including customer-owned solar and other forms of distributed generation, compete with Idaho Power for sales to existing customers. Also, non-utility businesses are developing new technologies and services to help energy consumers manage energy in new

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ways that could alter demand for Idaho Power's electric energy. Idaho Power also competes with fuel distribution companies in serving the energy needs of customers for space heating, water heating, and appliances.

Idaho Power also participates in the wholesale energy markets and in the electric transmission markets. Generally, these wholesale markets are regulated by the FERC, which requires electric utilities to transmit power to or for wholesale purchasers and sellers and make available, on a non-discriminatory basis, transmission capacity for the purpose of providing these services.

In return for agreeing to provide service to all customers within a defined service area, electric utilities are typically provided with an exclusive right to provide service in that service area. However, certain prescribed areas within Idaho Power's service area, such as municipalities or Native American Tribal reservations, may elect not to take service from Idaho Power and instead operate as a municipal electric utility or otherwise as a separate entity. In such cases, the entity would be required to purchase or otherwise obtain rights (such as by contract) to Idaho Power's distribution infrastructure within the municipal or other designated area. Idaho Power would have no responsibility for providing electric service to the municipal or separate entity, absent Idaho Power's voluntary execution of an agreement to provide that service. Separately, the Shoshone-Bannock Tribes, located in southeastern Idaho, have recently taken steps toward the adoption of a separate utility code applicable to electric utilities operating within the Shoshone-Bannock Tribal Reservation (Reservation). The proposed tribal utility code, if adopted, could ultimately lead to Idaho Power's cessation of its historical provision of service to the Reservation and could result in either no or a limited electric service relationship with the Reservation, or could result solely in Idaho Power's sale of power to the Reservation pursuant to a power purchase agreement. Idaho Power estimates that the average load for the Reservation over the prior five years is approximately 14 MW.

Power Supply

Overview: Idaho Power primarily relies on company-owned hydroelectric, coal-fired, and gas-fired generation facilities and long-term power purchase agreements to supply the energy needed to serve customers. Market purchases and sales are used to supplement Idaho Power's generation and balance supply and demand throughout the year. Idaho Power’s generating plants and their capacities are listed in Part I, Item 2 - “Properties.”

Weather, load demand, supply constraints, economic conditions, and availability of generation resources impact power supply costs. Idaho Power’s annual hydroelectric generation varies depending on water conditions in the Snake River Basin. Drought conditions and increased peak load demand cause a greater reliance on potentially more expensive energy sources to meet load requirements. Conversely, favorable hydroelectric generation conditions increase production at Idaho Power’s hydroelectric generating facilities and reduce the need for thermal generation and wholesale market purchased power. Economic conditions and governmental regulations can affect the market price of natural gas and coal, which may impact fuel expense and market prices for purchased power. Idaho Power's PCA mechanisms mitigate in large part the potentially adverse financial statement impacts of volatile fuel and power costs.

Idaho Power’s system is dual peaking, with the larger peak demand occurring in the summer. The all-time system peak demand was 3,407 Megawatts (MW), set on July 2, 2013, at which time Idaho Power had deployed 30 MW of demand response programs to mitigate the load demand. The all-time winter peak demand was 2,527 MW, set on December 10, 2009. Idaho Power's peak demand during 2015 was 3,402 MW, the magnitude of which was diminished by the deployment of 60 MW of demand response programs during the peak load period. During these and other similarly heavy load periods Idaho Power’s system is fully committed to serve load and meet required operating reserves. The table that follows shows Idaho Power’s total power supply for the last three years.

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| | MWh | | | Percent of Total Generation | | |
|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2013 | 2015 | 2014 | 2013 |
| | (thousands of MWh) | | | | | |
| Hydroelectric plants | 5,910 | 6,170 | 5,656 | 47 % | 47 % | 42 % |
| Coal-fired plants | 4,676 | 5,851 | 6,327 | 37 % | 44 % | 47 % |
| Natural gas fired plants | 2,076 | 1,175 | 1,576 | 16 % | 9 % | 11 % |
| Total system generation | 12,662 | 13,196 | 13,559 | 100 % | 100 % | 100 % |
| | | | | | | |
| Purchased power - cogeneration and small power production | 2,008 | 2,286 | 2,127 | | | |
| Purchased power - other | 1,784 | 1,867 | 1,775 | | | |
| Total purchased power | 3,792 | 4,153 | 3,902 | | | |
| Total power supply | 16,454 | 17,349 | 17,461 | | | |

Hydroelectric Generation: Idaho Power operates 17 hydroelectric projects located on the Snake River and its tributaries. Together, these hydroelectric facilities provide a total nameplate capacity of 1,709 MW and annual generation of approximately 8.5 million Megawatt-hours (MWh) under median water conditions. The amount of water available for hydroelectric power generation depends on several factors—the amount of snow pack in the mountains upstream of Idaho Power’s hydroelectric facilities, upstream reservoir storage, springtime precipitation and temperatures, main river and tributary base flows, the condition of the Eastern Snake Plain Aquifer and its spring flow impact, summer time irrigation withdrawals and returns, and upstream reservoir regulation. Idaho Power actively participates in collaborative work groups focused on water management issues in the Snake River Basin, with the goal of preserving the long-term availability of water for use at Idaho Power’s hydroelectric projects on the Snake River.

During low water years, when stream flows into Idaho Power’s hydroelectric projects are reduced, Idaho Power’s hydroelectric generation is reduced. The result is a greater reliance on other generation resources and power purchases. In 2014, significantly low upstream carryover water storage hindered the impact of the runoff of near-normal snow accumulation, resulting in generation of 6.2 million MWh. In 2015, below-normal snow accumulation resulted in a lower than median hydro production of 5.9 million MWh. The Northwest River Forecast Center of the National Oceanic Atmospheric Administration reported that the 2015 April through July inflow volume into Brownlee Reservoir (the uppermost reservoir of Idaho Power's Hells Canyon Complex) was only 46 percent of normal. By comparison, April through July Brownlee Reservoir inflow was 63 percent of normal in 2014. For 2016, Idaho Power estimates annual generation from its hydroelectric facilities of between 6.0 million MWh and 8.0 million MWh.

Idaho Power obtains licenses for its hydroelectric projects from the FERC, similar to other utilities that operate nonfederal hydroelectric projects on qualified waterways. The licensing process includes an extensive public review process and involves numerous natural resource and environmental agencies. The licenses last from 30 to 50 years depending on the size, complexity, and cost of the project. Idaho Power is actively pursuing the relicensing of the Hells Canyon Complex project, its largest hydroelectric generation source. Idaho Power also has three Oregon licenses under the Oregon Hydroelectric Act, which applies to Idaho Power’s Brownlee, Oxbow, and Hells Canyon facilities. For further information on relicensing activities see Part II, Item 7 – MD&A – "Regulatory Matters – Relicensing of Hydroelectric Projects.”

Idaho Power is subject to the provisions of the FPA as a “public utility” and as a “licensee” by virtue of its hydroelectric operations. As a licensee under Part I of the FPA, Idaho Power and its licensed hydroelectric projects are subject to conditions described in the FPA and related FERC regulations. These conditions and regulations include, among other items, provisions relating to condemnation of a project upon payment of just compensation, amortization of project investment from excess project earnings, and possible takeover of a project after expiration of its license upon

payment of net investment and severance damages.

Coal-Fired Generation: Idaho Power co-owns the following coal-fired power plants:

- Jim Bridger located in Wyoming, in which Idaho Power has a one-third interest;
- North Valmy located in Nevada, in which Idaho Power has a 50 percent interest; and
- Boardman located in Oregon, in which Idaho Power has a 10 percent interest.

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Bridger Coal Company (BCC) supplies coal to the Jim Bridger power plant. Idaho Power owns a one-third interest in BCC and PacifiCorp owns a two-third interest in BCC and is the operator of the Bridger Coal Mine. The mine operates under a long-term sales agreement that provides for delivery of coal over a 51-year period ending in 2024 from surface and underground sources. Idaho Power believes that BCC has sufficient reserves to provide coal deliveries for at least the term of the sales agreement. Idaho Power also has a coal supply contract providing for annual deliveries of coal through 2017 from the Black Butte Coal Company's Black Butte mine located near the Jim Bridger plant. This contract supplements the BCC deliveries and provides another coal supply to operate the Jim Bridger plant. The Jim Bridger plant's rail load-in facility and unit coal train, while limited, provides the opportunity to access other fuel supplies for tonnage requirements above established contract minimums.

NV Energy is the operator of the North Valmy power plant. NV Energy and Idaho Power have contracts with a coal supplier through 2016. Idaho Power's share of these contracts, together with the existing coal inventory at the North Valmy plant, are expected to meet Idaho Power's projected coal requirements at the plant through 2017. Idaho Power expects to be able to obtain future coal requirements through similar contracts.

Portland General Electric Company is the operator of the Boardman power plant. Idaho Power believes that it has sufficient inventory and coal contracts to supply the Boardman plant with fuel through 2016 and has 25 percent of projected fuel needs for 2017. The Boardman plant receives coal through annual contracts with suppliers from the Powder River Basin in northeast Wyoming. Idaho Power expects to meet future coal needs through similar contracts. In December 2010, the Oregon Environmental Quality Commission approved a plan to cease coal-fired operations at the Boardman power plant no later than December 31, 2020.

Natural Gas-fired Generation: Idaho Power owns and operates the Langley Gulch natural gas-fired combined cycle power plant and the Danskin and Bennett Mountain natural gas-fired simple cycle combustion turbine power plants. All three plants are located in Idaho.

Idaho Power operates the Langley Gulch plant as a baseload unit and the Danskin and Bennett Mountain plants to meet peak supply needs. The plants are also used to take advantage of wholesale market opportunities. Natural gas for all facilities is purchased based on system requirements and dispatch efficiency. The natural gas is transported through the Williams-Northwest Pipeline under Idaho Power's 55,584 million British thermal units (MMBtu) per day long-term gas transportation service agreements. These transportation agreements vary in contract length but generally contain the right for Idaho Power to extend the term. In addition to the long-term gas transportation service agreements, Idaho Power has entered into a long-term storage service agreement with Northwest Pipeline for 131,453 MMBtu of total storage capacity at the Jackson Prairie Storage Project. This firm storage contract expires in 2043. Idaho Power purchases and stores natural gas with the intent of fulfilling needs as identified for seasonal peaks or to meet system requirements.

As of December 31, 2015, approximately 9.8 million MMBtu's of natural gas was financially hedged for physical delivery for the operational dispatch of the Langley Gulch plant through January 2017. Idaho Power plans to manage the procurement of additional natural gas for the peaking units on the daily spot market or from storage inventory as necessary to meet system requirements and fueling strategies.

Purchased Power: As described below, Idaho Power purchases power in the wholesale market as well as power pursuant to long-term power purchase contracts and exchange agreements.

Wholesale Market Transactions: To supplement its self-generated power and long-term purchase arrangements, Idaho Power purchases power in the wholesale market based on economics, operating reserve margins, risk management policy limitations, and unit availability. Depending on availability of excess power or generation capacity, pricing, and opportunities in the markets, Idaho Power also sells power in the wholesale markets. During 2015 and 2014,

Idaho Power purchased 1.8 million MWh and 1.9 million MWh of power through wholesale market purchases at an average cost of $49.57 per MWh and $49.31 per MWh, respectively. During 2015 and 2014, Idaho Power sold 1.3 million MWh and 2.2 million MWh of power in wholesale market sales, with an average price of $24.63 per MWh and $34.76 per MWh, respectively.

Long-term Power Purchase and Exchange Arrangements: In addition to its wholesale market purchases, Idaho Power has the following notable firm long-term power purchase contracts and energy exchange agreements:

- Telocaset Wind Power Partners, LLC - for 101 MW (nameplate generation) from its Elkhorn Valley wind project located in eastern Oregon. The contract term is through 2027.

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- USG Oregon LLC - for 22 MW (estimated average annual output) from the Neal Hot Springs #1 geothermal power plant located near Vale, Oregon. The contract term is through 2037.
- Clatskanie People's Utility - for the exchange of up to 18 MW of energy from the Arrowrock hydroelectric project in southern Idaho in exchange for energy from Idaho Power's system or power purchased at the Mid-Columbia trading hub. The initial term of the agreement was through December 31, 2015, but the term of the agreement has been extended through December 31, 2020. Idaho Power has the right to renew the agreement for one additional five-year term.
- Raft River Energy I, LLC - for up to 13 MW (nameplate generation) from its Raft River Geothermal Power Plant Unit #1 located in southern Idaho. The contract term is through 2033.

