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EDITED TRANSCRIPT

IDA - Q3 2016 Idacorp Inc Earnings Call

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PRESENTATION

Operator

Welcome to IDACORP's third-quarter 2016 conference call. Today's call is being recorded and webcast live. A complete replay will be available from the end of the day for a period of 12 months on the Company's website at idacorpinc.com. (Operator instructions).

At this time I will turn the call over to Justin Forsberg, Director of Investor Relations.

Justin Forsberg - *IDACORP, Inc. - Director IR*

Thanks, Takeeya. Before the markets opened today we issued and posted to the IDACORP website our earnings release and Form 10-Q for the third quarter of 2016. The slides we'll be using to supplement today's call are also available on our website and will continue to be available for the next 12 months. We'll refer to those slides as we present today's updates.

As shown on slide 2, on today's call we have Darrel Anderson, our President and Chief Executive Officer, and Steve Keen, our Senior Vice President, Chief Financial Officer and Treasurer, along with other individuals available to help answer your questions during the question-and-answer period.

As noted on slide 3, our presentation today will include forward-looking statements. While these forward-looking statements represent our current judgment or opinion of what the future holds, these statements are subject to risks and uncertainties that may cause actual results to differ materially from statements made today. So, we caution you against placing undue reliance on any forward-looking statement. The forward-looking statements listed on slide 3 are described in more detail in our filings with the Securities and Exchange Commission, which we encourage you to review.

On slide 4 we present our quarterly financial results. IDACORP's 2016 third-quarter earnings per diluted share were $1.65, an increase of $0.19 per share from last year's third quarter. For the first nine months of 2016 earnings per diluted share were $3.28, $0.04 more than for the same period in 2015.

I will now turn the presentation over to Steve who will discuss the results in greater detail and will review our revised 2016 key operating metrics.

Steve Keen - *IDACORP, Inc. - SVP, CFO, Treasurer*

Thanks, Justin.

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We had a solid third quarter. Weather was near normal, but more moderate than last year, lowering usage per customer and impacting energy sales. This was partially offset by continuing customer growth, which positively contributed to operating income for the period. We believe the outlook for IDACORP'S utility business remains strong and we are focused on managing costs and achieving growth for our owners.

On slide 5 you'll see a reconciliation of the $9.8 million increase in net income from third quarter 2015 to the third quarter of 2016. Addressing those quarter-over-quarter changes, customer growth in our service area increased operating income by $3.6 million. However, decreased usage per customer, primarily related to weather, more than offset that growth and lowered operating income by $4.1 million. An additional $3.9 million revenue decline in this quarter was primarily a result of lower peak demand-based revenue from irrigation customers due to milder weather.

Other changes in operating revenue were primarily related to two factors. The first, the Fixed Cost Adjustment mechanism, or FCA, revenues increased by $2.1 million this quarter. We believe that the application of the FCA is working in the manner in which it was intended to assist recovery of fixed costs from residential and small commercial customers.

The second factor was a $3.1 million increase in other operating and maintenance expenses, primarily related to higher variable employee costs based on the expected achievement of customer satisfaction and reliability goals. Despite the increase for this quarter, we are lowering our full-year O&M range by $5 million. Overall, Idaho Power's third-quarter operating income decreased $6.7 million year over year.

Lower operating income was more than offset by higher quarterly earnings from the Bridger Coal Company of $6.8 million, contributing to an increase in Idaho Power's net income. The higher income was driven by timing differences in the quarterly apportionment of fuel costs. For the full-year 2016 we expect income from Bridger Coal Company to be in line with prior years.

The remaining changes include a decrease in income tax expense of $5.5 million resulting from lower pre-tax income, and adjustments related to the filing of the 2015 income tax returns during the third quarter. Also, Idaho Power recorded $1 million of additional ADITC amortization this quarter under its Idaho settlement stipulation for a year-to-date total recorded amount of $1.5 million. Another positive net change of $1.5 million at IDACORP primarily relates to distributions from affordable housing investments.

Moving now to slide 6, we show IDACORP's operating cash flows for the first nine months of 2016 and 2015, along with the liquidity positions as of September 30th. Cash flow from operations for the first nine months of 2016 was $275.4 million, a decrease of $15.4 million from the same period in 2015. Changes in regulatory assets and liabilities accounted for the majority of this amount. Net changes in tax-related accounts also decreased cash flow, while the timing of distributions from Bridger Coal Company provided some offsetting positive cash flow increase.

