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EDITED TRANSCRIPT

IDA - Q2 2017 Idacorp Inc Earnings Call

EVENT DATE/TIME: AUGUST 03, 2017 / 8:30PM GMT

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PRESENTATION

Operator

Welcome to IDACORP's Second Quarter 2017 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)

Now I will turn the call over to Justin Forsberg, Director of Investor Relations.

Justin Forsberg

Thanks, Kate. Before the markets opened today, we issued and posted to the IDACORP website our second quarter 2017 earnings release and our Form 10-Q. The slides we'll be using to supplement today's call are also available for download on our website. We'll refer to those slides as we present today's updates.

As noted on Slide 2, our presentation today will include forward-looking statements, which represent our current views on what the future holds. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from statements made today, some of which are listed on Slide 2, and are supplemented by information in our filings with the Securities and Exchange Commission, which we encourage you to review. We caution you against placing undue reliance on any forward-looking statements.

As shown on Slide 3, on today's call, we have Darrel Anderson, President and Chief Executive Officer; and Steve Keen, Senior Vice President, Chief Financial Officer and Treasurer, along with other individuals available to help answer your questions during the question-and-answer period.

On Slide 4, we present our quarterly financial results. IDACORP's 2017 second quarter earnings per diluted share were $0.99, a decrease of $0.13 per share from last year's second quarter.

For the first 6 months of 2017, earnings per diluted share were $1.65, $0.02 higher than the same period in 2016.

I will now turn the presentation over to Steve, who will discuss the results in greater detail and will review our updated 2017 earnings guidance and corresponding key operating metrics.

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Steven R. Keen - *IdaCorp, Inc. - CFO, SVP, Treasurer, CFO of Idaho Power Co., SVP of Idaho Power Co. and Treasurer of Idaho Power Co.*

Thanks, Justin. We had a strong second quarter, which exceeded our internal earnings expectations but was somewhat below the same quarter last year.

On Slide 5, you'll see a reconciliation of income from the second quarter of 2016 to 2017. At Idaho Power, continued customer growth in our service area provided an increase of $2 million to operating income this quarter compared with the second quarter of 2016 as the number of Idaho Power customers grew by 1.8% over the past 12 months.

Net of the changes I'll describe in a moment, this growth helped drive a $1.6 million increase in Idaho Power's operating income relative to last year's second quarter. Lower sales volumes, mostly from soft irrigation sales due to greater precipitation, decreased operating income by $9.9 million. Fixed cost adjustment or FCA revenues, which relate to residential and small commercial customers, were flat over the comparative period. The weather-related decrease in sales volumes was offset by a positive net impact of the North Valmy coal-fired power plant and depreciation settlement stipulations approved by the Idaho and Oregon Public Utilities Commissions in the second quarter of 2017. You'll see the impacts of the Valmy plant rate and depreciation changes reflected in the $15.5 million and $9.4 million changes, respectively, on the reconciliation table on Slide 5. The settlement stipulations provided for cost recovery of approximately $5.2 million for the full year 2017 when compared with our estimate of ongoing net income without this settlement. This was comprised of an after-tax increase in net income of $2.5 million for the first half of the year, all of which was recorded during the second quarter, and an estimated $2.7 million to be recorded during the last 6 months of 2017. We estimate the Valmy settlement stipulations will provide gradually less earnings benefit in future years through the end of the stipulation period, which is 2028 in Idaho.

In addition to these changes in general business revenues, Idaho Power's operating income benefited from a $4.2 million increase in transmission wheeling, largely due to an increase in wheeling volumes, the Open Access Transmission Tariff or OATT rate, which was effective in October 2016 and a long-term transmission agreement that was originated last July.

On June 1, Idaho Power filed an application with the Federal Energy Regulatory Commission, or FERC, to further increase the OATT rate this fall. Note that the magnitude of these tariff rate changes are largely attributable to the transmission asset swap we entered into with PacifiCorp during the fourth quarter of 2015 and will serve to better align revenues collected on wheeling with the cost of providing the service to transmission customers.