PURPA Power Purchase Contracts: Idaho Power purchases power from PURPA projects as mandated by federal law. As of February 5, 2016, Idaho Power had contracts with on-line PURPA-related projects with a total of 784 MW of nameplate generation capacity, with an additional 423 MW nameplate capacity of projects projected to be on-line by June 1, 2017. The power purchase contracts for these projects have original contract terms ranging from one to 35 years. The expense and volume of PURPA project power purchases during the last three years is included in the following table:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| PURPA contract expense (in thousands) | $131,340 | $144,617 | $131,338 |
| MWh purchased under PURPA contracts (in thousands) | 2,008 | 2,286 | 2,127 |
| Average cost per MWh from PURPA contracts | $65.41 | $63.26 | $61.75 |

Pursuant to the requirements of PURPA, the IPUC and OPUC have each issued orders and rules regulating Idaho Power’s purchase of power from "qualifying facilities" that meet the requirements of PURPA. A key component of the PURPA contracts is the energy price contained within the agreements. PURPA regulations specify that a utility must pay energy prices based on the utility’s avoided costs. The IPUC and OPUC have established specific rules and regulations to calculate the avoided cost that Idaho Power is required to include in PURPA contracts. For PURPA power purchase agreements:

- Idaho Power is required to purchase all of the output from the facilities located inside its service area, subject to some exceptions such as adverse impacts on system reliability.
- Idaho Power is required to purchase the output of projects located outside its service area if it has the ability to receive power at the facility’s requested point of delivery on Idaho Power's system.
- The IPUC jurisdictional portion of the costs associated with PURPA contracts is fully recovered through base rates and the PCA, and the OPUC jurisdictional portion is recovered through general rate case filings and an Oregon PCA mechanism. Thus, the primary impact of high power purchase costs under PURPA contracts is on customer rates.
- The IPUC issued an order in August 2015 that revised the standard PURPA power purchase contract term for new contracts to 2 years from the previously required 20 year term.
- OPUC jurisdictional regulations have generally provided for PURPA standard contract terms of up to 20 years. Various ongoing cases are being processed at the OPUC in which the contract term and other PURPA regulations are being reviewed.
- The IPUC requires Idaho Power to pay "published avoided cost" rates for all wind and solar projects that are smaller than 100 kilowatts (kW) and all other types of projects that are smaller than 10 average MWs. For PURPA qualifying facilities that exceed these size limitations, Idaho Power is required to negotiate an applicable price (premised on avoided costs) based upon IPUC regulations.
- The OPUC requires that Idaho Power pay the published avoided costs for all PURPA qualifying facilities with a nameplate rating of 10 MW or less and that Idaho Power negotiate an applicable price (premised on avoided costs) for all other qualifying facilities based upon OPUC regulations. As part of the ongoing cases at the OPUC, the OPUC has temporarily reduced this nameplate rating for solar and wind projects to 3 MW.

Idaho Power, as well as other affected electric utilities, have engaged in proceedings at the IPUC and OPUC relating to PURPA contracts. Final rulings were issued in the IPUC proceedings in 2015, and the OPUC proceedings are ongoing. These proceedings have related to, among other things, appropriate contract term lengths and the prices paid for energy purchased from PURPA projects. Refer to Part II - Item 7 - MD&A - "Regulatory Matters - Renewable Energy Contracts and PURPA" for a summary of those proceedings.

Consideration of Participation in Energy Imbalance Market: Utilities in the western United States outside the California Independent System Operator (California ISO) have traditionally relied upon a combination of automated and manual dispatch

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within the hour to balance generation and load to maintain reliable supply. These utilities have limited capability to transact within the hour outside their own borders. In contrast, energy imbalance markets use automated intra-hour economic dispatch of generation from committed resources to serve loads. The California ISO and PacifiCorp implemented a new energy imbalance market in 2014 (Western EIM) under which the parties enabled their systems to interact for dispatch purposes. The Western EIM is intended to reduce the power supply costs to serve customers through more efficient dispatch of a larger and more diverse pool of resources, to integrate intermittent power from renewable generation sources more effectively, and to enhance reliability. Participation in the Western EIM is voluntary and available to all balancing authorities in the western United States. Since 2015, Idaho Power has been evaluating the potential power supply cost savings and other advantages, system upgrade requirements, capital and ongoing operating costs, and other aspects of Idaho Power's potential participation in the Western EIM.

Transmission Services

Electric transmission systems deliver energy from electric generation facilities to distribution systems for final delivery to customers. Transmission systems are designed to move electricity over long distances because generation facilities can be located hundreds of miles away from customers. Idaho Power’s generating facilities are interconnected through its integrated transmission system and are operated on a coordinated basis to achieve maximum capability and reliability. Idaho Power’s transmission system is directly interconnected with the transmission systems of the Bonneville Power Administration, Avista Corporation, PacifiCorp, NorthWestern Energy, and NV Energy. These interconnections, coupled with transmission line capacity made available under agreements with some of those entities, permit the interchange, purchase, and sale of power among entities in the Western Interconnection. Idaho Power provides wholesale transmission service for eligible transmission customers on a non-discriminatory basis. Idaho Power is a member of the WECC, the NWPP, the Northern Tier Transmission Group, and the North American Energy Standards Board. These groups have been formed to more efficiently coordinate transmission reliability and planning throughout the Western Interconnection.

Transmission to serve Idaho Power's retail customers is subject to the jurisdiction of the IPUC and OPUC for retail rate making purposes. Idaho Power provides cost-based wholesale and retail access transmission services under the terms of a FERC approved OATT. Services under the OATT are offered on a nondiscriminatory basis such that all potential customers, including Idaho Power, have an equal opportunity to access the transmission system. As required by FERC standards of conduct, Idaho Power's transmission function is operated independently from Idaho Power's energy marketing function.

Idaho Power is jointly working on the permitting of two significant transmission projects. The Boardman-to-Hemingway line is a proposed 300-mile, 500-kV transmission project between a station near Boardman, Oregon and the Hemingway station near Boise, Idaho. The Gateway West line is a proposed 500-kV transmission project between a station located near Douglas, Wyoming and the Hemingway station. Both projects are intended to meet future anticipated resource needs and are discussed in Part II, Item 7 – MD&A - "Liquidity and Capital Resources - Capital Requirements" in this report.

Resource Planning

Integrated Resource Planning: The IPUC and OPUC require that Idaho Power prepare biennially an Integrated Resource Plan (IRP). Idaho Power filed its most recent IRP in June 2015. The IRP seeks to forecast Idaho Power's loads and resources for a 20-year period, analyzes potential supply-side and demand-side resource options, and identifies potential near-term and long-term actions. The four primary goals of the IRP are to:

- identify sufficient resources to reliably serve the growing demand for energy within Idaho Power's service area throughout the 20-year planning period;

- ensure the selected resource portfolio balances cost, risk, and environmental concerns;
- give equal and balanced treatment to both supply-side resources and demand-side measures; and
- involve the public in the planning process in a meaningful way.

During the time between IRP filings, the public and regulatory oversight of the activities identified in the IRP allows for discussion and adjustment of the IRP as warranted. Idaho Power makes periodic adjustments and corrections to the resource plan to reflect economic conditions, anticipated resource development, changes in technology, and regulatory requirements.

The load forecast Idaho Power used for purposes of the 2015 IRP predicts an average annual growth rate of 1.2 percent for average loads and 1.5 percent for summer peak loads over the 20-year planning horizon from 2015 to 2034. The rate of load growth can impact the timing and extent of development of resources, such as new generation plants or transmission infrastructure, to serve those loads. The load forecast Idaho Power used in the 2013 IRP predicted an average annual growth

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rate of 1.1 percent for average loads and 1.4 percent for summer peak loads over the 20-year planning horizon from 2013 to 2032.

The 2015 IRP identified a preferred resource portfolio, which includes the completion of the Boardman-to-Hemingway 500-kV transmission line and the potential early retirement of the North Valmy power plant, both in 2025, with no other new resource needs prior to 2025. However, as noted in the 2015 IRP, there is considerable uncertainty surrounding the resource sufficiency estimates and project completion dates, including uncertainty around the timing and extent of third party development of renewable resources, implementation of the EPA's rules under Section 111(d) of the Clean Air Act, the actual completion date of the Boardman-to-Hemingway transmission project, and the economics and logistics of plant retirements. These and other uncertainties could result in changes to the desirability of the preferred portfolio and adjustments to the timing and nature of anticipated and actual actions.

The 2015 IRP includes as near-term action items the continued permitting and planning for the Boardman-to-Hemingway transmission line and further investigation of the early retirement of the North Valmy power plant in collaboration with the plant's co-owner. The near-term action plan also includes a decrease in the size of the planned Shoshone Falls expansion from 50 MW to a range of 1.7 MW to 4 MW with a scheduled on-line date in 2019, as well as commencement of an economic evaluation of environmental control retrofits for units 1 and 2 at the Jim Bridger power plant.

Energy Efficiency and Demand Response Programs: Idaho Power’s energy efficiency and demand response portfolio is comprised of 22 programs. These energy efficiency and demand response programs target energy savings across the entire year and system demand reduction in the summer. The programs are offered to all customer segments and emphasize the wise use of energy, especially during periods of high demand. This energy and demand reduction can minimize or delay the need for new generation or transmission infrastructure. Idaho Power’s programs include:

- financial incentives for irrigation customers for either improving the energy efficiency of an irrigation system or installing new energy efficient systems;
- energy efficiency for new and existing homes including heating, ventilation and cooling equipment, energy efficient building techniques, insulation improvement, air duct sealing, and energy efficient lighting;
- incentives to industrial and commercial customers for acquiring energy efficient equipment, and using energy efficiency techniques for operational and management processes;
- demand response programs to reduce peak summer demand through the voluntary cycling of central air conditioners for residential customers, interruption of irrigation pumps, and reduction of commercial and industrial demand through actions taken by business owners and operators; and
- membership in the Northwest Energy Efficiency Alliance, which supports market transformation efforts across the region.

In 2015, Idaho Power’s energy efficiency programs reduced energy usage by approximately 140,000 MWh. For 2015, Idaho Power had a demand response available capacity of approximately 385 MW. In 2015 and 2014, Idaho Power expended approximately $39 million and $37 million, respectively, on both energy efficiency and demand response programs. Funding for these programs is provided through a combination of the Idaho and Oregon energy efficiency tariff riders, base rates, and the Idaho PCA mechanism.

Environmental Regulation and Costs

Idaho Power's activities are subject to a broad range of federal, state, regional, and local laws and regulations designed to protect, restore, and enhance the quality of the environment. Environmental regulation impacts Idaho Power’s operations due to the cost of installation and operation of equipment and facilities required for compliance with

environmental regulations, the modification of system operations to accommodate environmental regulations, and the cost of acquiring and complying with permits and licenses. In addition to generally applicable regulations, Idaho Power's three coal-fired power plants, three natural gas combustion turbine power plants, and 17 hydroelectric generating plants are subject to a broad range of environmental requirements, including those related to air and water quality, waste materials, and endangered species. For a more detailed discussion of these and other environmental issues, refer to Item 7 - MD&A - "Environmental Matters" in this report.

Environmental Expenditures: Idaho Power’s environmental compliance expenditures will remain significant for the foreseeable future, especially given the additional regulations proposed and issued at the federal level. Idaho Power estimates its environmental expenditures, based upon present environmental laws and regulations, will be as follows for the periods indicated, excluding allowance for funds used during construction (AFUDC) (in millions of dollars):

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| | 2016 | 2017 - 2018 |
|---|---|---|
| Capital expenditures: | | |
| License compliance and relicensing efforts at hydroelectric facilities | $16 | $27 |
| Investments in equipment and facilities at thermal plants | 29 | 11 |
| Total capital expenditures | $45 | $38 |
| Operating expenses: | | |
| Operating costs for environmental facilities - hydroelectric | $22 | $44 |
| Operating costs for environmental facilities - thermal | 14 | 27 |
| Total operations and maintenance | $36 | $71 |

Idaho Power anticipates that finalization and implementation of a number of federal and state rulemakings and other proceedings addressing, among other things, greenhouse gases and endangered species, could result in substantially increased operating and compliance costs in addition to the amounts set forth above, but Idaho Power is unable to estimate those costs given the uncertainty associated with potential future regulations. Idaho Power would seek to recover those increased costs through the ratemaking process.

Idaho Power monitors environmental requirements and assesses whether environmental control measures are or remain economically appropriate. Continued review of the economic appropriateness of further investments in coal-fired plants was included in a February 2014 order of the IPUC, in which the IPUC requested that Idaho Power continue monitoring environmental requirements at a national level and account for their impact in resource planning and promptly apprise the IPUC of developments that could impact the company's continued reliance on the North Valmy plant as a coal-fired resource. Idaho Power has been working with the plant's co-owner to monitor environmental requirements and costs associated with the plant, and to develop alignment on potential retirement dates for the plant. In its 2015 IRP, Idaho Power included retirement scenarios ranging from 2019 to 2025 for the North Valmy plant, with a later date within that range being more likely.

Voluntary $CO_2$ Intensity Reduction Goal: Idaho Power is engaged in voluntary greenhouse gas emissions intensity reduction efforts. In September 2009, IDACORP's and Idaho Power's boards of directors approved guidelines that established a goal to reduce Idaho Power's resource portfolio's average carbon dioxide ($CO_2$) emissions intensity for the 2010 through 2013 time period to a level of 10 to 15 percent below Idaho Power's 2005 $CO_2$ emissions intensity of 1,194 lbs $CO_2$/MWh. The combination of effective utilization of hydroelectric projects, above average stream flows in some years, reduced usage of coal-fired facilities, the purchase of renewable energy, and the addition of the Langley Gulch natural gas-fired power plant positioned Idaho Power to extend its $CO_2$ emissions intensity reduction goal period for an additional two years, targeting an average reduction of 10 to 15 percent below its 2005 levels for the entire 2010 through 2015 time period. Idaho Power achieved its initial reduction goal, as well as its extended goal through 2015. Idaho Power estimates that its average $CO_2$ emission intensity from company-owned resources for the 2010 through 2015 period was 21 percent below the 2005 $CO_2$ emission intensity level.