IDACORP and Idaho Power currently have in place credit facilities of $100 million and $300 million, respectively, to meet short-term liquidity and operating requirements. The liquidity available under the credit facilities is shown on the bottom of slide 6. Although we do not plan to issue equity during the remainder of 2016, we are currently evaluating the renewal of our continuous equity program which expired this past May.

Slide 7 shows the updated financial and operating metrics for the full year of 2016. Through the first nine months, based on our estimate of return on year-end equity in the Idaho jurisdiction for 2016, we have recorded $1.5 million of additional ADITC amortization. This is included in the income tax reconciliation table in Note 2 of the financial statements in the Form 10-Q filed earlier today. The amount recorded is based on an estimate that Idaho Power will utilize $2 million of additional ADITC amortization for the full year of 2016. Our $2 million estimate is at the low end of our stated zero to $5 million range, but with planning based on normal weather for the remainder of the year, we believe the possibility of use of these additional credits still exist. Our efforts continue to be targeted on managing costs and growing revenues with the goal to preserve credits for future years.

We have revised three of the metrics listed on this slide since they were presented on July 28th, the date we reported second quarter 2016 results. First of all, we have lowered the expected O&M expense range to $345 million to $355 million as we continue our focus on cost management efforts. Next, we have reduced the capital expenditures estimate to a range of $290 million to $300 million after having completed a significant portion of the outdoor construction season. Finally, we have tightened the range around expected hydroelectric generation as we head into the late fall.

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A minor point of clarification here. The slide doesn't show the update we made last quarter to 6.0 to 7.0 million megawatt hours. The new range is now 6.2 to 6.7 million megawatt hours.

The resulting key operating and financial assumptions also reaffirm IDACORP'S 2016 earnings guidance range of $3.80 to $3.95 per diluted share.

I'll now turn the presentation over to Darrel.

Darrel Anderson - *IDACORP, Inc. - President, CEO*

Thanks, Steve, and good afternoon, everyone.

I'm going to start today with an economic news from our state. As of the end of September, Idaho's unemployment rate held at 3.8%, which was substantially lower than the national rate of 5%.

There are also positive indicators coming out of the business community in Idaho Power service area. At the end of September grocery giant Albertsons announced it is expanding its Boise headquarters. The move is expected to bring 300 new jobs and an estimated $38 million in additional state tax revenues to Idaho.

Clif Bar, which is located in the Magic Valley, opened its new $90 million bakery at the end of August. The 300,000 square foot facility employs over 200 people. And the FBI is poised to expand its presence in the eastern part of Idaho with plans to build a facility in Pocatello. The 100,000 square foot, $10 million facility will have a capacity of more than 5 megawatts.

Slide 8 includes several points of recognition that Idaho and the Boise area have received over the past several months. Idaho continued to receive positive media acknowledgement during the quarter. On CNBC's Top States for Business list, what they call a scorecard on state economic climate, Idaho is ranked number 15 overall. We received high rankings in several breakout categories on the July 30th list, earning number five in business friendliness, number six in cost of doing business, and number seven in cost of living. We also received high marks in the economy category, coming in at number 12. It seems that more and more people outside of Idaho are learning what those of us who live here have known for a long time, that it's a great place to live.

For the 12 months ended September 30th, 2016, Idaho Power's overall customer growth rate was 1.8%. Employment in our service area increased approximately 2.1% since September 2015. As of September of this year, Moody's Analytics forecast growth in gross area product in our service area to be 3% and 4.9% for 2016 and 2017, respectively. These updated gross area product figures reflect a decrease from the June 2016 estimate of 5.1% for 2016, but a slight increase from last June's estimate of 4.8% for 2017. We continue to be bullish on growth in our service area.

Now moving to slide 9, I'm pleased to announce that this year IDACORP is again ranked higher on Public Utilities Fortnightly list of top utilities. To identify the top 20, utilities are ranked on 6 financial metrics. For the fifth year in a row, IDACORP'S rank has continued to improve in the assessment of best energy companies, as announced in the magazine's October issue. Our recent ranking of a fifth place tie is a six-position improvement from our 2015 11th place ranking and marks the continuation of our upward trajectory on this list.

Now turning to regulatory matters. Last Friday, as part of our typical five-year depreciation filing requirement, we filed with the Idaho Public Utilities Commission two applications. The first related to Idaho Power's 50% ownership in the North Valmy Power Plant in Nevada, and the second relates to revisions to our depreciation rates.