Operating and maintenance expenses at Idaho Power increased $0.4 million and are $2.5 million above year-to-date 2016 levels. As a reminder, winter storms impacted the timing and amount of certain operating and maintenance expenses early in 2017. We continue to hold our guidance on O&M expenses for this year consistent with our initial 2017 guidance of between $345 million to $355 million. Again, overall, Idaho Power's operating income was higher by $1.6 million when compared with the second quarter of 2016.

Finally, with regard to income taxes. During the second quarter, we reversed our estimate of $1.9 million of additional amortization of accumulated deferred income tax credits, or ADITCs, that we had previously recorded during the first quarter. This change is difficult to predict, but is based on our current assumption that Idaho Power will not need any additional ADITC amortization during 2017 to achieve a 9.5% return on year-end equity in the Idaho jurisdiction.

Income tax expense, excluding additional amortization of ADITCs, increased by $6.1 million, primarily related to a prior year income tax benefit of a make-whole premium from Idaho Power's early bond redemption that did not recur this year as well as higher pretax income.

Overall, these income tax changes drove both Idaho Power's and IDACORP's net income lower by $6.4 million compared to last year's second quarter.

IDACORP and Idaho Power continue to maintain strong balance sheets, including good liquidity and investment-grade credit ratings. On Slide 6, we show IDACORP's operating cash flows, along with our liquidity positions, as of the end of the second quarter. Cash flow from operations for the first 6 months of 2017 was $191.6 million, an increase of $53.7 million from the same period in 2016. Changes in income tax accounts, regulatory

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assets and liabilities, timing of contributions to the employee pension plan and increased distributions for the period from Bridger Coal Company accounted for most of the 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 facility is shown on the bottom of Slide 6. IDACORP has not renewed its continuous equity program, which expired last year, as we do not plan to issue equity during 2017 outside of normal issuances under compensation plans.

Slide 7 shows the updated financial and operating metrics for the full year 2017. We are increasing the bottom end of IDACORP's earnings guidance range to $3.95 per diluted share and maintaining the upper end at $4.05. Assuming we reached our targeted range, we would achieve our 10th consecutive year of earnings growth. Also, we have tightened our expected hydroelectric generation to a range of 8.5 million to 9.5 million megawatt-hours from our previous estimate of 8 million to 10 million megawatt-hours. The O&M and capital estimates remain the same.

We are also decreasing our expected additional amortization of ADITCs to 0 or none from our previous estimate of less than $10 million, reflecting financial and operating results to date and the positive impacts of the approved North Valmy plant settlement stipulations.

Current estimates indicate we remain near the additional credit support line of 9.5% return on Idaho jurisdictional year-end equity. We acknowledge that mother nature could have an impact on the rest of 2017 and could positively impact earnings or return us to a position of amortizing a modest amount of additional tax credits.

This July was the second hottest on record for Boise and was drier than normal. Our FCA mechanism in Idaho will moderate the bottom line impact, but it is a nice start to the quarter.

While recent weather has been both hot and dry, our guidance includes normal weather for July and the balance of the year. As we have stated previously, our efforts remain targeted on managing costs and growing revenues with the goal of preserving for future years as much as the authorized ADITC balance as possible under our regulatory mechanism.

I'll now turn the presentation over to Darrel.

Darrel T. Anderson - *IdaCorp, Inc. - CEO, President and Director*

Thanks, Steve, and good afternoon, everyone, and thanks for joining us today. Justin tells me many of you have had a number of calls today, so we are glad that you're able to join us.

To begin, I have some economic and growth updates to share for our service area, followed by some information related to operating activities, and I will close with a weather outlook.