In 2015, Idaho Power further extended and expanded the goal, seeking to reduce the company-owned resource portfolio average $CO_2$ emission intensity to 15-20 percent below 2005 levels for the 2010-2017 period.

Carbon Disclosure Project Reporting: Idaho Power's estimated historic $CO_2$ emissions intensity from its generation facilities, as submitted to the Carbon Disclosure Project, was as follows:

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Emission Intensity (lbs $CO_2$/MWh) | 1,060 | 677 | 871 | 1,129 | 1,019 |

IDACORP FINANCIAL SERVICES, INC.

IFS invests in affordable housing developments, which provide a return principally by reducing federal and state income taxes through tax credits and accelerated tax depreciation benefits. IFS has focused on a diversified approach to its investment strategy in order to limit both geographic and operational risk with most of IFS's investments having been made through syndicated funds. IFS is no longer actively pursuing further investment opportunities, but will continue to maintain and manage its current portfolio of investments. At December 31, 2015, the gross amount of IFS's portfolio equaled $182 million in tax credit investments. IFS generated tax credits of $3.3 million, $5.2 million, and $5.5 million in 2015, 2014, and 2013, respectively.

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IDA-WEST ENERGY COMPANY

Ida-West operates and has a 50 percent ownership interest in nine hydroelectric projects that have a total generating capacity of 45 MW. Four of the projects are located in Idaho and five are in northern California. All nine projects are "qualifying facilities" under PURPA. Idaho Power purchased all of the power generated by Ida-West's four Idaho hydroelectric projects at a cost of approximately $8 million in 2015 and $9 million in both 2014 and 2013.

EXECUTIVE OFFICERS OF THE REGISTRANTS

The names, ages, and positions of the executive officers of IDACORP and Idaho Power are listed below (in alphabetical order), along with their business experience during at least the past five years. Mr. J. LaMont Keen, a member of IDACORP's and Idaho Power's boards of directors and former President and Chief Executive Officer of IDACORP and Idaho Power, and Mr. Steven R. Keen, are brothers. There are no other family relationships among these officers, nor is there any arrangement or understanding between any officer and any other person pursuant to which the officer was appointed.

DARREL T. ANDERSON, 57
- President and Chief Executive Officer of IDACORP, Inc., May 2014 - present
- President and Chief Executive Officer of Idaho Power Company, January 2014 - present
- President and Chief Financial Officer of Idaho Power Company, January 2012 - December 2013
- Executive Vice President, Administrative Services and Chief Financial Officer of IDACORP, Inc., October 2009 - April 2014
- Executive Vice President, Administrative Services and Chief Financial Officer of Idaho Power Company, October 2009 - December 2011
- Member of the Boards of Directors of both IDACORP, Inc. and Idaho Power Company since September 2013

REX BLACKBURN, 60
- Senior Vice President and General Counsel, IDACORP, Inc. and Idaho Power Company, April 2009 - present

LISA A. GROW, 50
- Senior Vice President of Operations of Idaho Power Company, January 2016 - present
- Senior Vice President - Power Supply of Idaho Power Company, October 2009 - December 2015

STEVEN R. KEEN, 55
- Senior Vice President - Chief Financial Officer, and Treasurer of IDACORP, Inc., May 2014 - present
- Senior Vice President - Chief Financial Officer, and Treasurer of Idaho Power Company, January 2014 - present
- Vice President - Finance and Treasurer of IDACORP, Inc., June 2010 - April 2014
- Senior Vice President - Finance and Treasurer of Idaho Power Company, January 2012 - December 2013
- Vice President - Finance and Treasurer of Idaho Power Company, June 2010 - December 2011
- Vice President and Treasurer of IDACORP, Inc. and Idaho Power Company, June 2006 - May 2010

LONNIE KRAWL, 52
- Senior Vice President of Administrative Services and Chief Information Officer of Idaho Power Company, January 2016 - present
- Vice President and Chief Information Officer of Idaho Power Company, October 2013 - December 2015
- Director of Human Resources of Idaho Power Company, July 2009 - September 2013

DANIEL B. MINOR, 58
- Executive Vice President of Idaho Power Company, January 2016 - present

- Executive Vice President and Chief Operating Officer of Idaho Power Company, January 2012 - December 2015
- Executive Vice President of IDACORP, Inc., May 2010 - present
- Executive Vice President - Operations of Idaho Power Company, October 2009 - December 2011

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TESSIA PARK, 54
- Vice President of Power Supply of Idaho Power Company, January 2016 - present
- Director of Load Serving Operations of Idaho Power Company, September 2012 - December 2015
- Operating Projects Manager of Idaho Power Company, January 2011 - September 2012
- Manager of Power Supply Operations of Idaho Power Company, August 2009 - January 2011

KEN W. PETERSEN, 52
- Vice President, Controller and Chief Accounting Officer of IDACORP, Inc. and Idaho Power Company, January 2014 - present
- Corporate Controller and Chief Accounting Officer of IDACORP, Inc. and Idaho Power Company, May 2010 - December 2013
- Corporate Controller of IDACORP, Inc. and Idaho Power Company, December 2007 - May 2010

N. VERN PORTER, 56
- Vice President of Customer Operations of Idaho Power Company, January 2016 - present
- Senior Vice President of Customer Operations of Idaho Power Company, April 2015 - December 2015
- Vice President of Idaho Power Company, January 2014 - April 2015
- Vice President of Delivery Engineering and Construction of Idaho Power Company, May 2012 - December 2013
- Vice President of Delivery Engineering and Operations of Idaho Power Company, October 2009 - May 2012

## ITEM 1A. RISK FACTORS

IDACORP and Idaho Power operate in a highly regulated industry and business environment that involves significant risks, many of which are beyond the companies' control. The circumstances and factors set forth below may have a material impact on the business, financial condition, or results of operations of IDACORP and Idaho Power and could cause actual results or outcomes to differ materially from those discussed in any forward-looking statements. These risk factors, as well as other information in this report and in other reports the companies file with the SEC, should be considered carefully when making any investment decisions relating to IDACORP or Idaho Power.

If state public utility commissions or the Federal Energy Regulatory Commission authorize customer rates that under-collect or untimely collect through rates the amount Idaho Power needs to cover costs and earn a reasonable rate of return, IDACORP's and Idaho Power's financial condition and results of operations may be adversely affected. The prices that the Idaho Public Utilities Commission (IPUC) and Public Utility Commission of Oregon (OPUC) authorize Idaho Power to charge customers for its retail services, and the tariff rate that the Federal Energy Regulatory Commission (FERC) permits Idaho Power to charge for its transmission services, are generally the most significant factors influencing IDACORP’s and Idaho Power’s business, results of operations, and financial condition. Idaho Power's ability to recover its costs and earn a reasonable rate of return can be affected by many factors, including the time lag between when costs are incurred and when those costs are recovered in customers’ rates, and differences between the costs embedded in rates and the amount of actual costs incurred. Idaho Power is often required to incur costs before the IPUC, OPUC, or FERC approves the recovery of those costs, and the IPUC, OPUC, and FERC may not allow Idaho Power to recover costs on the basis that such costs were not reasonably or prudently incurred or for other reasons. While rate regulation is premised on the assumption that rates will be established that are fair, just, and reasonable, regulators have considerable discretion in applying this standard. The ratemaking process typically involves multiple intervening parties, including governmental bodies, consumer advocacy groups, and customers, generally with the common objective of limiting rate increases or even reducing rates. Denial or probable denial of recovery by regulators may cause Idaho Power to record an impairment of its assets. In a number of proceedings in recent years, Idaho Power has been denied recovery, or required to defer recovery pending the next general rate case, including denials or deferrals related to compensation expenses.

For additional information relating to Idaho Power's regulatory framework and regulatory matters, see Part I - Item 1 - "Business - Utility Operations," Note 3 - "Regulatory Matters" to the consolidated financial statements included in this report, and Part II - Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations - Regulatory Matters" in this report.

Idaho Power's cost recovery mechanisms may not function as intended and are subject to change, which may adversely affect IDACORP's and Idaho Power's financial condition and results of operations. Idaho Power has power cost adjustment mechanisms in its Idaho and Oregon jurisdictions and a fixed cost adjustment mechanism in Idaho that provide for periodic adjustments to the rates charged to its retail customers. The power cost adjustment mechanisms track Idaho Power’s actual net

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power supply costs (primarily fuel and purchased power less off-system sales) and compare these amounts to net power supply costs being recovered in retail rates. A majority of the difference between these two amounts is deferred for future recovery from, or refund to, customers through rates. In recent years, the volatility in power supply costs has been significant, in large part due to changes in hydroelectric generation conditions and the cost of purchase of renewable energy under long-term contracts. While the power cost adjustment mechanisms function to mitigate the potentially adverse impact on net income of power supply cost volatility, the mechanisms do not eliminate the cash flow impact of that volatility. When power costs rise above the level recovered in current retail rates, Idaho Power incurs the costs but recovery of those costs is deferred to a subsequent collection period, which can adversely affect Idaho Power's operating cash flow and liquidity until those costs are recovered from customers. The fixed cost adjustment mechanism is a decoupling mechanism designed to remove Idaho Power's disincentive to invest in energy efficiency activities by allowing Idaho Power to charge residential and small commercial customers when it recovers less than the base level of fixed costs per customer that the IPUC authorized for recovery in the most recent general rate case. Both the power cost and fixed cost adjustment mechanisms were approved through the regulatory process, and thus they are subject to change at the discretion of applicable state regulators, who could decide to modify or eliminate either mechanism in a manner that adversely impacts IDACORP's and Idaho Power's financial condition, cash flows, and results of operations.

IDACORP's and Idaho Power's business, financial condition, and results of operations may be negatively affected by changes in customer growth or customer usage. Growth in the number of customers and customers' usage of electricity are affected by a number of factors, such as population growth or decline in Idaho Power's service area, adoption rates of energy efficiency measures, customer-generated power such as from rooftop solar panels, demand side management requirements, and economic conditions. Many electric utilities have experienced a decline in usage per customer, in part attributable to energy efficiency activities. While Idaho Power has recently experienced a net growth in usage due to an increase in the number of customers, when adjusted for the impacts of weather the average monthly usage on a per customer basis for Idaho residential customers has declined from 1,059 kWh in 2009 to 1,012 kWh in 2014. Rate mechanisms, such as the Idaho fixed cost adjustment, are designed to address the financial disincentive associated with promoting energy efficiency activities, but there is no assurance that the mechanism will result in full or timely collection of Idaho Power's fixed costs, which are currently collected in large part through the company's kWh energy rates that are based on historical sales volume. Any undercollection of fixed costs would adversely impact revenues, earnings, and cash flows. Weak economic conditions may also reduce the amount of energy Idaho Power's customers consume, result in a loss of customers (including large-load industrial and commercial customers) or further decrease the customer growth rate, and increase the likelihood and prevalence of late payments and uncollectible accounts. The formation of municipal utilities or similar entities for distribution systems within Idaho Power's service area could also result in a load decrease. The loss of loads resulting from some of these events may result in IDACORP and Idaho Power modifying or eliminating large generation or transmission projects. This could in turn result in write-downs or write-offs if regulators determine that the costs of the projects were incurred imprudently, which could have a material adverse impact on IDACORP's and Idaho Power's financial condition, results of operations, and cash flows.

Conversely, if Idaho Power were to experience an unanticipated increase in the demand for energy through, for example, the rapid addition of new industrial and commercial customers, Idaho Power may be required to rely on higher-cost purchased power to meet peak system demand and may need to accelerate investment in additional generation or transmission resources. If the incremental costs associated with the unanticipated changes in loads exceed the incremental revenue received from the sales to the new customers, and Idaho Power is unable to secure timely and full rate relief to recover those increased costs, the resulting imbalance could have an adverse effect on IDACORP's and Idaho Power's financial condition, results of operations, and cash flows.

IDACORP's and Idaho Power's operating results fluctuate seasonally and can be adversely affected by changes in weather conditions and severe weather. Idaho Power's electric power sales are seasonal, with demand in Idaho

Power's service area peaking during the hot summer months, with a secondary peak during the cold winter months. Electric power demands by irrigation customers in Idaho Power's service area, which are impacted by temperatures and the timing and amount of precipitation, among other factors, can also create significant seasonal changes in usage. Seasonality of revenues may be further impacted by Idaho Power's tiered rate structure, under which rates charged to customers are often higher during higher-load periods. Market prices for power also often increase significantly during these peak periods, at times when Idaho Power is required to purchase power in the wholesale markets to meet customer demand. By contrast, when temperatures are relatively mild or where precipitation supplants irrigation systems, loads are often lower as customers are not using electricity for heating and air conditioning or irrigation purposes. Thus, weather conditions and the timing and extent of precipitation can cause IDACORP's and Idaho Power's results of operations and financial condition to fluctuate seasonally, quarterly, and from year to year.