The Valmy application requests an increase in customer rates to reflect an accelerated depreciable life for the power plant. Depreciation rates establish the amount of time over which Idaho Power recovers its investment in the electrical system through rates. Currently, the depreciable life for Valmy is based on a depreciation schedule that ends in 2031 for Unit 1 and 2035 for Unit 2. The proposed depreciation schedule would move the date of full depreciation up to 2025 for both units. If approved, the filing would result in a $28.5 million increase in revenue from retail rates to accelerate recovery of plant costs. This amount includes accelerated depreciation of the plant, decommissioning costs, and capital investment forecasted through the remaining life of the plant. Idaho Power's 2016 assessment of Valmy concluded it may not benefit customers from an

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economic and an electric reliability perspective to operate the facility beyond 2025. The accelerated depreciation schedule helps to ensure that the remaining costs of Valmy will be allocated to those customers who benefit from this resource.

Also, while the filing is based on the analysis of the economics of the plant, the accelerated depreciation date is in line with Idaho Power's measured efforts surrounding a further glide path away from coal as a generation resource. You will note on the slide the reduction over the past several years of CO2 emissions. We are proud of the progress we have made on this measurement and continue to be committed to our reduction goals set previously.

In addition to the Valmy request, Idaho Power filed a depreciation study to adjust its depreciation rates to match longevity of its currently-- it is currently experiencing for the balance of utility plant equipment. The difference between the amount included in 2012 depreciation rates and depreciation rates in today's filing is a $6.7 million increase.

If both applications are approved by the Idaho Commission, the price Idaho customers pay for electric service would increase to collect an additional $35 million annually, or an average of 3.1% beginning June 1st, 2017. We plan to make similar depreciation filings in Oregon in the near term.

Further on our long-term planning, our 2017 Integrated Resource Plan, or IRP, process began in August when representatives from various stakeholder groups met to begin the process of working with the Company in the development of an IRP. Every two years Idaho Power updates the IRP with the participation of the IRP Advisory Council. We expect the 2017 IRP to be available at the end of the second quarter next year.

Earlier this month the Bureau of Land Management released its final supplemental environmental impact statement for Gateway West segments 8 and 9 located in Southwestern Idaho. A protest period closes on November 7th and the BLM's schedule provides for a record of decision later this year.

On the Boardman-Hemingway line the BLM schedule now provides for a final environmental impact statement by the end of the year with a record of decision in 2017. We now expect an in-service date to be no earlier than 2023.

Slide 11 is a look at the projected December to February weather outlook. Current National Oceanic Atmospheric Administration projections suggest that there's a 33% to 40% chance for above-normal precipitation in Idaho Power service area, and generally between a 33% to 40% chance of above-normal temperatures. The one thing I can say for some certainty about the weather is that October has been a wet start to our water year, with current precipitation in the Snake River basin among the top 15 wettest Octobers since the early 1900s.

And now Steve and I, as well as others on the call, will be happy to answer your questions.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator instructions). Chris Ellinghaus, Williams Capital.

Chris Ellinghaus - *Williams Capital Group, L.P. - Analyst*

Hey, guys, how are you?

Darrel Anderson - *IDACORP, Inc. - President, CEO*

Hi, Chris.

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Steve Keen - *IDACORP, Inc. - SVP, CFO, Treasurer*

Hi, Chris. And I want to open with-- could we just thank you before you take off. We appreciate you picking up coverage and we want to welcome Williams Capital to the call.

Chris Ellinghaus - *Williams Capital Group, L.P. - Analyst*

My pleasure. Thank you.

Can you talk about the fourth quarter for Bridger Coal last year? Was that normal? And you mentioned you expect lower prices in the fourth quarter. Is that relative to last year or is that relative to what you're exceptional third quarter was?

Steve Keen - *IDACORP, Inc. - SVP, CFO, Treasurer*

Chris, I think the best way to answer this is I'll point you back to-- if you go to our actual 10-K at the end of last year, page 78, there's a breakout within Idaho Power that really shows the earnings of unconsolidated equity method investments for Idaho Power Company, which is primarily Bridger Coal, and it gives you a three-year look. And if you flip to that page you'll see that it's varied from $10.2 million in 2013, $10.8 million in 2014, and it was low last year at 9.7-- or $9.8 million. So it varies in and around that $10 million mark. Actually, a little over $10 million I think is the target that they aim for.