You will see on Slide 8 that economic activity remains strong at Idaho Power service area with new customers coming online and existing large load customers expanding facilities. We saw solid industrial customer load growth quarter-over-quarter with continued gains from food packaging and food processing customers. We continue to field a number of requests from site selectors and customer contacts related to potential future business locations in our service area.

Overall, during the 12 months ended June 30, 2017, Idaho Power's customer count grew by 1.8%. Most of this customer count growth relates to residential customers, which resulted in a 2.6% increase in total residential customer usage over last year's second quarter. This continued customer growth, combined with the confluence of warm weather and irrigation sales in July, resulted in Idaho Power setting a new peak load on July 7 of 3,422 megawatts compared with a previous peak of 3,407 megawatts previously set in July of 2013.

Unemployment levels also remained well below the 4.4% national average at 2.9%. Employment in Idaho Power service area grew by approximately 2.2% over the last 12 months, continuing to achieve new records now approaching 0.5 million employed.

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Also, Moody's Analytics is forecasting housing starts in our service area to grow by nearly 30% above 2016 levels over the next 2 years after the region works through its -- works its way through the existing inventory of new multi- and single family construction in 2017. While housing starts have yet to return to prerecession levels, they have tripled in 2017 over the lows experienced in 2011.

I'm now going to move on to some recognition our service area has recently received in the national media. Financial information website WalletHub ranked Boise #3 on the list of 2017's Best Run Cities in America. That's among 150 of the nation's largest cities. Idaho is also one of the top states for business according to a study by CNBC. The study looked at metrics across 10 categories important to attracting businesses, and our state ranked #3 in business friendliness, #6 in cost of living and #8 in economy. Outside Magazine recently released its annual Best Towns list, and it is no surprise to those of us in Idaho that Boise was named one of the top 25, specifically named Best Rocky Mountain Secret. The magazine points out that in addition to abundant cultural and outdoor pursuits, Boise is also home to a vibrant tech industry with employers like Hewlett-Packard and Micron. Boise was also recently named one of Forbes 2017 Best Cities for Young Professionals.

And briefly, I'd like to point out, Idaho Power's rank improved in the 2017 JD Powers Electric Utility Residential Customer Satisfaction Study. The company's score increased 39 points from 704 in the 2016 study to 743 this year. Idaho Power ranked 27th out of the 138 utilities included in the study and ranked second in the West midsized segment.

Idaho Power was also recently designated as a most trusted brand among business and residential customers in a Cogent Report study by Market Strategies International.

Turning now to Slide 9 and some planning and power supply matters. Since we last spoke, Idaho Power published its biannual long-term Integrated Resource Plan, or IRP, that helps guide the company in how it will serve its customers' future electricity needs. The company's latest IRP was submitted to the Public Utility Commissions of Idaho and Oregon on June 30. The 2017 IRP reinforces the need for the Boardman to Hemingway or B2H 500 kV transmission line project to allow additional cost-effective electricity imports from the Pacific Northwest. The transmission line figures prominently in the preferred portfolio of resources to cost effectively meet projected customer demand. The IRP also outlines Idaho Power's continued transition away from coal-fired resources. This involves coordinating with co-owner PacifiCorp for negotiation of the potential early retirement of 2 of the 4 units at Jim Bridger coal-fired plant in Wyoming by the end of 2028 for Unit 2 and the end of 2032 for Unit 1. These potential early retirements are in addition to our plan to end our participation in the 2 units of the North Valmy coal-fired plant in Nevada scheduled in 2019 and 2025 as well as the early retirement of the Boardman coal-fired plant in Oregon scheduled in 2020.

Going back to B2H for a moment. I want to update you on where we are with permitting activity on that project.

On the federal side, we are awaiting approval of the Bureau of Land Management or BLM's Record of Decision or ROD. We expect that authorization very soon. The U.S. Forest Service ROD and a U.S. Navy right-of-way decision for a portion of the route along the Navy's property will follow the BLM's ROD.