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Extreme weather events and their associated impacts (such as fires, high winds, and snow loading) can damage generation facilities and disrupt transmission and distribution systems, causing service interruptions and extended outages through downed transmission and distribution lines, increasing supply chain costs and limiting Idaho Power's ability to meet customer energy demand. Sustained drought conditions are likely to decrease power generation from hydroelectric plants. The effect of the failure of Idaho Power's facilities to operate as planned under extreme weather conditions is particularly burdensome during peak demand periods, such as hot summer days. Damage and disruption in generation, transmission, and distribution systems due to weather-related factors also increases operations and maintenance expenses. Costs incurred as a result of such events might not be recovered through customer rates if the costs incurred are greater than those allowed for recovery by regulators, and the costs of repair and replacing infrastructure or liability for personal injury or property damage may not be covered in full by insurance.

New advances in power generation, energy efficiency, or other technologies that impact the power utility industry could decrease revenues. The increasing cost of energy in the electric utility industry has encouraged the development of new technologies for power generation, power storage, and energy efficiency. In particular, in recent years the cost of solar generation has decreased significantly, and there are federal tax incentives in place to help further reduce the cost of solar generation. There is potential that customer-owned power generation systems, particularly if coupled with power storage devices, could become sufficiently cost-effective and efficient that an increasing number of Idaho Power's customers choose to install such systems on their homes or businesses. Additionally, considerable emphasis has been placed on energy efficiency, such as LED lighting and high-efficiency appliances. Energy efficiency programs, including programs sponsored by Idaho Power under a directive from state regulatory commissions, are designed to reduce energy demand. If Idaho Power is unable to adjust its rate design or maintain adequate regulatory mechanisms allowing for timely cost recovery, declining usage from customer-owned generation sources and energy efficiency would result in under-recovery of Idaho Power's costs and reduce revenues, which would impact IDACORP's and Idaho Power's financial condition and results of operations.

Capital expenditures for infrastructure, risks associated with construction of that infrastructure, and the timing and availability of cost recovery for the expenditures, can significantly affect IDACORP's and Idaho Power's financial condition and results of operations. Idaho Power’s business is capital intensive and requires significant investments in energy generation, transmission, and distribution infrastructure. A significant portion of Idaho Power’s facilities were constructed many years ago, and thus require periodic upgrades and frequent maintenance. Also, long-term anticipated increases in both the number of customers and the demand for energy require expansion and reinforcement of that infrastructure. For instance, Idaho Power is in the permitting process for two 500-kV transmission line projects, which are intended to help meet future customer energy demands. Construction projects are subject to usual permitting and construction risks that can adversely affect project costs and the completion time. These risks include, as examples:

- the ability to timely obtain labor or materials at reasonable costs, and defaults by contractors;
- equipment, engineering, and design failures;
- the effects of adverse weather conditions;
- availability of financing;
- the ability to obtain and comply with permits and land use rights, and environmental constraints;
- delays and costs associated with disputes and litigation with third parties; and
- changes in applicable laws or regulations.

If Idaho Power is unable to complete the construction of a project, or incurs costs that regulators do not deem prudent, it may be unable to recover its costs in full through rates or on a timely basis. Further, if Idaho Power is unable to secure permits or joint funding commitments to develop transmission infrastructure necessary to serve loads, it may terminate those projects and, as an alternative, seek to develop additional generation facilities within areas where Idaho Power has available transmission capacity or pursue other more costly options to serve loads. To limit the timing-related risks of these projects, Idaho Power may enter into purchase orders and construction contracts and incur

engineering and design service costs in advance of receiving necessary regulatory approvals or permits. If any of the projects are canceled for any reason, including Idaho Power's failure to receive necessary regulatory approvals or permits or because the project is no longer economical, Idaho Power could incur significant cancellation penalties under purchase orders or construction contracts. Additionally, termination of a project carries with it the potential for impairment of the associated asset if regulators deny full recovery of project costs. Thus, termination of a project could negatively affect IDACORP's and Idaho Power's financial condition and results of operations.

IDACORP's and Idaho Power’s businesses are subject to an extensive set of environmental laws, rules, and regulations, which could impact their operations and increase costs of operations, potentially rendering some generating units uneconomical to maintain or operate, and could increase the costs and alter the timing of major projects. A number of federal, state, and local environmental statutes, rules, and regulations relating to air and water quality, natural resources,

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renewable energy certificates, and health and safety are applicable to IDACORP's and Idaho Power's operations. Many of these laws and regulations are described in Part II - Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations - Environmental Matters" in this report. These laws and regulations generally require IDACORP and Idaho Power to obtain and comply with a wide variety of environmental licenses, permits, and other approvals, including through substantial investment in pollution controls, and may be enforced by both public officials and private individuals. Some of these regulations are pending, changing, or subject to interpretation, and failure to comply may result in penalties, mandatory operational changes, and other adverse consequences, including costs associated with defending against claims by governmental authorities or private parties and complying with new operating requirements. Idaho Power devotes significant resources to environmental monitoring, pollution control equipment, and mitigation projects to comply with existing and anticipated environmental regulatory requirements. However, the current trend is toward more stringent standards, stricter regulation, and more expansive application of environmental regulations.

Environmental regulations have created the need for Idaho Power to install new pollution control equipment at, and may cause Idaho Power to perform environmental remediation on, its owned and co-owned power generation facilities, often at a substantial cost. For instance, Idaho Power is installing environmental control apparatus in two units of its co-owned Jim Bridger power plant at an estimated cost of $105 million, and may install a second set of control apparatus at two other units at that plant in or around 2021 and 2022. IDACORP and Idaho Power will incur other costs associated with existing environmental regulations, and the companies expect to incur additional costs associated with pending and future environmental regulations, and those costs are likely to be substantial. In some cases, the costs to obtain permits and ensure facilities are in compliance may be prohibitively expensive. If the costs of compliance with those new regulations renders the generating facilities uneconomical to maintain or operate, Idaho Power would need to identify alternative resources for power, potentially in the form of new generation and transmission facilities, market power purchases, demand-side management programs, or a combination of these and other methods. Furthermore, Idaho Power may not be able to obtain or maintain all environmental regulatory approvals necessary for operation of its existing infrastructure or construction of new infrastructure.

Idaho Power is not guaranteed timely or full recovery through customer rates of costs associated with environmental regulations, environmental compliance, and clean-up of contamination, and regulators may not grant prior approval of cost recovery. For example, in 2013 the IPUC declined to approve Idaho Power's application requesting a binding commitment to provide rate base treatment for Idaho Power's estimated share of the capital investment in environmental control upgrades at the Jim Bridger power plant, instead reserving the prudence determination (and thus ratemaking treatment) for subsequent proceedings. If there is a delay in obtaining any required environmental regulatory approval or if Idaho Power fails to obtain, maintain, or comply with any such approval, construction and/or operation of Idaho Power's generation or transmission facilities could be delayed, halted, or subjected to additional costs.

Factors contributing to lower hydroelectric generation can increase costs and negatively impact IDACORP's and Idaho Power's financial condition and results of operations. Idaho Power derives a significant portion of its power supply from its hydroelectric facilities. During 2015, 47 percent of Idaho Power's electric power generation was from hydroelectric facilities. Because of Idaho Power’s heavy reliance on hydroelectric generation, factors such as precipitation and snow pack, the timing of run-off, and the availability of water in the Snake River basin can significantly affect its operations. The combination of a long-term trend of declining Snake River base flows, over-appropriation of water, and periods of drought have led to water rights disputes and proceedings among surface water and ground water irrigators and the State of Idaho. Recharging the Eastern Snake Plain aquifer by diverting surface water to porous locations and permitting it to sink into the aquifer is one approach to the over-appropriation dispute. Diversions from the Snake River for aquifer recharge or the loss of water rights reduce Snake River flows available for hydroelectric generation. When hydroelectric generation is reduced, Idaho Power must increase its use of more expensive thermal generating resources and market power purchases; therefore, costs increase and

opportunities for off-system sales are reduced, reducing revenues and potentially earnings. Through its power cost adjustment mechanisms, Idaho Power expects to recover most (but not all) of the increase in net power supply costs caused by lower hydroelectric generation. The timing of recovery of the increased costs, however, may not occur until the subsequent power cost adjustment year, adversely affecting cash flows and liquidity.

Obligations imposed in connection with hydroelectric license renewals may require large capital expenditures, increase operating costs, reduce hydroelectric generation, and negatively affect IDACORP's or Idaho Power's results of operations and financial condition. For the last several years, Idaho Power has been engaged in an effort to renew its federal license for its largest hydroelectric generation source, the Hells Canyon Complex. Relicensing includes an extensive public review process that involves numerous natural resource issues and environmental conditions. The existence of endangered and threatened species in the watershed may result in major operational changes to the region’s hydroelectric projects, which may be reflected in hydroelectric licenses, including for the Hells Canyon Complex. In addition, new interpretations of existing laws and regulations could be adopted or become applicable to hydroelectric facilities, which could further increase required

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expenditures for marine life recovery and endangered species protection and reduce the amount of hydroelectric generation available to meet Idaho Power's generation requirements. One particularly significant issue identified in connection with the Hells Canyon Complex relicensing effort involves water temperature gradients in the Snake River below the Hells Canyon dam. Certain parties in the relicensing proceedings have advocated for the installation of a water temperature management apparatus which, if required to be installed, would involve substantial costs to construct, operate, and maintain. Idaho Power may be unable to recover in full or in a timely manner the costs of such an apparatus through rates, particularly given the magnitude of any potential impact on customer rates. Idaho Power also cannot predict the requirements that might be imposed during the relicensing process, the financial impact of those requirements, whether a new multi-year license will ultimately be issued, and whether the IPUC or OPUC will allow recovery through rates of the substantial costs incurred in connection with the licensing process and subsequent compliance. Imposition of onerous conditions in the relicensing process could result in Idaho Power incurring significant capital expenditures, increase operating costs (including power purchase costs), and reduce hydroelectric generation, which could negatively affect results of operations and financial condition.

Idaho Power's use of coal and natural gas to fuel power generation facilities exposes it to commodity availability and price risk, which can adversely affect IDACORP's and Idaho Power's results of operations and financial condition. As part of its normal business operations, Idaho Power purchases coal and natural gas in the open market or under short-term or long-term contracts, often with variable pricing terms. Market prices for coal and natural gas are influenced by factors impacting supply and demand such as weather conditions, fuel transportation availability, economic conditions, and changes in technology. Natural gas transportation to Idaho Power's three natural gas plants is limited to one primary pipeline, presenting a heightened possibility of supply constraint and disruptions separate from the risk of counterparty default. Most of Idaho Power's coal supply arrangements are under long-term contracts for coal originating in Wyoming, and thus Idaho Power is exposed to risk of disruption of coal production in, or transportation from, that region. Idaho Power may from time to time enter into new, or renegotiate, these long-term contracts but can provide no assurance that such contracts will be negotiated or renegotiated on satisfactory terms, or at all. There also can be no assurance that counterparties to the natural gas or coal supply agreements will fulfill their obligations to supply natural gas or coal, and they may experience financial or technical problems that inhibit their ability to deliver natural gas or coal. Defaults by coal and natural gas suppliers may cause Idaho Power to seek alternative, and potentially more costly, sources of fuel or rely on other generation sources or wholesale market power purchases. Idaho Power may not be able to fully or timely recover these increased costs through rates, which may adversely affect IDACORP's and Idaho Power's financial condition and results of operations.

Idaho Power's generation, transmission, and distribution facilities are subject to numerous operational risks unique to it and its industry. Operating risks associated with Idaho Power's generation, transmission, and distribution facilities include equipment failures, volatility in fuel and transportation pricing, interruptions in fuel supplies, increased regulatory compliance costs, labor disputes, accidents and workforce safety matters, release of hazardous or toxic substances into the air, water, or ground, acts of terrorism or sabotage, the loss of cost-effective disposal options for solid waste such as coal ash, operator error, and the occurrence of catastrophic events at the facilities. Diminished availability or performance of those facilities could result in reduced customer satisfaction, reputational harm, and regulatory inquiries and fines. Operation of Idaho Power's owned and co-owned generating stations below expected capacity levels, or unplanned outages at these stations, could cause reduced energy output and lower efficiency levels and result in lost revenues and increased expenses for alternative fuels or wholesale market power purchases. Accidents, electrical contacts, fires, explosions, catastrophic failures, general system damage or dysfunction, and other unplanned events related to Idaho Power's infrastructure would increase repair costs and may expose Idaho Power to claims for personal injury and property damage. Further, the transmission system in Idaho Power's service territory is constrained, limiting the ability to transmit electric energy within the service territory and access electric energy from outside the service territory during high-load periods. Idaho Power's transmission facilities are also interconnected with those of third parties, and thus operation of Idaho Power's and third parties' facilities could be adversely affected by unexpected or uncontrollable events. These transmission constraints and events could result in failure to provide

reliable service to customers and the inability to deliver energy from generating facilities to the power grid, or not being able to access lower cost sources of electric energy, which could have a negative effect on IDACORP's and Idaho Power's financial condition and results of operations.