Last year being low, I'm guessing last year's fourth quarter was probably not high. And it-- similar to the way the PCA mechanism ebbs and flows and adjusts, as they're low one year they make up for some the next year. And it's not a perfect science in how you allocate the cost over expected coal burn so it's adjusted. They see what happens in a quarter and you adjust off of that quarter. So what we're expecting is that you'll see us moderate down towards that year-end number in this coming fourth quarter.

Chris Ellinghaus - *Williams Capital Group, L.P. - Analyst*

Okay.

Steve Keen - *IDACORP, Inc. - SVP, CFO, Treasurer*

Something close to those prior years.

Chris Ellinghaus - *Williams Capital Group, L.P. - Analyst*

Can I infer from the irrigation numbers in the third quarter that it was very dry and could you just sort of discuss that?

Steve Keen - *IDACORP, Inc. - SVP, CFO, Treasurer*

It was somewhat dry, but I-- we feel like the temperatures had probably more to do with the lower peak that we saw out of irrigation use. It just was a fairly mild summer. We didn't get the blistering hot days that make them keep their irrigation on as long as they typically do, so-- but we have dry summers typically and it was certainly dry through a good portion of this summer as well, but I think we've identified it more as a temperature issue this year.

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Darrel Anderson - *IDACORP, Inc. - President, CEO*

Chris, this Darrel. Just to add to that a little bit on the irrigation side of things, the other thing you need to just keep in consideration is from year to year the irrigation-- the mix of crops that the farmers use change from year to year depending on what they think their availability of water's going to be, how long they're going to have water. So again, be more or less intensive water usage depending-- or crops, depending on how much water they might have. So, there are a number of different variables that impact that irrigation number. And as we looked in this last summer, there was a sense that-- there was the belief that water was going to be adequate for their growing season. They knew early enough so they could grow a little longer and expect water to be around a little longer. So that does change from year to year.

And as to the other point Steve said, we didn't have the extended hot spells that really would require the farmers to put extra water on, either. So there are some-- there's a lot of variables there, to tell you the truth, but we didn't really have those big peak numbers that hit us from the standpoint on the irrigation side.

Chris Ellinghaus - *Williams Capital Group, L.P. - Analyst*

Okay. One more question and I'll hope back in the queue. The IFS sale. Do you anticipate IFS having any additional property sales in the foreseeable future?

Steve Keen - *IDACORP, Inc. - SVP, CFO, Treasurer*

Chris, that's a good question. As you see, it's a fairly modest number and we hadn't had a number of that size for quite some time. I would say there's a possibility of other cash distributions. They have been difficult to predict when and they are very much subject to market conditions. And we're a limited partner in a partnership that owns another limited partnership, so we're pretty much a taker in terms of what comes out of that. So it isn't an item that we have really banked on or projected, but when they come they do help us with the accounting method that we're following.

Chris Ellinghaus - *Williams Capital Group, L.P. - Analyst*

And taxes get paid at the partnership level, I assume?

Steve Keen - *IDACORP, Inc. - SVP, CFO, Treasurer*

Well, the-- we get a partnership return that shows an income or a loss and that's consolidated in with our other taxes.

Chris Ellinghaus - *Williams Capital Group, L.P. - Analyst*

Okay, great. Thanks.

Darrel Anderson - *IDACORP, Inc. - President, CEO*

Thanks, Chris.

Steve Keen - *IDACORP, Inc. - SVP, CFO, Treasurer*

You bet.

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Operator

Brian Russo, Ladenburg Thalmann.

Brian Russo - *Ladenburg Thalmann & Co. - Analyst*

Hi. Good afternoon.

Darrel Anderson - *IDACORP, Inc. - President, CEO*

Hi, Brian.

Steve Keen - *IDACORP, Inc. - SVP, CFO, Treasurer*

Good afternoon.

Brian Russo - *Ladenburg Thalmann & Co. - Analyst*

Just curious on the Bridger Coal. I mean is this-- I mean is-- pricing's going to be down in 4Q versus 3Q. I mean is that planned, so to speak, or you knew in advance that that's how the quarters would shake out?