In the Oregon state permitting process related to B2H, hard copies of the approximately 17,000-page amended application were delivered to the Oregon Department of Energy on July 19. Starting the clock on a 45-day review period, the application submittal marks a major milestone in the state permitting process.

Moving on to regulatory matters. You will likely recall that we have not filed a general rate case since 2011. We are currently evaluating the timing of filing general rate cases in Idaho and Oregon as well as the potential extension of our revenue sharing and ADITC mechanism in Idaho. Maintaining what we believe are positive, transparent and constructive relationships with our regulators is an important component of our cost-recovery efforts in those cases and for balanced outcomes that are beneficial on a long-term basis for both our customers and shareholders. Based on what we know today, we have no plans for a general rate case filing in Idaho or Oregon during the balance of this year, and we plan to reassess our general rate case needs in 2018.

Finally, turning to weather conditions, Slide 10 shows the projected August through October weather outlook from the National Oceanic and Atmospheric Administration. Current projections suggest there is generally a greater than 50% chance of above-normal temperatures and an equal

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chance of normal precipitation in Idaho Power service area as we head into the rest of the summer and early fall. And as Steve has mentioned earlier, July has been largely hot and dry.

And with that, Steve and I and others on the call will be happy to answer your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And the first question comes from Paul Ridzon of KeyBanc.

Paul Thomas Ridzon - *KeyBanc Capital Markets Inc., Research Division - VP and Equity Research Analyst*

Just a quick question. The $15.5 million, I know some of that has Valmy, but can you kind of parse that out? Where else that came from? Because it just seems like a pretty big number.

Steven R. Keen - *IdaCorp, Inc. - CFO, SVP, Treasurer, CFO of Idaho Power Co., SVP of Idaho Power Co. and Treasurer of Idaho Power Co.*

I would say the bulk of that is Valmy. Ken, do you have any other -- I'd say that's primarily the contributor to that change.

Darrel T. Anderson - *IdaCorp, Inc. - CEO, President and Director*

Paul, I think you have to look at it from the Valmy piece and the depreciation piece and look at them on a combined basis because there's different pieces. There's the revenue component, and then there's the depreciation component.

Paul Thomas Ridzon - *KeyBanc Capital Markets Inc., Research Division - VP and Equity Research Analyst*

Okay. I wasn't thinking about netting them against each other. Okay, that makes sense.

Steven R. Keen - *IdaCorp, Inc. - CFO, SVP, Treasurer, CFO of Idaho Power Co., SVP of Idaho Power Co. and Treasurer of Idaho Power Co.*

Yes, and it was looked at, from the basis of a -- as it set new program for collection up, it was a full year. And so it's actually 2 quarters recorded in the second quarter is how I would look at it. So that also magnifies it a bit.

Paul Thomas Ridzon - *KeyBanc Capital Markets Inc., Research Division - VP and Equity Research Analyst*

So you doubled up the depreciation and the revenue?

Steven R. Keen - *IdaCorp, Inc. - CFO, SVP, Treasurer, CFO of Idaho Power Co., SVP of Idaho Power Co. and Treasurer of Idaho Power Co.*

Yes. All the effects are recorded in Q2.

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Paul Thomas Ridzon - *KeyBanc Capital Markets Inc., Research Division - VP and Equity Research Analyst*

And I know you touched on it briefly, but how are you thinking -- what are the odds that you can stay out of the regulatory arena in '18?