Volatility in the financial markets, failure of IDACORP or Idaho Power to satisfy conditions necessary for obtaining loans or issuing debt securities, and denial of regulatory authority to issue debt or equity securities may negatively affect IDACORP’s and Idaho Power’s ability to access capital and/or increase their cost of borrowing. IDACORP and Idaho Power use credit facilities, commercial paper markets, and long-term debt as significant sources of liquidity and funding for operating and capital requirements and debt maturities not satisfied by operating cash flow. The credit facilities represent commitments by the participating banks to make loans and issue letters of credit. However, the obligation of the participating banks to make those loans and issue letters of credit is subject to specified conditions. Idaho Power's ability to issue long-term debt is also subject to a number of conditions included in an indenture, and Idaho Power's ability to issue long-term debt and

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commercial paper is subject to the availability of purchasers willing to purchase the securities under reasonable terms or at all. Because of these limitations, IDACORP and Idaho Power may be unable to issue commercial paper or short-term or long-term debt at reasonable interest rates and terms or at all. Also, while the credit facilities represent a contractual obligation to make loans, one or more of the participating banks may default on their obligations to make loans under, or may withdraw from, the credit facilities.

Idaho Power is required to obtain regulatory approval in Idaho, Oregon, and Wyoming in order to borrow money or to issue securities and is therefore dependent on the public utility commissions of those states to issue favorable orders in a timely manner to permit them to finance their operations, capital expenditures, and debt maturities. Without additional state regulatory approval, as of the date of this report the aggregate amount of short-term borrowings by Idaho Power at any one time outstanding may not exceed $450 million. Also, IDACORP's and Idaho Power's credit facilities include financial covenants that limit the amount of debt that can be outstanding as a percentage of total capital, and Idaho Power's long-term debt has also been issued under an indenture that contains a number of financial covenants. Failure to maintain these covenants could preclude IDACORP and Idaho Power from issuing commercial paper, borrowing under their credit facilities, or issuing long-term debt, and could trigger a default and repayment obligation under debt instruments, which could adversely impact IDACORP's and Idaho Power's financial condition, results of operations, and liquidity.

A downgrade in IDACORP’s and Idaho Power’s credit ratings could affect the companies’ ability to access capital, increase their cost of borrowing, and require the companies to post collateral with transaction counterparties. Credit rating agencies periodically review the corporate credit ratings and long-term ratings of IDACORP and Idaho Power. These ratings are premised on financial ratios and performance, the regulatory environment and rate mechanisms, the effectiveness of management, resource risks and power supply costs, and other factors. IDACORP and Idaho Power also have borrowing arrangements that rely on the ability of the banks to fund loans or support commercial paper, a principal source of short-term financing. Downgrades of IDACORP’s or Idaho Power’s credit ratings, or those affecting relationship banks, could limit the companies’ ability to access short- and long-term capital under reasonable terms or at all, require the companies to pay a higher interest rate on their debt, and require the companies to post additional performance assurance collateral with transaction counterparties.

Idaho Power’s risk management policy and programs relating to economically hedging commodity exposures and credit risk may not always perform as intended, and as a result IDACORP and Idaho Power may suffer economic losses. Idaho Power enters into transactions to hedge its positions in coal, natural gas, power, and other commodities, and enters into financial hedge transactions to mitigate in part exposure to variable commodity prices. IDACORP and Idaho Power could recognize financial losses as a result of volatility in the market value of these contracts or if a counterparty fails to perform. The derivative instruments used for hedging might not offset the underlying exposure being mitigated as intended, due to pricing inefficiencies or other terms of the derivative instruments, and any such failure to mitigate exposure could result in financial losses. Certain of Idaho Power's hedging and derivative agreements may result in the receipt of, or posting of, collateral with counterparties. Fluctuations in commodity prices that lead to the posting of collateral with counterparties negatively impact liquidity, and downgrades in Idaho Power's credit ratings may lead to additional collateral posting requirements. Further, forecasts of future fuel needs and loads and available resources to meet those loads are inherently uncertain and may cause Idaho Power to over- or under-hedge actual resource needs, exposing the company to market risk on the over- or under-hedged position. To the extent that commodity markets are illiquid, Idaho Power may not be able to execute its risk management strategies, which could result in undesired over-exposure to unhedged positions. As a result, risk management actions, or the failure or inability to manage commodity price and counterparty risk, may adversely affect IDACORP’s and Idaho Power’s financial condition and results of operations.

Idaho Power could be subject to penalties and operational changes if it violates mandatory reliability and security requirements, which could adversely impact IDACORP's and Idaho Power's results of operations and financial

condition. As an owner and operator of a bulk power transmission system, Idaho Power is subject to mandatory reliability standards issued by the North American Electric Reliability Corporation and enforced by the FERC. The standards are based on the functions that need to be performed to ensure the bulk power system operates reliably and are guided by reliability and market interface principles. Compliance with reliability standards subjects Idaho Power to higher operating costs and increased capital expenditures. Idaho Power has received in recent years notices of violations from, and regularly self-reports reliability standard compliance issues to, the FERC, the North American Electric Reliability Corporation, and the Western Electricity Coordinating Council. Potential monetary and non-monetary penalties for a violation of FERC regulations may be substantial, and in some circumstances monetary penalties may be as high as $1 million per day per violation. The imposition of penalties on Idaho Power for its actual or alleged failure to comply with reliability and security requirements could have a negative effect on its and IDACORP's results of operations and financial condition.

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Federally mandated purchases of power from renewable energy projects, and integration of power generated from those projects into Idaho Power's system, may increase costs and decrease system reliability, and adversely affect Idaho Power's and IDACORP's results of operations and financial condition. An abundance of intermittent, non-dispatchable generation from renewable energy projects interconnected with Idaho Power's system has had an impact on the operation of Idaho Power's generation plants, system reliability, power supply costs, and the wholesale power markets in the Pacific Northwest. Idaho Power is generally obligated under federal law to purchase power from certain renewable energy projects, regardless of the then-current load demand, availability of lower cost generation resources, or wholesale energy market prices. This increases the likelihood and frequency that Idaho Power will be required to reduce output from its lower-cost hydroelectric and fossil fuel-fired generation resources, which in turn increases power purchase costs and customer rates. Further, balancing load and generation from Idaho Power's power generation portfolio is challenging, and Idaho Power expects that its operational costs will continue to increase as a result of its efforts to integrate intermittent, non-dispatchable generation from a large number of renewable energy projects. If Idaho Power is unable to timely recover those costs through its power cost adjustment mechanisms or otherwise, those increased costs may negatively affect IDACORP's and Idaho Power's results of operations, financial condition, and cash flows.

The performance of pension and postretirement benefit plan investments and other factors impacting plan costs and funding obligations could adversely affect IDACORP's and Idaho Power's financial condition and results of operations - primarily cash flows and liquidity. Idaho Power provides a noncontributory defined benefit pension plan covering most employees, as well as a defined benefit postretirement benefit plan (consisting of health care and death benefits) that covers eligible retirees. Costs of providing these benefits are based in part on the value of the plans' assets and, therefore, adverse investment performance for these assets could increase Idaho Power’s plan costs and funding requirements related to the plans. The key actuarial assumptions that affect funding obligations are the expected long-term return on plan assets and the discount rate used in determining future benefit obligations. Idaho Power evaluates the actuarial assumptions on an annual basis, taking into account changes in market conditions, trends, and future expectations. Estimates of future equity and debt market performance, changes in interest rates, and other factors Idaho Power and its actuary firms use to develop the actuarial assumptions are inherently uncertain, and actual results could vary significantly from the estimates. Changes in demographics, including timing of retirements or changes in life expectancy assumptions, may also increase Idaho Power's plan costs and funding requirements. Future pension funding requirements and the timing of funding payments are also subject to the impacts of changes in legislation. Depending on the timing of contributions to the plans and Idaho Power's ability to recover costs through rates, cash contributions to the plans could reduce the cash available for the companies' businesses and payment of dividends. For additional information regarding Idaho Power's funding obligations under its benefit plans, see Note 11 - "Benefit Plans" to the consolidated financial statements included in this report.

As a holding company, IDACORP does not have its own operating income and must rely on the cash flows from its subsidiaries to pay dividends and make debt payments. IDACORP is a holding company with no significant operations of its own, and its primary assets are shares or other ownership interests of its subsidiaries, primarily Idaho Power. IDACORP’s subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts to IDACORP, whether through dividends, loans, or other means. The ability of IDACORP’s subsidiaries to pay dividends or make distributions to IDACORP depends on several factors, including each subsidiary's actual and projected earnings and cash flow, capital requirements and general financial condition, regulatory restrictions, covenants contained in credit facilities to which they are parties, and the prior rights of holders of their existing and future first mortgage bonds and other debt or equity securities. Further, the amount and payment of dividends is at the discretion of the board of directors, which may reduce or cease payment of dividends at any time. See Note 6 - "Common Stock" to the consolidated financial statements included in this report for a further description of restrictions on IDACORP's and Idaho Power's payment of dividends.

IDACORP's and Idaho Power's activities are concentrated in one industry and in one region, which exposes it to risks from lack of diversification, regional economic conditions, and regional legislation and regulation. IDACORP and Idaho Power do not have diversified operations or sources of revenue. Idaho Power comprises the bulk of IDACORP's operations, and Idaho Power's business is concentrated solely in the electricity industry. Furthermore, Idaho Power's provision of electric service to retail customers is conducted exclusively in its southern Idaho and eastern Oregon service area. As a result, IDACORP's and Idaho Power's future performance will be affected by economic conditions, regulatory and legislative activity, and other events in its service area and in the electric power industry.

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The impacts of a retiring workforce with specialized utility-specific functions could increase costs and adversely affect IDACORP's and Idaho Power's financial condition and results of operations. Idaho Power's operations require a skilled workforce to perform specialized utility functions. Many of these positions, such as linemen, grid operators, and generation plant operators, require extensive, specialized training. Idaho Power has experienced in recent years an above-average number of employee retirements and expects the increased level of retirement of its skilled workforce and persons in key positions will continue in 2016 and in the near-term. This will require Idaho Power to attract, train, and retain new employees to help prevent a loss of institutional knowledge and avoid a skills gap. The loss of skills and institutional knowledge of experienced employees and the costs associated with attracting, training, and retaining appropriately qualified employees to replace an aging and skilled workforce could have a negative effect on IDACORP's and Idaho Power's financial condition and results of operations.

IDACORP and Idaho Power are subject to costs and other effects of legal and regulatory proceedings, disputes, and claims. From time to time in the normal course of business IDACORP and Idaho Power are subject to various lawsuits, regulatory proceedings, disputes, and claims that could result in adverse judgments or settlements, fines, penalties, injunctions, or other adverse consequences. These matters are subject to a number of uncertainties, and as a result management is often unable to predict the outcome of a matter. Two notable existing legal proceedings are described in Note 10 - "Contingencies" to the consolidated financial statements included in this report. The legal costs and final resolution of matters in which IDACORP or Idaho Power are involved could have a negative effect on their financial condition and results of operations. Similarly, the terms of resolution could require the companies to change their operational practices and procedures, which could also have a negative effect on their financial positions and results of operations.

Acts or threats of terrorism, cyber attacks, data or physical security breaches, and other acts of individuals or groups seeking to disrupt Idaho Power's operations or the electric power grid could negatively impact IDACORP's and Idaho Power's financial condition and results of operations. Idaho Power operates in an industry that requires the continuous use and operation of sophisticated information technology systems and network infrastructure. Idaho Power's generation and transmission facilities and its grid operations are potential targets for terrorist acts and threats, as well as cyber attacks and other disruptive activities of individuals or groups. Some of Idaho Power's facilities are deemed "critical infrastructure," in that incapacity or destruction of the facilities could have a debilitating impact on security, reliability or operability of the bulk electric power system, national economic security, and public health and safety. The possibility that infrastructure facilities, such as generation facilities and electric transmission facilities, would be direct targets of, or indirect casualties of, an act of terror or cyber attack (whether originating internally or externally) may affect Idaho Power's operations by limiting the ability to generate, purchase, or transmit power. These events, and governmental actions in response, could result in a material decrease in revenues and increase costs to protect, repair, and insure Idaho Power's assets and operate its business.

Federal regulators have stated that a number of organizations continue to seek opportunities to exploit potential vulnerabilities in the U.S. energy infrastructure and that those attacks have become increasingly sophisticated. Attacks on Idaho Power's infrastructure could result from acts of those organizations or other third parties as well as Idaho Power employees or contractors. At the same time, Idaho Power's energy infrastructure is becoming more reliant on network-based infrastructure. Idaho Power's operations require the continuous availability of information technology systems and network infrastructure, and in the normal course of business Idaho Power collects sensitive and confidential customer and employee information and proprietary information of Idaho Power. Although Idaho Power actively monitors developments in cyber security, no security measures can completely shield Idaho Power's systems, infrastructure, and data from vulnerabilities to cyber attacks, intrusions, or other catastrophic events that could result in their failure or reduced functionality, and ultimately the potential loss of sensitive information or the loss of Idaho Power's ability to fulfill critical business functions and provide reliable electric power to customers. The loss of data could result in violations of privacy and other laws, financial loss to Idaho Power or to its customers, customer dissatisfaction, and significant litigation exposure, all of which could materially affect Idaho Power's financial

condition and results of operations.