Steve Keen - *IDACORP, Inc. - SVP, CFO, Treasurer*

No, I would say we-- especially if you will step back to the beginning of the year, we were planning on where we still expect to end in the final number. But between quarters, that's a shift that we didn't-- we didn't plan for that. It rolled out differently in terms of what they estimated for costs allocated over whatever the burn actually happened to be. And the weather within a given year impacts how much of that plant gets used. And sometimes they're used more, sometimes they're used less. Then as they're estimating a cost that's spread over that, they don't get it perfect and it-- but as I say, it trues up. So what does happen is it comes back to be fairly near our full-year number and that number we have been planning on and we still think that that fits well inside the numbers that we've given you for guidance.

Brian Russo - *Ladenburg Thalmann & Co. - Analyst*

I see. The--

Steve Keen - *IDACORP, Inc. - SVP, CFO, Treasurer*

But--

Brian Russo - *Ladenburg Thalmann & Co. - Analyst*

I'm sorry, go ahead.

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Steve Keen - *IDACORP, Inc. - SVP, CFO, Treasurer*

I was just-- because I believe it is a quarter-to-quarter issue. I-- this isn't something we're looking at as a shift for the year. And this one may be a little bigger than some, but that-- if you look at those prior years, you'll see that it's shifted around before, it just hasn't always jumped out quite the same.

Brian Russo - *Ladenburg Thalmann & Co. - Analyst*

Okay, great. And then any update on the scrubber recovery strategy?

Darrel Anderson - *IDACORP, Inc. - President, CEO*

Yes. Brian, this is Darrel. Yes. So right now we are not planning any one-off sort of filing with respect to the SCRs at this point in time and so there's nothing in the works along those lines to take that on on a one-off basis.

Brian Russo - *Ladenburg Thalmann & Co. - Analyst*

Okay, great. Thank you.

Darrel Anderson - *IDACORP, Inc. - President, CEO*

You bet. Thanks, Brian.

Operator

Paul Ridzon, KeyBanc.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

Good afternoon. How are you?

Steve Keen - *IDACORP, Inc. - SVP, CFO, Treasurer*

Hi, Paul.

Darrel Anderson - *IDACORP, Inc. - President, CEO*

Good.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

So just back to Jim Bridger. Year to date you're up $4.5 million and so that implies that you expect the fourth quarter to have a $4.5 million headwind relative to last year to flatten out the year?

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Steve Keen - *IDACORP, Inc. - SVP, CFO, Treasurer*

It's going to be down. Whether it's exactly that much-- that's partly why I gave you-- if you look to your-- if you pull the K when you're done and go back to page 78, you'll see that-- my guess is last year we ended on the low side. There's probably some probability we won't get all the way down to the target, but it'll be moderating back towards that and it'll finish whatever it doesn't pick up in the fourth quarter as it moves into next year. With the goal that all the years end up in and around $10 million.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

Okay.

Darrel Anderson - *IDACORP, Inc. - President, CEO*

Paul, this is Darrel. If you look at where we're at year to date through September, and we're sitting at about $11.5 million today. So you think about that in the context of something around $10 million-ish, plus or minus, you could argue there's about $1.5 million or so headwind, plus or minus, that is looking at the fourth quarter for us. But that's all incorporated into the guidance that Steve talked about earlier.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

Okay. Thank you, that helps. Then slide 5, you have a $4.1 million lower usage and then a $2.1 million FCA. Are those-- I mean is that-- the $4.1 million what you actually realized and then the $2.1 million helps to offset that from a regulatory standpoint?

Steve Keen - *IDACORP, Inc. - SVP, CFO, Treasurer*

Yes. So I think partly what you might be picking up there is the FCA doesn't hit all customers. And another point that's worth pointing out with the FCA is it does adjust the average rates. And what we experience in terms of the weather moderation can often be at our top rate for some residential customer. If they are a customer that gets into tier three and they use less, it's tier three revenue that we lose, yet the FCA replaces it based on a blended average of all your rates. So that's a little imperfect there.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

So in extreme cases where you're coming off extreme weather it's less perfect.

Steve Keen - *IDACORP, Inc. - SVP, CFO, Treasurer*

That's a good way to put it.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

Yes.

Steve Keen - *IDACORP, Inc. - SVP, CFO, Treasurer*

But it-- it is working as planned and it's a really valuable mechanism in that it does replace a good part of your exposure. And we use moderate a couple times in our script. This was just a year we didn't have those-- it didn't get as extreme, even the days that contributed to cooling degree

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days. They just-- they weren't quite as extreme. It was a little warmer overall, but it wasn't-- you didn't get as many 100-degree-plus days like we have seen the last few years.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

Then what are your latest thoughts on the regulatory front? You mention in your script you're looking to preserve the ADITCs. Does that mean you could be pushing out the potential rate case?