Darrel T. Anderson - *IdaCorp, Inc. - CEO, President and Director*

Paul, this is Darrel. I would -- it's something we're just going to have to continue to look at. A lot of it is going to be predicated on a number of things. One of those is, what impact does -- the positive impacts of growth have on us. And we're experiencing some positive growth today. How successful we are in continuing to manage our expense line, that will be another component of our consideration. And then obviously, where are we at with our ADITC mechanism, what are the level of credits that we are utilizing and likely other factors that we'll have to look at. But we will continue to take a hard look. Steve mentioned in his comments, one of the things that we are focused on is, number one, preserving credits and staying out and not raising prices for customers. And the best way we can do that is grow, and that's why our initiative around customer growth is well in hand, and we assigned a new leader to that effort. And we believe, based on things we're seeing, we're seeing positive results on the business development side. So that's where our effort is, and that's what we will have to look at come next year. But right now, as things are today, obviously, we're not doing anything -- we don't plan to do anything this year, but we'll have to reassess that as we go into '18. And Steve, I don't know if you have any other thoughts.

Steven R. Keen - *IdaCorp, Inc. - CFO, SVP, Treasurer, CFO of Idaho Power Co., SVP of Idaho Power Co. and Treasurer of Idaho Power Co.*

No, I might just add that I do -- that's a place where the Valmy settlement is helpful, in that it does help preserve credits this year. As you saw, we were previously expecting to use credits, and now we're saying that we don't expect to use them this year. There is going to be amount -- an amount next year that will also help with an improvement off of our prior plan for 2018. As we mentioned in the script, we do expect it to decline modestly. It's going to -- and we're collecting all of this out through a period in Idaho, at least, ends in 2028. So it's going to decline over that period, but it is a recurring amount. Unlike the item that helped last year, which was a bond redemption, and it was done, this one will provide ongoing benefits. And that is an important part of preserving those tax credits. It's going to help.

Paul Thomas Ridzon - *KeyBanc Capital Markets Inc., Research Division - VP and Equity Research Analyst*

And that decline on the Valmy impact, should we just -- from a first approximation standpoint, could we just think about that as kind of a straight line drop to '28?

Steven R. Keen - *IdaCorp, Inc. - CFO, SVP, Treasurer, CFO of Idaho Power Co., SVP of Idaho Power Co. and Treasurer of Idaho Power Co.*

Yes. I was looking over at Ken Petersen. I think that's the best way to do it, Paul. It's truly more complex than that if you look at the order there, presumably variations for a variety of reasons as costs true-up and adjust as we look -- it's got O&M impacts and other things embedded, but I think if you take that, you're not going to be far off the mark, if you take that sort of a decline and it gets closer, yes.

Paul Thomas Ridzon - *KeyBanc Capital Markets Inc., Research Division - VP and Equity Research Analyst*

That's helpful. And then lastly, it sounds as though you're still working through some housing inventory, but at what point are we going to have to separate new substations and issues like that for new development? And what's the risk of getting on a capital regulatory treadmill?

Darrel T. Anderson - *IdaCorp, Inc. - CEO, President and Director*

Paul, I think that given what we -- as we're looking out on the horizon right now, we think that in and around this $300 million that we've been spending, I think we would expect that, that -- for the next few years, that, that number's probably going to -- we'll be able to fit those, any of that new construction into that capital number. I think for the most part, we don't see a significant ramp up for that type of activity. I think that what

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you see on the horizon, as it relates to ramp up in construction likely, is when we would begin actual construction on Boardman to Hemingway is when we're going to see, I think, the next big ramp up in construction dollars. Steve, Ken?

Ken Petersen - *IdaCorp, Inc. - VP,Controller, CAO, VP of Idaho Power Co., Controller of Idaho Power Co. and CAO of Idaho Power Co.*

Yes, I would agree with that.

Steven R. Keen - *IdaCorp, Inc. - CFO, SVP, Treasurer, CFO of Idaho Power Co., SVP of Idaho Power Co. and Treasurer of Idaho Power Co.*

We are adding a fair chunk, Paul, every year for those types of things right now. So it isn't like we aren't putting in substations today. There are, in terms of the new customer growth related to the types of add's you're talking about, subdivisions and that sort of thing, it may be upgrades to existing subdivisions, but we're coping with that growth and have been for a number of years. I think one of the signs that has been positive for our company is we didn't really stop. We slowed way down, but we never really quit or went backwards, and so we just kind of kept that in our plan. So we have an amount on an annual basis that's ongoing, but it is -- you're hitting a point that I know that those who are managing those costs are being more challenged than they were a few years ago. So we'll keep our eye on that.