Changes in tax laws and regulations, or differing interpretation or enforcement of applicable laws by the Internal Revenue Service or other taxing jurisdictions, could have a material adverse impact on IDACORP’s or Idaho Power’s financial condition and results of operations. IDACORP and Idaho Power must make judgments and interpretations about the application of the law when determining the provision for taxes. Amounts of tax-related assets and liabilities involve judgments and estimates of the timing and probability of recognition of income, deductions, and tax credits, which are subject to challenge by taxing authorities. In recent years, tax settlements, as well as state regulatory mechanisms with tax-related provisions (such as Idaho Power's October 2014 regulatory settlement stipulation with the IPUC), has significantly impacted IDACORP's and Idaho Power's results of operations. The outcome of ongoing and future income tax proceedings, or the state public utility commissions' treatment of those tax outcomes, could differ materially from the amounts IDACORP and Idaho Power record prior to conclusion of those proceedings, and the difference could negatively affect IDACORP’s and Idaho Power’s earnings

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and cash flows. Further, in some instances the treatment from a ratemaking perspective of any tax benefits could be different than IDACORP or Idaho Power anticipate or request from applicable state regulatory commissions, which could have a negative effect on their financial condition and results of operations.

Changes in accounting standards or rules may impact IDACORP's and Idaho Power's financial results and disclosures. The Financial Accounting Standards Board and the Securities and Exchange Commission may make changes to accounting standards that impact presentation and disclosures of financial condition and results of operations. Further, new accounting orders issued by the FERC could significantly impact IDACORP's and Idaho Power's reported financial condition. Idaho Power meets conditions under generally accepted accounting principles to reflect the impact of regulatory decisions in its financial statements and to defer certain costs as regulatory assets until those costs are collected in rates, and to defer some items as regulatory liabilities. If recovery of these amounts ceases to be probable, if Idaho Power determines that it no longer meets the criteria for applying regulatory accounting, or if accounting rules change to no longer provide for regulatory assets and liabilities, Idaho Power could be required to eliminate some or all of those regulatory assets or liabilities. Any of these circumstances could result in write-offs and have a material effect on IDACORP's and Idaho Power’s financial condition and results of operations.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

Idaho Power's properties consist of the physical assets necessary to support its utility operations, which include generation, transmission, and distribution facilities, as well as coal assets that support one of its coal-fired generation plants. In addition to these physical assets, Idaho Power has rights-of-way and water rights that enable it to use its facilities. Idaho Power’s system is comprised of 17 hydroelectric generating plants located in southern Idaho and eastern Oregon, three natural gas-fired plants in southern Idaho, and interests in three coal-fired steam electric generating plants located in Wyoming, Nevada, and Oregon. As of December 31, 2015, the system also includes approximately 4,860 pole-miles of high-voltage transmission lines, 24 step-up transmission substations located at power plants, 24 transmission substations, 10 switching stations, 224 energized distribution substations (excluding mobile substations and dispatch centers), and approximately 27,092 pole-miles of distribution lines.

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Idaho Power holds FERC licenses for all of its hydroelectric projects that are subject to federal licensing. Relicensing of Idaho Power's hydroelectric projects is discussed in Item 7 - MD&A – "Regulatory Matters – Relicensing of Hydroelectric Projects." Idaho Power's hydroelectric projects and other owned and co-owned generating facilities and their nameplate capacities are included in the table below.

| Project | Nameplate Capacity (kW)[1] | License Expiration | |
|---|---|---|---|
| Hydroelectric Projects: | | | |
| Properties Subject to Federal Licenses: | | | |
| Lower Salmon | 60,000 | 2034 | |
| Bliss | 75,000 | 2034 | |
| Upper Salmon | 34,500 | 2034 | |
| Shoshone Falls | 12,500 | 2034 | |
| CJ Strike | 82,800 | 2034 | |
| Upper Malad - Lower Malad | 21,770 | 2035 | |
| Brownlee - Oxbow - Hells Canyon (Hells Canyon Complex) | 1,166,900 | 2005 | [2] |
| Swan Falls | 27,170 | 2042 | |
| American Falls | 92,340 | 2025 | |
| Cascade | 12,420 | 2031 | |
| Milner | 59,448 | 2038 | |
| Twin Falls | 52,897 | 2040 | |
| Other Hydroelectric: | | | |
| Clear Lakes - Thousand Springs | 11,300 | | |
| Total Hydroelectric | 1,709,045 | | |
| Steam and Other Generating Plants: | | | |
| Jim Bridger (coal-fired)[3] | 770,501 | | |
| North Valmy (coal-fired)[3] | 283,500 | | |
| Boardman (coal-fired)[3][4] | 64,200 | | |
| Danskin (gas-fired) | 270,900 | | |
| Langley Gulch (gas-fired) | 318,452 | | |
| Bennett Mountain (gas-fired) | 172,800 | | |
| Salmon (diesel-internal combustion) | 5,000 | | |
| Total Steam and Other | 1,885,353 | | |
| Total Generation | 3,594,398 | | |

[1] Actual generation capacity from a facility may be greater or less than the rated nameplate generation capacity.
[2] Licensed on an annual basis while the application for a new multi-year license is pending.
[3] Idaho Power's ownership interests are 33 percent for Jim Bridger, 50 percent for Valmy, and 10 percent for Boardman. Amounts shown represent Idaho Power's share.
[4] Pursuant to an Oregon Environmental Quality Commission plan and associated rules, the Boardman power plant is scheduled for cessation of coal-fired operations by December 31, 2020.

IDACORP's and Idaho Power's headquarters are located in Boise, Idaho. The corporate headquarters campus is comprised of approximately 306,000 square feet of owned office space. Excluding Idaho Power's power generation facilities and substations, Idaho Power owns an additional 907,000 square feet of office, warehouse, and industrial space to support its operations in Idaho and Oregon.

Idaho Power owns all of its interests in principal plants and other important units of real property, except for portions of certain projects licensed under the FPA and reservoirs and other easements. Substantially all of Idaho Power's property is subject to the lien of its Mortgage and Deed of Trust and the provisions of its project licenses. Idaho Power's property is subject to minor defects common to properties of such size and character that it believes do not

materially impair the value to, or the use by, Idaho Power of such properties. Idaho Power considers its properties to be well-maintained and in good operating condition.

Through Idaho Energy Resources Co., Idaho Power owns a one-third interest in BCC and coal leases near the Jim Bridger generating plant in Wyoming from which coal is mined and supplied to the plant. Ida-West holds 50-percent interests in nine hydroelectric plants that have a total generating capacity of 45 MW. These plants are located in Idaho and California.

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ITEM 3. LEGAL PROCEEDINGS

Refer to Note 10 – “Contingencies” to the consolidated financial statements included in this report.

ITEM 4. MINE SAFETY DISCLOSURES

Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.104) is included in Exhibit 95.1 of this report.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

IDACORP’s common stock, without par value, is traded on the New York Stock Exchange (NYSE). On February 12, 2016, there were 10,448 holders of record of IDACORP common stock and the closing stock price was $69.59 per share. The outstanding shares of Idaho Power’s common stock, $2.50 par value, are held by IDACORP and are not traded. IDACORP became the holding company of Idaho Power on October 1, 1998.

IDACORP and Idaho Power paid dividends of $97 million, $89 million, and $79 million in 2015, 2014, and 2013, respectively.

The amount and timing of dividends paid on IDACORP’s common stock are within the discretion of IDACORP’s board of directors, subject to other restrictions. The board of directors reviews the dividend rate quarterly to determine its appropriateness in light of IDACORP’s current and long-term financial position and results of operations, capital requirements, rating agency requirements, contractual and regulatory restrictions, legislative and regulatory developments affecting the electric utility industry in general and Idaho Power in particular, competitive conditions, and any other factors the board of directors deems relevant. The ability of IDACORP to pay dividends on its common stock is dependent upon dividends paid to it by its subsidiaries, primarily Idaho Power. The IDACORP board of directors has a dividend policy for IDACORP that provides for a target long-term dividend payout ratio of between 50 and 60 percent of sustainable IDACORP earnings, with the flexibility to achieve that payout ratio over time and to adjust the payout ratio or to deviate from the target payout ratio from time to time based on the various factors that drive the board of director's dividend decisions. IDACORP's 2015 calendar year payout ratio was 50 percent. Notwithstanding the dividend policy adopted by IDACORP's board of directors, the dividends IDACORP pays remain in the discretion of the board of directors who, when evaluating the dividend amount, will take into account the foregoing factors, among others.

IDACORP's and Idaho Power's payment of dividends is subject to a number of restrictions. For information relating to those restrictions, see Note 6 - “Common Stock” to the consolidated financial statements included in this report.

The following table shows the reported high and low sales price of IDACORP’s common stock and dividends paid for 2015 and 2014 as reported by the NYSE:

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| Quarter | High | Low | Dividends paid per share | High | Low | Dividends paid per share |
| 1st | $70.48 | $59.21 | $0.47 | $56.65 | $50.21 | $0.43 |
| 2nd | 64.22 | 55.40 | 0.47 | 57.86 | 52.91 | 0.43 |
| 3rd | 64.94 | 55.96 | 0.47 | 58.79 | 51.70 | 0.43 |
| 4th | 70.33 | 63.38 | 0.51 | 70.05 | 53.39 | 0.47 |

IDACORP did not repurchase any shares of its common stock during the fourth quarter of 2015.

Performance Graph

The graph below shows a comparison of the five-year cumulative total shareholder return for IDACORP common stock, the S&P 500 Index, and the Edison Electric Institute (EEI) Electric Utilities Index. The data assumes that $100 was invested on December 31, 2010, with beginning-of-period weighting of the peer group indices (based on market capitalization) and monthly compounding of returns.

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Source: Bloomberg and EEI

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|
| IDACORP | $100.00 | $118.25 | $124.96 | $154.34 | $203.17 | $215.24 |
| S&P 500 | 100.00 | 102.08 | 118.39 | 156.70 | 178.10 | 180.56 |
| EEI Electric Utilities Index | 100.00 | 119.99 | 122.49 | 138.42 | 178.44 | 171.48 |

The foregoing performance graph and data shall not be deemed “filed” as part of this Form 10-K for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section and shall not be deemed incorporated by reference into any other filing of IDACORP or Idaho Power under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent IDACORP or Idaho Power specifically incorporates it by reference into such filing.

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ITEM 6. SELECTED FINANCIAL DATA

IDACORP, Inc.

SUMMARY OF OPERATIONS

(thousands of dollars, except per share amounts and statistics)

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Operating revenues | $1,270,289 | $1,282,524 | $1,246,214 | $1,080,662 | $1,026,756 |
| Operating income | 282,097 | 253,696 | 291,742 | 242,602 | 155,352 |
| Net income attributable to IDACORP, Inc. | 194,679 | 193,480 | 182,417 | 173,014 | 169,981 |
| Diluted earnings per share | 3.87 | 3.85 | 3.64 | 3.46 | 3.43 |
| Dividends declared per share | 1.92 | 1.76 | 1.57 | 1.37 | 1.20 |
| | | | | | |
| Financial Condition: | | | | | |
| Total assets [1] | $6,023,314 | $5,701,037 | $5,347,380 | $5,274,147 | $4,908,326 |
| Long-term debt (including current portion) [1] | $1,726,474 | $1,599,686 | $1,599,139 | $1,520,553 | $1,471,621 |
| | | | | | |
| Financial Statistics: | | | | | |
| Times interest charges earned: | | | | | |
| Before tax[2] | 3.61 | 3.38 | 3.87 | 3.41 | 2.48 |
| After tax[3] | 3.12 | 3.19 | 3.06 | 3.02 | 3.00 |
| Book value per share[4] | $40.88 | $38.85 | $36.84 | $34.73 | $32.76 |
| Market-to-book ratio [5] | 166 % | 170 % | 141 % | 125 % | 129 % |
| Payout ratio [6] | 50 % | 46 % | 43 % | 40 % | 35 % |
| Return on year-end common equity [7] | 9.5 % | 9.9 % | 9.9 % | 9.9 % | 10.4 % |

[1] Adjusted to reflect the adoption of ASU 2015-03. See Note 1 to the consolidated financial statements included in this report.

The financial statistics listed above are calculated in the following manner:

[2] The sum of interest on long-term debt, other interest expense excluding AFUDC credits, and income before income taxes divided by the sum of interest on long-term debt and other interest expense excluding AFUDC credits.

[3] The sum of interest on long-term debt, other interest expense excluding AFUDC credits, and income from continuing operations divided by the sum of interest on long-term debt and other interest expense excluding AFUDC credits.

[4] Total equity, excluding non-controlling interests, at the end of the year divided by shares outstanding at the end of the year.

[5] The closing price of IDACORP stock on the last day of the year divided by the book value per share, which is described in footnote (4) above.

[6] Dividends paid per common share divided by diluted earnings per share.

[7] Net income attributable to IDACORP, Inc. divided by total equity, excluding non-controlling interests, at the end of the year.

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## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) in this report, the general financial condition and results of operations for IDACORP, Inc. and its subsidiaries (collectively, IDACORP) and Idaho Power Company and its subsidiary (collectively, Idaho Power) are discussed. While reading the MD&A, please refer to the accompanying consolidated financial statements of IDACORP and Idaho Power. Also refer to "Cautionary Note Regarding Forward-Looking Statements" and Part I - Item 1A - "Risk Factors" in this report for important information regarding forward-looking statements made in this MD&A and elsewhere in this report.

In the MD&A, MWh and dollar amounts in tables, other than earnings per share, are in thousands unless otherwise indicated.