Darrel Anderson - *IDACORP, Inc. - President, CEO*

I think right now, Paul, what we're looking at is we don't have any intention right now for a filing over the next 12 months. As we sit here today we don't anticipate that. And as Steve said earlier, we're doing everything we can to do-- to minimize the utilization of credits. And so we will continue to look and assess. I'll tell you today that, yes, we're not planning, but it doesn't mean that if things change we might do it, but right now we don't have plans over the next 12 months to make a filing.

Part of that we believe--

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

Okay--

Darrel Anderson - *IDACORP, Inc. - President, CEO*

Yes. Paul, just to add, part of that, too, is as we continue-- as I talked about growth earlier, we think that growth helps keep us out. And so if growth were to slow down, we would have to reassess.

Paul Ridzon - *KeyBanc Capital Markets - Analyst*

Any new economic development projects to keep in mind here the next 12 to 18 months?

Darrel Anderson - *IDACORP, Inc. - President, CEO*

I talked about a few of them. You see-- from time to time we talk about these projects and a lot of them have long lead times. And so what I would tell you is there is a fair number of these things we've seen actually will begin-- we expect to start taking load, taking service in 2017. So we've seen an uptick in that activity, it's just that a lot of it's under construction today. And just anecdotal, for most of you who have been to Boise this is we've got just in the downtown area four hotels that are under construction right now, all of which will generally come in in service sometime in 2017. So that's four brand new places for folks to stay, which will then-- we think will attract other folks here. But that's-- it wasn't here a year ago. And so those types of things-- and those are kind-- those types of things are happening across the property.

The question for us is in trying to predict what load will be coming with all this new construction and that's the thing that we are challenged with at times. And Steve talked earlier about the challenges associated with decreasing usage per customer. So there's that piece that's out there, too, with efficiencies that are going on. So some would suggest we have conservative growth numbers, but we're trying to be as realistic as possible with-- based on what we see. And until we see otherwise, we generally are pretty conservative that way.

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Paul Ridzon - *KeyBanc Capital Markets - Analyst*

Thank you very much.

Darrel Anderson - *IDACORP, Inc. - President, CEO*

Thanks, Paul.

Steve Keen - *IDACORP, Inc. - SVP, CFO, Treasurer*

Thanks, Paul.

Operator

Chris Ellinghaus, Williams Capital.

Chris Ellinghaus - *Williams Capital Group, L.P. - Analyst*

Thank you. Guys, you have a very good problem in terms of your-- you have a growing free cash flow production and you have an equity layer that's at 55% this quarter. Could you just talk about how you think about that and plans to manage it for the future?

Steve Keen - *IDACORP, Inc. - SVP, CFO, Treasurer*

Well, Chris, the-- as you say, that-- it is a good thing to have that growth and that growth is what we're using to attempt to pay for the fact that we're hooking up new customers. And we've had inflation like everybody else that works against those number. While we have focused on our management of O&M, it's really hard to keep it at zero. And so what gives us the opportunity to not go back and put pressure on customer rates as often is that growth. And I would say that's really been our model we've targeted that's trying to live within what that brings and to not overspend. And as you know, our mechanism works such that, in a way, it lifts our earnings year to year because it takes the year-end equity and it applies a-- year return on it. And just trying to keep up with that, that growth has been an important element.

But if you look at our history, we've paid out some really large amounts of sharing and those have kind of gotten smaller as the years have gone on. We find ourselves in a year right now where we're kind of on the cusp of whether we'll use credits or not. I think it's-- that growth story is a good one, but trying to live within that is really a challenge. It's-- while we like it, it isn't like that's that much extra money and it makes things easy. It's actually really quite difficult to live within the growth, with the revenues that provides, but that's what we've aimed at. And I think in doing that we've been able to not go back to our customers quite as often as might have been expected.

Chris Ellinghaus - *Williams Capital Group, L.P. - Analyst*

Right. Okay. The growth in customers continues to sort of accelerate a little bit, yet the IRP, the last IRP anyway, had a fairly modest load growth. Two questions. One, can we infer that the difference between your customer growth and sort of that last IRP, I think the load growth was 1.1%, is sort of your estimate of usage sort of degradation? And two, since you've been sort of maintaining this higher customer growth for over a year now, do you anticipate that the next IRP will be a little more robust in terms of load growth expectations?