Operator

The next question is from Brian Russo of Ladenburg Thalmann.

Brian J. Russo - *Ladenburg Thalmann & Co. Inc., Research Division - MD of Equity Research*

I think you answered my first question, and maybe I'll just repeat what you said that the no need for ADITCs, that was due to the positive impact that the Valmy settlement provides from an earnings perspective.

Steven R. Keen - *IdaCorp, Inc. - CFO, SVP, Treasurer, CFO of Idaho Power Co., SVP of Idaho Power Co. and Treasurer of Idaho Power Co.*

That's certainly the primary contributor. We -- there's a lot of moving parts in a public utility, and there were a few other things as we look back that we maybe are scoring a little different today than we were in the first quarter, but that's the bulk of the move.

Brian J. Russo - *Ladenburg Thalmann & Co. Inc., Research Division - MD of Equity Research*

Okay. And -- but I guess your original guidance assumed under $10 million because you didn't have approval of Valmy yet, and you needed that to bake it into your guidance? Got it.

Steven R. Keen - *IdaCorp, Inc. - CFO, SVP, Treasurer, CFO of Idaho Power Co., SVP of Idaho Power Co. and Treasurer of Idaho Power Co.*

Correct. Yes, I would say that was -- the history of the Valmy case really is, I think when we started, we were envisioning it a little more like a depreciation case. And as we worked through that process, it became obvious we could actually deal with the bigger problem of how we address all of Valmy. And the parties came together and really has a much better overall solution and certainly lays the plan out through the end of life. But yes, we didn't start the year with that as a sure thing, absolutely.

Brian J. Russo - *Ladenburg Thalmann & Co. Inc., Research Division - MD of Equity Research*

Okay. And what's driving the wheeling volumes growth? Just curious.

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Steven R. Keen - *IdaCorp, Inc. - CFO, SVP, Treasurer, CFO of Idaho Power Co., SVP of Idaho Power Co. and Treasurer of Idaho Power Co.*

The -- well, I visited with our Head of Power Supply this morning. I could take a stab, or I could actually let her tell you.

Darrel T. Anderson - *IdaCorp, Inc. - CEO, President and Director*

Let's have Tess go ahead and answer that question. Tess Park, who heads up -- our VP of Power Supply, is going to respond to you.

Tessia R. Park - *IdaCorp, Inc. - VP of Power Supply - Idaho Power Company*

So because of the large quantity of water conditions in the Northwest and a rapid increase in temperatures in the Southwest, the parties that move energy from the Northwest to the Southwest to supply load in that area use our transmission, and that's primarily the driver for that increase as well as the fact that the rate is higher than last year during the same period.

Brian J. Russo - *Ladenburg Thalmann & Co. Inc., Research Division - MD of Equity Research*

Okay, that's interesting. So you don't wheel volumes West like the Northwest, you wheel volumes to the Southwest?

Tessia R. Park - *IdaCorp, Inc. - VP of Power Supply - Idaho Power Company*

This is -- that's typically true, we will also go to the south, but it's other parties using our transmission system that result in that transmission wheeling revenue increasing because of the increased water.

Brian J. Russo - *Ladenburg Thalmann & Co. Inc., Research Division - MD of Equity Research*

Got it. Understood. And then should we be aware of anything on the irrigation sales side when we move into the third quarter since it sounds like they got a slow start in the second quarter?