### INTRODUCTION

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 whose rates and other matters are regulated by the Idaho Public Utility Commission (IPUC), Public Utility Commission of Oregon (OPUC), and Federal Energy Regulatory Commission (FERC). 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 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. Idaho Power's rates are established through regulatory proceedings that affect its ability to recover its costs and the potential to earn a return on its investment.

Idaho Power is the parent of Idaho Energy Resources Co. (IERCo), a joint venturer in Bridger Coal Company (BCC), which mines and supplies coal to the Jim Bridger generating plant owned in part by Idaho Power. IDACORP's other subsidiaries include IDACORP Financial Services, Inc. (IFS), an investor in affordable housing and other real estate investments; Ida-West Energy Company, 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.

### EXECUTIVE OVERVIEW

#### Management's Outlook

Idaho Power continues to see positive growth in its customer count and associated positive impacts on Idaho Power's revenue. To encourage responsible and sustainable growth, and as part of its planning for the future, Idaho Power actively participates in and supports state and local economic development initiatives. At the same time that Idaho Power pursues customer growth, it must also plan for that growth. Idaho Power's recently completed 2015 Integrated Resource Plan (IRP) assumed growth in customers for the next 20 years and seeks to plan for the infrastructure that will support the anticipated growth and allow Idaho Power to continue to provide reliable, fair-priced electric power to its customers. To that end, Idaho Power's noteworthy capital projects include the replacement of aging assets, upgrades to generation plants, a multi-year plan for replacement of underground conductor, ongoing system upgrades, and continued progress on permitting the Boardman-to-Hemingway and Gateway West 500-kV transmission lines. As of the date of this report, Idaho Power estimates total capital expenditures of nearly $1.5 billion over the next five years.

Idaho Power operates within what it believes to be a constructive regulatory framework, achieved through general rate cases, subject-specific rate filings, tariff riders, and cost recovery mechanisms that share risks and benefits with Idaho Power's customers. To further complement these efforts, Idaho Power has also been focusing on controlling power supply, operating, maintenance, and capital costs through process review and improvement initiatives, and by empowering employees to identify new means to reduce costs, increase efficiencies, and enhance individual and enterprise performance for the benefit of IDACORP's shareholders, Idaho Power's customers, and other stakeholders. As Idaho Power's base rates were most recently reset in a general rate case in 2012, during 2016 Idaho Power plans to evaluate the desirability of filing an application for a general rate change in Idaho or Oregon.

Separately, during 2015 IDACORP continued to make meaningful progress toward its target dividend payout ratio of between 50 and 60 percent of sustainable IDACORP earnings, which expanded on the progress made in prior years. From 2012 through

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2015, IDACORP's board of directors approved a collective 70 percent increase in the quarterly dividend, from $0.30 to $0.51 per share.

2015 Accomplishments and 2016 Initiatives

IDACORP’s business strategy emphasizes Idaho Power as IDACORP’s core business. For the past several years, Idaho Power has been executing its three-part strategy of responsible planning, responsible development and protection of resources, and responsible energy use to ensure adequate energy supplies. This strategy is described in Part I, Item 1 - "Business" of this report. Examples of IDACORP's and Idaho Power's achievements and recognitions during 2015 under its three-part business strategy include:

- achieved net income growth for an eighth consecutive year;
- increased IDACORP's quarterly common stock dividend from $0.47 per share to $0.51 per share;
- executed on business optimization initiatives, focusing on improving operations and controlling expenditures;
- made continued progress toward the permitting of the Boardman-to-Hemingway and Gateway West 500-kV transmission projects;
- achieved its goal to reduce average $CO_2$ emissions intensity by 10 to 15 percent below 2005 emissions for the period from 2010 through 2015;
- achieved the highest rolling 12-month customer relationship index score (Idaho Power's internal measure of customer satisfaction) ever recorded by the company; and
- improved Idaho Power's ranking from 17 to 11 in the annual "40 Best Energy Companies" list published by Public Utilities Fortnightly.

For 2016, in addition to its specific infrastructure and regulatory projects noted above, IDACORP and Idaho Power have established a number of organizational initiatives, including the following:

- make progress on three core focuses for 2016—improving Idaho Power's core business, growing revenues, and enhancing the brand and positioning the company for the future;
- continue to enhance and promote Idaho Power’s safety culture;
- grow financial strength by supporting business development in our service territory while actively managing costs;
- continue progress toward IDACORP’s target dividend payout ratio;
- pursue responsible investments that address customer growth while improving reliability, enhancing Idaho Power customers’ experience, increasing shareholder value, and managing carbon impacts; and
- integrate new renewable generation resources into Idaho Power’s grid and explore intra-hour market opportunities to help achieve greater reliability and improve system dispatch.

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 a number of factors, and the impact of those factors is discussed in more detail later in this MD&A. To provide context for the discussion elsewhere in this report, some of the more notable factors include the following:

- Regulation of Rates and Cost Recovery:  The price that Idaho Power is authorized to charge for its electric and transmission service is a critical factor in determining IDACORP's and Idaho Power's results of operations and financial condition. Those rates are established by state regulatory commissions and the FERC, and are intended to allow Idaho Power an opportunity to recover its expenses and earn a reasonable return on investment. 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, working to put in place innovative regulatory mechanisms, and on the prudent management of expenses and

investments. Idaho Power has a regulatory settlement stipulation in Idaho that remains in effect during 2016. That stipulation includes provisions for the accelerated amortization of certain tax credits to help achieve a minimum 9.5 percent return on year-end equity in the Idaho jurisdiction (Idaho ROE). Also during 2016, Idaho Power will continue to assess its need to file a general rate case to reset base rates.

Rate Base Growth and Infrastructure Investment: As noted above, the rates established by the IPUC and OPUC are determined so as to provide an opportunity for Idaho Power to recover authorized operating expenses and earn a reasonable return on "rate base." Rate base is generally determined by reference to the original cost (net of accumulated depreciation) of utility plant in service, subject to various adjustments for deferred taxes and other items.

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Over time, rate base is increased by additions to utility plant in service and reduced by depreciation and retirement of utility plant and write-offs as authorized by the IPUC and OPUC. In recent years, Idaho Power has been pursuing significant enhancements to its utility infrastructure, including major ongoing transmission projects such as the Boardman-to-Hemingway and Gateway West projects, in an effort to ensure an adequate supply of electricity, to provide service to new customers, and to maintain system reliability. Idaho Power's existing hydroelectric and thermal generation facilities also require continuing upgrades and component replacement, and the company is undertaking a significant relicensing effort for the Hells Canyon Complex (HCC), its largest hydroelectric generation resource. Idaho Power expects to include completed capital projects in its next general rate case or, in circumstances where appropriate, a single-issue rate case for individual projects with a significant capital cost. Depending on the outcome of the regulatory process and items such as the rate of return authorized by the IPUC and OPUC, this growth in rate base has the potential to increase Idaho Power's revenues and earnings.

Economic Conditions: Economic conditions impact consumer demand for electricity and revenues, 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. In recent years, Idaho Power has seen growth in the number of customers in its service area—in 2015 its customer count grew by 1.8 percent, and employment in Idaho Power's service area grew by approximately 4.9 percent in 2015 based on Idaho Department of Labor preliminary December 2015 data. Idaho Power expects that the number of customers will continue to increase in the foreseeable future. To help encourage growth, Idaho Power has in recent years undertaken efforts to promote economic development and attract industrial and commercial customers to its service area.

Weather Conditions: 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. Further, as Idaho Power's hydroelectric facilities comprise nearly one-half of Idaho Power's nameplate generation capacity, precipitation levels impact the mix of Idaho Power's generation resources. When hydroelectric generation is reduced, Idaho Power must rely on more expensive generation sources and purchased power. When favorable hydroelectric generating conditions exist for Idaho Power, they also may exist for other Pacific Northwest hydroelectric facility operators, lowering regional wholesale market prices and impacting the revenue Idaho Power receives from off-system sales of its excess power. Much of the adverse or favorable impact of this volatility is addressed through the Idaho and Oregon power cost adjustment (PCA) mechanisms.

- Mitigation of Impact of 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. 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 market prices, and Idaho Power's hedging program for managing fuel costs. Recently, low natural gas prices have made operation of Idaho Power's natural gas power plants more economical, resulting in increased operation of those plants and lessened operation of coal-fired plants. 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 or solar energy, and wholesale energy market prices. Idaho Power is required by law 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 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, which results in increased 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 all of the

Idaho-jurisdiction PURPA power purchase costs.

Regulatory and Environmental Compliance Costs: 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 affects Idaho Power's operating costs. Environmental laws and regulations, in particular, may 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

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Power owns a 10-percent interest, is scheduled to cease coal-fired operations by the end of 2020, a decision driven in large part by the substantial cost of environmental controls required by existing regulations. Idaho Power expects to spend a considerable amount on environmental compliance and controls in the next decade.

- Water Management and Relicensing of the Hells Canyon Hydroelectric Project (HCC): Because of Idaho Power's reliance on stream flow in the Snake River and its tributaries, Idaho Power participates in numerous proceedings and venues that may affect its water rights, seeking to preserve the long-term availability of its rights for its hydroelectric projects. Also, Idaho Power is involved in renewing its long-term federal license for the HCC, its largest hydroelectric generation source. Given the number of parties and issues involved, Idaho Power's relicensing costs have been and will continue to be substantial. Idaho Power cannot currently determine the terms of, and costs associated with, any resulting long-term license.

Summary of 2015 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 years ended December 31, 2015, 2014, and 2013 (in thousands, except earnings per share amounts):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Idaho Power net income | $190,983 | $189,387 | $176,741 |
| Net income attributable to IDACORP, Inc. | $194,679 | $193,480 | $182,417 |
| Average outstanding shares – diluted (000's) | 50,292 | 50,199 | 50,126 |
| IDACORP, Inc. earnings per diluted share | $3.87 | $3.85 | $3.64 |

The table below provides a reconciliation of net income attributable to IDACORP, Inc. for year ended December 31, 2015 to the year ended December 31, 2014 (items are in millions and are before tax unless otherwise noted):

| | | |
|---|---|---|
| Net income attributable to IDACORP, Inc. - December 31, 2014 | | $193.5 |
| Change in Idaho Power net income: | | |
| Customer growth, net of associated power supply costs | 10.3 | |
| Usage per customer, net of associated power supply costs | (6.7) | |
| Change in FCA revenues due to sales volumes and mechanism change | 12.7 | |
| Depreciation expense and property taxes | (6.2) | |
| Rent from electric property, wheeling and other revenue | 3.0 | |
| Other operating and maintenance expenses | (4.2) | |
| Change in Idaho Power operating income prior to sharing mechanisms | 8.9 | |
| Change in operating income as a result of sharing mechanisms | 21.5 | |
| Change in Idaho Power operating income | 30.4 | |
| Non-operating income and expenses | (0.4) | |
| Change in income tax benefit related to first mortgage bond redemption costs | 7.2 | |
| Change in income tax expense due to cumulative impact of tax method change recorded in 2014 | (24.5) | |
| Other change in income tax expense | (11.1) | |
| Total increase in Idaho Power net income | | 1.6 |
| Other changes (net of tax) | | (0.4) |
| Net income attributable to IDACORP, Inc. - December 31, 2015 | | $194.7 |

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IDACORP's 2015 net income was nearly equivalent to its 2014 net income. However, there were several notable differences in the drivers of each year's results. Idaho Power's operating income, excluding the impact of the sharing mechanisms under Idaho regulatory settlement stipulations, increased $8.9 million for 2015 compared with 2014. Increased sales volumes associated with continued growth in the number of Idaho Power customers increased operating income by $10.3 million, though this was partially offset by a $6.7 million decrease from reduced overall usage per customer. Increases in depreciation and property taxes, and other operating and maintenance expenses (which include labor-related expenses), combined to decrease operating income by $10.4 million in 2015 when compared with 2014. Modifications were made to Idaho Power's FCA mechanism for 2015 to track fluctuations in residential and small commercial sales associated with actual weather conditions, as opposed to normalized weather conditions under the 2014 FCA mechanism. The FCA mechanism modification, combined with lower sales per customer, provided a $12.7 million benefit to operating income in 2015 compared with 2014.

Additionally, two income tax matters had a significant impact on the comparative results. Income taxes in 2015 reflect a $7.2 million flow-through impact of a tax deductible make-whole premium Idaho Power paid upon early redemption of long-term debt during 2015. Income tax expense in 2014 included a $24.5 million benefit from the cumulative effect of a tax method change made in that year.

Further, during 2015 Idaho Power recorded a total of $3.2 million as a provision against current revenue related to an October 2014 Idaho regulatory settlement stipulation that requires sharing with Idaho customers of a portion of 2015 earnings when Idaho Power's Idaho ROE exceeds 10.0 percent. By contrast, during 2014 under a prior, yet similar, Idaho regulatory settlement stipulation, Idaho Power recorded $24.7 million for sharing with Idaho customers. Of that amount, $16.7 million was recorded as additional pension expense and $8.0 million was recorded as a provision against current revenues to be refunded to customers through a future rate reduction. From 2011 to 2015, Idaho Power has shared over $120 million with customers through settlement stipulations.