Darrel Anderson - *IDACORP, Inc. - President, CEO*

Well, Chris, so in our-- in this quarter's 10-Q we have a table. I don't know if you had a chance to look at it or not, but it's got the assumptions built in there for the last three IRPs, including our 2017 IRP. And we do-- we are showing in the near term, in the five-year window, about a 1.3% retail

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sales growth. The 20-year number is 1%. So in the near-- those first five years, we do see a 1.3% growth number. And built into that number is somewhere between 50 to 60 basis points of reduced usage per customer due to energy efficiency and those sorts of things. So that takes that into account on a net basis. So with out it, obviously we would be looking something on the actually sales number or somewhere 2%-ish or so. But we do take into account that-- those other aspects and so we're-- we are-- in the 2017 IRP or in the five-year window it's 1.3%. And that's around page 34 of the 10-Q if you have a copy of that, in and around that page.

Chris Ellinghaus - *Williams Capital Group, L.P. - Analyst*

Okay, great.

Steve Keen - *IDACORP, Inc. - SVP, CFO, Treasurer*

Chris, the other thing is looking at our-- as we have done our forecasts, our slope on our current forecast is pretty similar to what we had before. And I-- there may be an element, too, of what Darrel referred to in that the growth-- the customers are here, but the load may be just a little behind that and we're not sure how much that plays into the full equation and time will tell.

Chris Ellinghaus - *Williams Capital Group, L.P. - Analyst*

And are you expecting that sort of 50-60 basis points of usage efficiency declination to be sort of a steady state or does that decline over time?

Darrel Anderson - *IDACORP, Inc. - President, CEO*

Chris, that is a great question and that is something we continue to look at and trying to understand where technology goes. Logic would tell you at some point it flattens out because it doesn't get to zero, we don't think. But--

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Chris Ellinghaus - *Williams Capital Group, L.P. - Analyst*

Right.

Darrel Anderson - *IDACORP, Inc. - President, CEO*

We're still going to use it. And so-- and I think it's a good question. We're using our best estimates today to try to figure out what that is. And we don't know what the next whiz-bang thing that's going to come that may provide even more efficiencies, so we just have to-- this is our best estimate as we sit here today.

Chris Ellinghaus - *Williams Capital Group, L.P. - Analyst*

Okay. You were talking--

Darrel Anderson - *IDACORP, Inc. - President, CEO*

But we're tracking that, obviously.

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Chris Ellinghaus - *Williams Capital Group, L.P. - Analyst*

You were talking about new hotels for next year. Do you have any idea what a typical hotel looks like in terms of load? I know you don't know what next year brings exactly, but you must have some experience with historical new properties.

Darrel Anderson - *IDACORP, Inc. - President, CEO*

Yes. And I--

Chris Ellinghaus - *Williams Capital Group, L.P. - Analyst*

If you look at--

Darrel Anderson - *IDACORP, Inc. - President, CEO*

I can-- we have-- Vern Porter is here who is part of our customer side of the business, heads up the customer operations side, I'll let him kind of comment. And qualifying this with, again, these are varying different sizes of hotels, but he can I think give you a sense as to what-- something in that neighborhood.

Vern Porter - *IDACORP, Inc. - VP Customer Operations*

Hi, Chris. The-- just based on some of the other hotels that we have in the area downtown here, I would guess in and around maybe half a megawatt for a hotel that size, which is a significant amount of load.

Chris Ellinghaus - *Williams Capital Group, L.P. - Analyst*

Okay. That's interesting. Okay. Well thanks for the comments, guys. I appreciate it.

Darrel Anderson - *IDACORP, Inc. - President, CEO*

Okay, Chris. Thank you.

Steve Keen - *IDACORP, Inc. - SVP, CFO, Treasurer*

Thanks, Chris.

Operator

(Operator instructions). And that concludes the question-and-answer session for today. Mr. Anderson, I will turn the conference back over to you.

Darrel Anderson - *IDACORP, Inc. - President, CEO*

First, I would like to thank everybody for participating on our call this afternoon and your continued interest in our company. We look forward to seeing many of you at the EEI Financial Conference in a week or so. Thanks and hope you have a great day. Thank you.

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Steve Keen - *IDACORP, Inc. - SVP, CFO, Treasurer*

Thank you.

Operator

That concludes today's conference. Thank you for your participation.

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