Steven R. Keen - *IdaCorp, Inc. - CFO, SVP, Treasurer, CFO of Idaho Power Co., SVP of Idaho Power Co. and Treasurer of Idaho Power Co.*

Paul, what I'd say there is -- I'm sorry, Brian, the -- we certainly did have a slow start, and I think as we sit here today, I don't know that you're going to see a recovery of necessarily the things we didn't get early because some of that was actually -- it was precipitation that caused it as much as anything. And so they got the water, they just don't have -- didn't have to pump to get it. But as we sit here today with the weather hot in July, it feels like it's more of a normal and maybe even some modest pressure up. But I would say it seems more like we're back on track is probably the best way to categorize it. And certainly, hot and dry pushes it a little bit. I guess the last factor would be crops begin coming off during the month of July. So June is usually fairly strong for us. It's kind of steady. In July and from July out into the August, September, they just kind of gradually different crops drop out. So there is somewhat of a decline that's there every year. If you go back and look at volumes in third quarter, you'll see they're typically lower than second quarter.

Operator

The next question is from Chris Ellinghaus of Williams Capital.

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Christopher R. Ellinghaus - *The Williams Capital Group, L.P., Research Division - Senior Equity Research Analyst of Power & Natural Gas*

Steve, did you say that despite July, the guidance still is for -- or is including third quarter being normal?

Steven R. Keen - *IdaCorp, Inc. - CFO, SVP, Treasurer, CFO of Idaho Power Co., SVP of Idaho Power Co. and Treasurer of Idaho Power Co.*

I did say that, Chris. That's just how we've typically approached our guidance. And we wanted to make it clear that it's a fact that the weather was hot and that we didn't get a lot of precipitation, so we wanted to report that as well. But the truth is we're not closed for the month. We know somewhat of what there was volume wise, but with our mechanisms and the interplay of our rates, we have some unique rates in our tariffs that we kind of need to know the whole billing cycles to know where the rate landed. We've opted to just not include it, but it is a positive sign that usage certainly would've been impacted by the higher temperatures.

Christopher R. Ellinghaus - *The Williams Capital Group, L.P., Research Division - Senior Equity Research Analyst of Power & Natural Gas*

Okay. So if NOAA's slide that Darrel was talking about comes to fruition for the quarter, there'd be a little more upside to your earnings even considering your unusual tariffs?

Steven R. Keen - *IdaCorp, Inc. - CFO, SVP, Treasurer, CFO of Idaho Power Co., SVP of Idaho Power Co. and Treasurer of Idaho Power Co.*

I think that's a fair statement. Another place just to show you how everybody knows we try to balance things we say, that hot and dry can also bring unusual things that cost us money. If we have a bad fire season or something like that, you could see some costs that we don't have. But barring those items, the hot and dry usually means we sell more energy, and that's helpful. We will get moderation in the residential and small commercial class with the FCA. But even there, we just participate less. We don't get the full amount. Some of that goes back to help our customers.

Christopher R. Ellinghaus - *The Williams Capital Group, L.P., Research Division - Senior Equity Research Analyst of Power & Natural Gas*

Right. Okay. As far as the ADITC reversal, when you made the decision to do that in the second quarter, which I kind of was thinking was more of a third quarter issue, was that because the North Valmy decision was enough to do that? Or was that North Valmy plus sort of peaking into the third quarter weather? How did you come to that decision?

Steven R. Keen - *IdaCorp, Inc. - CFO, SVP, Treasurer, CFO of Idaho Power Co., SVP of Idaho Power Co. and Treasurer of Idaho Power Co.*

We wouldn't really use the weather portion going forward, Chris. But we do look at anything that we know about or that we have modified our plan or our expected result from here to the end of the year rolls into that because we have to actually update a year-end calculation and see where we think earnings will land. And our accounting treatment actually mandates that. And so if we look at that and it shows that we don't think we'll use credits, then that causes us to reverse what we've got on the books and set back to 0. And that's why we -- we're a little ways past that line, but we're not a long ways past the line. That's why we put in the caution that when you're there, you could go either direction. And being past the line, positive items will have an earnings impact. If we get some negative, it could just shift us back into a modest amount of credit.