RESULTS OF OPERATIONS

This section of the MD&A takes a closer look at the significant factors that affected IDACORP’s and Idaho Power’s earnings. In this analysis, the results for 2015 are compared with 2014 and the results for 2014 are compared with 2013.

Utility Operations

The table below presents Idaho Power’s energy sales and supply (in thousands of MWh) for the last three years.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| General business sales | 14,265 | 14,092 | 14,619 |
| Off-system sales | 1,254 | 2,220 | 1,683 |
| Total energy sales | 15,519 | 16,312 | 16,302 |
| Hydroelectric generation | 5,910 | 6,170 | 5,656 |
| Coal generation | 4,676 | 5,851 | 6,327 |
| Natural gas and other generation | 2,076 | 1,175 | 1,576 |
| Total system generation | 12,662 | 13,196 | 13,559 |
| Purchased power | 3,792 | 4,153 | 3,902 |
| Line losses | (935) | (1,037) | (1,159) |
| Total energy supply | 15,519 | 16,312 | 16,302 |

Sales Volume and Generation: In 2015, general business sales volume increased by 1 percent compared with the prior year, as the positive sales volume impact of customer growth exceeded reduced usage from moderate weather and

energy efficiency measures. Off-system sales volume decreased by 44 percent in 2015 as decreases in output from hydroelectric generation resources reduced the amount of surplus power available for off-system sales. Also, more favorable wholesale market conditions in 2014 provided more opportunities for Idaho Power to operate its non-hydroelectric generation facilities for off-system sales during 2014 than in 2015.

Generation from Idaho Power's hydroelectric plants declined 4 percent in 2015 compared with 2014 due largely to below-average stream flows. The below-average hydroelectric generation during 2013 through 2015 resulted from relatively low snow pack and spring season run-off during the three-year period. At Idaho Power's thermal plants, coal-fired generation

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decreased while natural gas-fired generation increased, as low natural gas prices made natural gas-fired plants more economical to run in 2015 than in 2014.

The financial impacts of fluctuations in off-system sales, purchased power, fuel expense, and other power supply-related expenses are mitigated by the Idaho and Oregon PCA mechanisms, as further discussed later in this report.

General Business Revenues: The table below presents Idaho Power's general business revenues, MWh sales, and number of customers for the last three years.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Revenue | | | |
| Residential | $512,068 | $500,195 | $513,914 |
| Commercial | 306,178 | 299,462 | 281,009 |
| Industrial | 182,254 | 182,675 | 165,941 |
| Irrigation | 164,403 | 158,654 | 159,242 |
| Total | 1,164,903 | 1,140,986 | 1,120,106 |
| Provision for sharing | (3,159) | (7,999) | (7,602) |
| Deferred revenue related to HCC relicensing AFUDC[1] | (10,706) | (10,706) | (10,776) |
| Total general business revenues | $1,151,038 | $1,122,281 | $1,101,728 |
| Volume of Sales (MWh) | | | |
| Residential | 4,977 | 4,965 | 5,365 |
| Commercial | 4,045 | 3,944 | 3,975 |
| Industrial | 3,196 | 3,217 | 3,182 |
| Irrigation | 2,047 | 1,966 | 2,097 |
| Total MWh sales | 14,265 | 14,092 | 14,619 |
| Number of customers at year-end | | | |
| Residential | 436,102 | 428,294 | 422,188 |
| Commercial | 68,352 | 67,522 | 66,734 |
| Industrial | 118 | 121 | 115 |
| Irrigation | 20,293 | 19,826 | 19,398 |
| Total customers | 524,865 | 515,763 | 508,435 |

[1] Idaho Power is collecting approximately $10.7 million annually in the Idaho jurisdiction for AFUDC on HCC construction work in progress, but is deferring revenue recognition of the amounts collected until the license is issued and the accumulated license costs are placed in service.

Changes in rates, changes in customer demand, and changes in FCA revenues are typically the primary causes of fluctuations in general business revenue from period to period. See "Regulatory Matters" in this MD&A for a list of rate changes implemented over the last three years. The primary influences on changes in customer demand for electricity are weather, economic conditions, and energy efficiency. Extreme temperatures increase sales to customers who use electricity for cooling and heating, while moderate temperatures decrease sales. Precipitation levels and the timing of precipitation during the agricultural growing season also affect sales to customers who use electricity to operate irrigation pumps. For purposes of illustration and comparison, Boise, Idaho weather-related information for the last three years is presented in the table that follows.

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2015 | 2014 | 2013 | Normal |
| Heating degree-days[1] | 4,694 | 4,976 | 6,032 | 5,556 |
| Cooling degree-days[1] | 1,280 | 1,129 | 1,320 | 942 |

(1) Heating and cooling degree-days are common measures used in the utility industry to analyze the demand for electricity and indicate when a customer would use electricity for heating and air conditioning. A degree-day measures how much the average daily temperature varies from 65 degrees. Each degree of temperature above 65 degrees is counted as one cooling degree-day, and each degree of temperature below 65 degrees is counted as one heating degree-day. While Boise, Idaho weather conditions are not necessarily representative of weather conditions throughout Idaho Power's service area, the greater Boise area has the majority of Idaho Power's customers.

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Idaho Power's rate structure provides for higher rates during the summer when system loads are at their highest, and includes tiers such that rates increase as a customer's consumption level increases. These seasonal and tiered rate structures contribute to seasonal fluctuations in revenues and earnings.

General Business Revenues - 2015 Compared with 2014: General business revenue increased $28.8 million in 2015 compared with 2014. The factors affecting general business revenues included the following:

- Rates. Two rate changes impacted general business revenue—an Idaho PCA rate increase effective June 1, 2014, and an Idaho PCA rate decrease effective June 1, 2015, both described in Note 3 - "Regulatory Matters" to the consolidated financial statements included in this report. Overall, rate changes combined to decrease general business revenue by $2.2 million in 2015.

- Usage. Lower usage per customer in 2015, primarily driven by the impact of more moderate winter weather on residential customer usage, as well as energy efficiency, decreased general business revenue by $0.7 million. Residential usage per customer was 1.4 percent lower in 2015.

- Customers. Customer growth increased general business revenue by $14.1 million. Customer growth from 2014 to 2015 was 1.8 percent.

- Sharing. General business revenue was impacted by Idaho Power's revenue sharing mechanism. This mechanism is associated with Idaho regulatory settlement agreements that provide for the sharing with customers of a portion of Idaho-jurisdiction earnings exceeding a 10.0 percent Idaho ROE. The impact of this mechanism is partially recorded as a reduction to general business revenue. Reductions of $3.2 million and $8.0 million were recorded in 2015 and 2014, respectively, resulting in a net increase to general business revenue of $4.8 million in 2015.

- FCA Revenue. FCA mechanism revenues increased $12.7 million compared with 2014, including the impacts of weather and of modifications made to the mechanism by the IPUC effective January 1, 2015. The modifications to the FCA mechanism are described in more detail in "Regulatory Matters" in this MD&A and in Note 3 - "Regulatory Matters" to the consolidated financial statements included in this report.

General Business Revenues - 2014 Compared with 2013: General business revenue increased $20.6 million in 2014 compared with 2013. The factors affecting general business revenues included the following:

- Rates. Rate changes, primarily associated with increased power supply costs, combined to increase general business revenue by $64.8 million. The revenue impact of the rate changes was partially offset by associated changes in operating expenses—Idaho PCA amortization expense increased $42.8 million in 2014 due to the change in the corresponding Idaho PCA true-up rates.

- Usage. Lower usage per customer, primarily driven by the impact of more moderate weather during 2014 on residential customer usage, as well as energy efficiency, decreased general business revenue by $55.7 million. Residential usage per customer was 9.1 percent lower in 2014.

- Customers. Continued customer growth partially offset the decrease in overall MWh sales, increasing revenue by $11.9 million. Customer growth from 2013 to 2014 was 1.4 percent.

- Sharing. The overall increase in general business revenue was impacted by Idaho Power's revenue sharing mechanism. This mechanism, which was in place for 2012 through 2014, is associated with the December 2011 Idaho regulatory settlement agreement that provides for the sharing with customers of a portion of Idaho-jurisdiction earnings exceeding a 10.0 percent Idaho ROE. The impact of this mechanism is partially recorded as a reduction to

general business revenue. Reductions of $8.0 million and $7.6 million were recorded in 2014 and 2013, respectively, resulting in a net decrease to general business revenue of $0.4 million in 2014.

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Off-System Sales: Off-system sales consist primarily of long-term sales contracts and opportunity sales of surplus system energy. The following table presents Idaho Power's off-system sales for the last three years:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Revenue | $30,887 | $77,165 | $54,473 |
| MWh sold | 1,254 | 2,220 | 1,683 |
| Revenue per MWh | $24.63 | $34.76 | $32.37 |

Off-System Sales - 2015 Compared with 2014: Off-system sales revenue decreased by $46.3 million, or 60 percent, in 2015. Off-system sales volumes decreased 44 percent, as 2014 sales benefited from more favorable market conditions, at times, for selling power off-system. The average price of off-system sales transactions in 2015 was 29 percent lower than 2014, indicative of generally lower market prices in 2015. Decreases in output from hydroelectric resources and an increase in overall load due to customer growth also reduced the amount of surplus power available for sale off-system during 2015.

Off-System Sales - 2014 Compared with 2013: Off-system sales revenue increased by $22.7 million, or 42 percent, in 2014 as a result of favorable market conditions, at times, for selling power off-system. Off-system sales volumes also benefitted from greater amounts of surplus system energy resulting from slightly lower system loads and increased hydroelectric generation and PURPA power purchases.

Other Revenues: The table below presents the components of other revenues for the last three years:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Transmission services and other | $55,048 | $52,051 | $51,260 |
| Energy efficiency | 30,532 | 27,154 | 35,637 |
| Total other revenues | $85,580 | $79,205 | $86,897 |

Other Revenues - 2015 Compared with 2014: Other revenues increased $6.4 million, or 8 percent, in 2015. The increases in 2015 were primarily the result of increased electricity transmission (wheeling) volumes and greater customer participation in energy efficiency programs. Most energy efficiency activities are funded through a rider mechanism on customer bills. Energy efficiency program expenditures funded through the rider are reported as an operating expense with an equal amount of revenues recorded in other revenues, resulting in no net impact on earnings.

Other Revenues - 2014 Compared with 2013: Other revenues decreased $7.7 million in 2014, resulting primarily from an order issued by the IPUC in the prior year that allowed Idaho Power to recover custom efficiency program incentive payments made between January 1, 2011 and June 1, 2013, through the energy efficiency rider. Based on the order, $14.3 million of other revenue (as well as energy efficiency program expense) was recognized in the second quarter of 2013. Partially offsetting the impact of this order from the IPUC was higher utilization of energy efficiency programs when compared with 2013.

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Purchased Power: The table below presents Idaho Power's purchased power expenses and volumes for the last three years.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2015 | 2014 | 2013 |
| Expense | | | |
| PURPA contracts | $131,340 | $144,617 | $131,338 |
| Other purchased power (including wheeling) | 88,430 | 92,071 | 85,038 |
| Demand response incentive payments | 6,701 | 7,940 | 4,203 |
| Total purchased power expense | $226,471 | $244,628 | $220,579 |
| MWh purchased | | | |
| PURPA contracts | 2,008 | 2,286 | 2,127 |
| Other purchased power | 1,784 | 1,867 | 1,775 |
| Total MWh purchased | 3,792 | 4,153 | 3,902 |
| Cost per MWh from PURPA contracts | $65.41 | $63.26 | $61.75 |
| Cost per MWh from other purchased power | $49.57 | $49.31 | $47.91 |
| Weighted average - all sources (excluding demand response incentive payments) | $57.96 | $56.99 | $55.45 |

The purchased power cost per MWh often exceeds the off-system sales revenue per MWh because Idaho Power generally needs to purchase more power during heavy load periods than during light load periods, and conversely has less energy available for off-system sales during heavy load periods than light load periods. Market energy prices are typically higher during heavy load periods than during light load periods. Also, in accordance with Idaho Power's risk management policy, Idaho Power may purchase or sell energy several months in advance of anticipated delivery. The regional energy market price is dynamic and additional energy purchase or sale transactions that Idaho Power makes at current market prices may be noticeably different than the advance purchase or sale transaction prices. Most of the non-PURPA purchased power and substantially all of the PURPA power purchase costs are recovered through base rates and Idaho Power's PCA mechanisms.

Purchased Power - 2015 Compared with 2014: Purchased power expense decreased $18.2 million, or 7 percent, in 2015. The decrease was due primarily to reduced volumes purchased from both PURPA and non-PURPA sources. Volume decreases were partially offset by increases in average prices.

Purchased Power - 2014 Compared with 2013: Purchased power expense increased $24.0 million, or 11 percent, in 2014, mostly resulting from an increase in generation provided by PURPA wind contracts when compared with 2013. In addition, wholesale gas and electricity market conditions warranted third-party power purchases to serve system load at times rather than dispatching Idaho Power-owned thermal resources. Finally, the increases in demand response program incentive payments primarily relate to the temporary cessation of some of these programs during 2013, which were reinstated for 2014.

Fuel Expense: The table below presents Idaho Power's fuel expenses and thermal generation for the last three years.

| | Year Ended December 31, | |
|---|---|---|
| | 2015 | 2014 |