Christopher R. Ellinghaus - *The Williams Capital Group, L.P., Research Division - Senior Equity Research Analyst of Power & Natural Gas*

Okay. And as far as the potential to extend the ADITC mechanism, sometimes that has been at least pseudo-attached to a rate case, and sometimes it's just been an outside settlement. Should you decide to not pursue a rate case next year in Idaho, are you thinking you would have some sort of discussion with parties about the extension outside of a rate case?

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Darrel T. Anderson - *IdaCorp, Inc. - CEO, President and Director*

Chris, this is Darrel. I think all of the above. I think we're going to -- we'll take a look at it and wouldn't be -- we wouldn't be out of order to maybe take that on a one-off, but we might also look at it in conjunction with something else also. We would just look at all the options that are on the table. The other thing, too, is if you look at our history, when we went for renewals or re-upping the ADITC mechanism, we -- those are -- they were, at different times, as it relates to how close to expiration of the existing agreement was, some are -- some we got right up close to the expiration, some were a little bit earlier. So a lot of it will just sort of depend on where we are and how we're feeling about things. And we will keep you guys in the loop on that as we do that in our calls, given what we know at the time. But right now, we'll assess that next year.

Steven R. Keen - *IdaCorp, Inc. - CFO, SVP, Treasurer, CFO of Idaho Power Co., SVP of Idaho Power Co. and Treasurer of Idaho Power Co.*

Chris, I do think '18 would be earlier than we maybe done one before, but it's certainly not impossible. We'll keep that on the list.

Darrel T. Anderson - *IdaCorp, Inc. - CEO, President and Director*

And Chris, I'll just say, and this is a statement of the obvious somewhat, but the mechanism, or at least my perspective on it is it's been good for both customers and shareholders. And I think that most of the parties will look at it that way. So as we look, get closer to '19, I think it's one of those things that will definitely have to be on the table to consider doing. So it's a bit of a statement of the obvious, but at the same time, we look at it as a valuable tool in the toolbox.

Christopher R. Ellinghaus - *The Williams Capital Group, L.P., Research Division - Senior Equity Research Analyst of Power & Natural Gas*

Okay. You didn't say much about business development this time, Darrel. Sometimes you tell us about hotels and sometimes you tell us about Clif Bars or whatever, but what are you seeing in terms of business development that you didn't talk about?

Darrel T. Anderson - *IdaCorp, Inc. - CEO, President and Director*

So what I'd like to talk about is go through our whole pipeline chart, but I really can't do that because it's a pretty exciting list of things that we are monitoring right now. The one thing I would tell you about the hotels is they're, I think, all online now. They're getting people in them, and so they're using energy, and we're seeing a lot more activity in those hotels, we see that. And I would just tell you, there's just a lot of activity that we've got. Adam Richins is here who is our Vice President over that area. He's been very active out there with his team that he's got there, out there talking to site selectors and meeting with economic development people. And so there's just -- what I would just tell you, there's both existing, I think, the thing we can't lose sight of is the existing customers that we have are looking to expand in our service territory. And that -- and if you look at our industrial load from last year to this year, you see a pretty good increase in industrial, and most of that is existing customer growth in what they are doing in the technology sector, in the food processing sector, those guys are expanding. So that's why I didn't mention anything specific because a lot of it is -- are some of our existing customers who are expanding their footprints in Idaho. But there's a lot of activity going on.

Operator

(Operator Instructions) That concludes the question-and-answer session for today. Mr. Anderson, I will turn the conference back to you.

Darrel T. Anderson - *IdaCorp, Inc. - CEO, President and Director*

Kate, thank you, and thank you to all that were participating on the call this afternoon. We absolutely appreciate your continued interest in IDACORP. And we hope you have a great rest of the day and you survive all the calls of the day. Thanks much.

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Operator

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

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